Mitsui Chemicals

Detailed Consolidated Financial Statements

Years ended March 31, 2023 and 2022

Consolidated Statements of Financial Position

As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents (Note 8)	¥ 186,310	¥ 181,152	$ 1,395,267
Trade receivables (Note 9)	352,181	370,426	2,637,467
Inventories (Note 10)	441,949	369,009	3,309,736
Other financial assets (Notes 11 and 37)	76,409	43,496	572,223
Other current assets (Note 12)	37,437	27,258	280,364
Subtotal	1,094,286	991,341	8,195,057
Assets held for sale (Note 13)	—	42,104	—
Total current assets	1,094,286	1,033,445	8,195,057
Non-current assets			
Property, plant and equipment (Note 14)	553,332	513,950	4,143,878
Right-of-use assets (Note 15)	47,555	39,634	356,137
Goodwill (Notes 7 and 16)	19,338	17,981	144,821
Intangible assets (Note 16)	48,137	45,341	360,496
Investment property (Note 17)	21,713	21,546	162,608
Investments accounted for using equity method (Note 19)	148,892	133,157	1,115,045
Other financial assets (Notes 11 and 37)	58,518	55,757	438,239
Retirement benefit assets (Note 24)	61,036	60,750	457,096
Deferred tax assets (Note 35)	10,270	8,579	76,912
Other non-current assets (Note 12)	5,126	4,825	38,387
Total non-current assets	973,917	901,520	7,293,619
Total assets	¥2,068,203	¥1,934,965	$15,488,676

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade payables (Note 20)	¥ 164,267	¥ 174,844	$ 1,230,188
Bonds and borrowings (Note 21)	368,463	346,615	2,759,402
Income taxes payable	7,416	12,903	55,539
Other financial liabilities (Notes 22 and 37)	112,933	127,608	845,750
Provisions (Note 25)	2,349	2,474	17,592
Other current liabilities (Note 26)	40,016	42,125	299,678
Total current liabilities	695,444	706,569	5,208,149
Non-current liabilities			
Bonds and borrowings (Note 21)	369,786	319,471	2,769,310
Other financial liabilities (Notes 22 and 37)	57,174	49,297	428,173
Retirement benefit liabilities (Note 24)	20,242	18,857	151,591
Provisions (Note 25)	6,101	5,051	45,690
Deferred tax liabilities (Note 35)	35,162	28,133	263,327
Other non-current liabilities (Note 26)	991	465	7,422
Total non-current liabilities	489,456	421,274	3,665,513
Total liabilities	1,184,900	1,127,843	8,873,662
Equity			
Share capital (Note 27)	125,572	125,414	940,403
Capital surplus (Note 27)	57,778	69,866	432,697
Treasury stock (Note 27)	(32,704)	(34,932)	(244,919)
Retained earnings (Note 27)	575,125	516,098	4,307,084
Other components of equity (Note 27)	61,056	36,208	457,245
Total equity attributable to owners of the parent	786,827	712,654	5,892,510
Non-controlling interests	96,476	94,468	722,504
Total equity	883,303	807,122	6,615,014
Total liabilities and equity	¥2,068,203	¥1,934,965	$15,488,676

Consolidated Statements of Income

For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Sales revenue (Note 29)	¥ 1,879,547	¥ 1,612,688	$ 14,075,841
Cost of sales	(1,498,054)	(1,233,948)	(11,218,858)
Gross profit	381,493	378,740	2,856,983
Selling, general and administrative expenses (Notes 7, 30 and 32)	(284,589)	(239,356)	(2,131,274)
Other operating income (Notes 7 and 33)	28,325	13,112	212,125
Other operating expenses (Notes 7 and 33)	(17,924)	(31,005)	(134,232)
Share of profit of investments accounted for using equity method (Note 19)	21,693	25,819	162,458
Operating income	128,998	147,310	966,060
Financial income (Note 34)	5,678	6,175	42,523
Financial expenses (Note 34)	(17,398)	(12,211)	(130,293)
Income before income taxes	117,278	141,274	878,290
Income tax expense (Note 35)	(27,140)	(22,723)	(203,250)
Net income	90,138	118,551	675,039
Net income attributable to:			
Owners of the parent	82,936	109,990	621,104
Non-controlling interests	7,202	8,561	53,935
Net income	¥ 90,138	¥ 118,551	$ 675,039

	Yen		U.S. dollars
Earnings (loss) per share			
Basic earnings per share (Note 36)	¥431.17	¥565.45	$3.229

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Net income	¥ 90,138	¥118,551	$675,039
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income (Note 27)	4,186	3,074	31,349
Remeasurements of defined benefit plans (Note 27)	901	2,149	6,748
Share of other comprehensive income of investments accounted for using equity method (Notes 19 and 27)	14	210	104
Total of items that will not be reclassified to profit or loss	5,101	5,433	38,201
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations (Note 27)	17,879	22,496	133,895
Effective portion of net change in fair value of cash flow hedges (Note 27)	160	494	1,198
Share of other comprehensive income of investments accounted for using equity method (Notes 19 and 27)	4,790	3,726	35,872
Total of items that may be reclassified to profit or loss	22,829	26,716	170,965
Total other comprehensive income, net of tax	27,930	32,149	209,166
Comprehensive income	¥118,068	¥150,700	$884,206
Comprehensive income attributable to:			
Owners of the parent	108,036	139,352	809,077
Non-controlling interests	10,032	11,348	75,129
Comprehensive income	¥118,068	¥150,700	$884,206

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

For the year ended March 31, 2023

	Millions of yen											
	Equity attributable to owners of the parent											
					Other components of equity							
	Share capital	Capital surplus	Treasury stock	Retained earnings	Financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of April 1, 2022	¥125,414	¥ 69,866	¥(34,932)	¥516,098	¥14,558	¥ —	¥21,911	¥(261)	¥36,208	¥712,654	¥94,468	¥807,122
Net income	—	—	—	82,936	—	—	—	—	—	82,936	7,202	90,138
Other comprehensive income	—	—	—	—	4,172	938	19,810	180	25,100	25,100	2,830	27,930
Total comprehensive income	—	—	—	82,936	4,172	938	19,810	180	25,100	108,036	10,032	118,068
Purchase of treasury stock (Note 27)	—	—	(10,023)	—	—	—	—	—	—	(10,023)	—	(10,023)
Disposal of treasury stock (Note 27)	—	(0)	5	—	—	—	—	—	—	5	—	5
Cancellation of treasury stock (Note 27)	—	(12,246)	12,246	—	—	—	—	—	—	—	—	—
Dividends (Note 28)	—	—	—	(24,161)	—	—	—	—	—	(24,161)	(7,168)	(31,329)
Share-based payment transactions (Note 31)	158	158	—	—	—	—	—	—	—	316	—	316
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	(856)	(856)
Transactions with non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	252	686	(938)	—	—	(252)	—	—	—
Total transactions with owners, etc.	158	(12,088)	2,228	(23,909)	686	(938)	—	—	(252)	(33,863)	(8,024)	(41,887)
Balance as of March 31, 2023	¥125,572	¥ 57,778	¥(32,704)	¥575,125	¥19,416	¥ —	¥41,721	¥ (81)	¥61,056	¥786,827	¥96,476	¥883,303

	Thousands of U.S. dollars											
	Equity attributable to owners of the parent											
					Other components of equity							
	Share capital	Capital surplus	Treasury stock	Retained earnings	Financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of April 1, 2022	$939,220	$523,224	$(261,604)	$3,865,034	$109,024	$ —	$164,090	$(1,955)	$271,159	$5,337,033	$707,466	$6,044,499
Net income	—	—	—	621,104	—	—	—	—	—	621,104	53,935	675,039
Other comprehensive income	—	—	—	—	31,244	7,025	148,356	1,348	187,973	187,973	21,193	209,166
Total comprehensive income	—	—	—	621,104	31,244	7,025	148,356	1,348	187,973	809,077	75,129	884,206
Purchase of treasury stock (Note 27)	—	—	(75,062)	—	—	—	—	—	—	(75,062)	—	(75,062)
Disposal of treasury stock (Note 27)	—	(0)	37	—	—	—	—	—	—	37	—	37
Cancellation of treasury stock (Note 27)	—	(91,710)	91,710	—	—	—	—	—	—	—	—	—
Dividends (Note 28)	—	—	—	(180,941)	—	—	—	—	—	(180,941)	(53,680)	(234,621)
Share-based payment transactions (Note 31)	1,183	1,183	—	—	—	—	—	—	—	2,366	—	2,366
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	(6,411)	(6,411)
Transactions with non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	1,887	5,138	(7,025)	—	—	(1,887)	—	—	—
Total transactions with owners, etc.	1,183	(90,527)	16,685	(179,054)	5,138	(7,025)	—	—	(1,887)	(253,600)	(60,091)	(313,691)
Balance as of March 31, 2023	$940,403	$432,697	$(244,919)	$4,307,084	$145,406	$ —	$312,446	$ (607)	$457,245	$5,892,510	$722,504	$6,615,014

For the year ended March 31, 2022

	Millions of yen											
	Equity attributable to owners of the parent											
					Other components of equity							
	Share capital	Capital surplus	Treasury stock	Retained earnings	Financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of April 1, 2021	¥125,331	¥74,009	¥(24,900)	¥424,084	¥11,606	¥ —	¥ (1,497)	¥(712)	¥ 9,397	¥607,921	¥74,236	¥682,157
Net income	—	—	—	109,990	—	—	—	—	—	109,990	8,561	118,551
Other comprehensive income	—	—	—	—	3,341	2,162	23,408	451	29,362	29,362	2,787	32,149
Total comprehensive income	—	—	—	109,990	3,341	2,162	23,408	451	29,362	139,352	11,348	150,700
Purchase of treasury stock (Note 27)	—	—	(10,037)	—	—	—	—	—	—	(10,037)	—	(10,037)
Disposal of treasury stock (Note 27)	—	0	5	—	—	—	—	—	—	5	—	5
Cancellation of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—
Dividends (Note 28)	—	—	—	(20,527)	—	—	—	—	—	(20,527)	(5,695)	(26,222)
Share-based payment transactions (Note 31)	83	83	—	—	—	—	—	—	—	166	—	166
Change in scope of consolidation (Note 7)	—	—	—	—	—	—	—	—	—	—	19,860	19,860
Transactions with non-controlling interests	—	(4,226)	—	—	—	—	—	—	—	(4,226)	(5,281)	(9,507)
Transfer from other components of equity to retained earnings	—	—	—	2,551	(389)	(2,162)	—	—	(2,551)	—	—	—
Total transactions with owners, etc.	83	(4,143)	(10,032)	(17,976)	(389)	(2,162)	—	—	(2,551)	(34,619)	8,884	(25,735)
Balance as of March 31, 2022	¥125,414	¥69,866	¥(34,932)	¥516,098	¥14,558	¥ —	¥21,911	¥(261)	¥36,208	¥712,654	¥94,468	¥807,122

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities			
Income before income taxes	¥ 117,278	¥ 141,274	$ 878,290
Depreciation and amortization	92,080	84,222	689,583
Impairment loss (Note 18)	7,455	16,183	55,830
Gain on negative goodwill (Note 7)	—	(7,246)	—
Insurance income	(2,083)	(1,226)	(15,599)
Interest and dividend income	(5,011)	(2,458)	(37,527)
Interest expenses	5,813	3,932	43,533
Share of loss (profit) of investments accounted for using equity method	(21,693)	(25,819)	(162,458)
Decrease (increase) in trade receivables	21,409	(62,942)	160,331
Decrease (increase) in inventories	(68,718)	(81,582)	(514,626)
Increase (decrease) in trade payables	(11,019)	39,968	(82,521)
Others	(10,000)	(3,098)	(74,890)
Subtotal	125,511	101,208	939,946
Interest and dividends received	13,930	11,158	104,321
Proceeds from insurance income	2,083	1,226	15,599
Interest paid	(5,889)	(3,972)	(44,102)
Income taxes refund (paid)	(34,394)	(17,036)	(257,575)
Net cash provided by (used in) operating activities	101,241	92,584	758,189
Cash flows from investing activities			
Purchase of property, plant and equipment	(132,347)	(107,067)	(991,141)
Proceeds from sale of property, plant and equipment	490	1,588	3,670
Purchase of intangible assets	(5,514)	(9,149)	(41,294)
Proceeds from sale of intangible assets	8	4	60
Purchase of marketable securities	(3,101)	—	(23,223)
Proceeds from sale and redemption of marketable securities	3,248	—	24,324
Purchase of investment securities	(2,378)	(2,510)	(17,809)
Proceeds from sale and redemption of investment securities	1,149	2,939	8,605
Proceeds from a paid-in capital reduction of investment securities (Note 7)	37,320	—	279,488
Payments for acquisition of subsidiaries (Note 7)	(3,706)	(41,510)	(27,754)
Proceeds from acquisition of subsidiaries (Note 7)	—	12,430	—
Payments for sale of subsidiaries	(6,311)	(1,749)	(47,263)
Proceeds from sale of subsidiaries	—	5,547	—
Payments for acquisition of businesses (Note 7)	—	(10,694)	—
Purchase of equity accounted investments (Note 7)	(12)	(58,826)	(90)
Proceeds from equity accounted investments	4,426	—	33,146
Others	388	3,763	2,906
Net cash provided by (used in) investing activities	(106,340)	(205,234)	(796,375)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings (Note 23)	4,064	54,999	30,435
Increase (decrease) in commercial papers (Note 23)	20,000	70,000	149,779
Proceeds from long-term borrowings (Note 23)	79,352	40,289	594,263
Repayments of long-term borrowings (Note 23)	(48,759)	(45,566)	(365,154)
Proceeds from issuance of bonds (Note 23)	15,000	35,000	112,334
Redemption of bonds (Note 23)	(284)	(10,432)	(2,127)
Repayments of lease liabilities (Note 23)	(9,810)	(9,637)	(73,467)
Proceeds from sale of treasury stock	5	6	37
Purchase of treasury stock	(10,023)	(10,037)	(75,062)
Dividends paid (Note 28)	(24,161)	(20,527)	(180,941)
Capital contribution from non-controlling interests	10	1	75
Dividends paid to non-controlling interests	(7,253)	(5,617)	(54,317)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(15,599)	(9,257)	(116,818)
Net cash provided by (used in) financing activities	2,542	89,222	19,037
Effect of exchange rate changes on cash and cash equivalents	7,715	8,593	57,777
Net increase (decrease) in cash and cash equivalents	5,158	(14,835)	38,628
Cash and cash equivalents at the beginning of period (Note 8)	181,152	195,987	1,356,639
Cash and cash equivalents at end of period (Note 8)	¥ 186,310	¥ 181,152	$1,395,267

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

1. Reporting Entity

Mitsui Chemicals, Inc. (hereinafter the "Company") is a company incorporated in Japan and is listed on the Prime Market of the Tokyo Stock Exchange. The address of its registered head office is disclosed on the Company's website (https://jp.mitsuichemicals.com/en/).

The consolidated financial statements of the Company and its subsidiaries (hereinafter collectively the "Group") with a closing date as of March 31 comprise the Group and the Group's interests in associates and joint arrangements.

The Group is primarily engaged in business activities related to the manufacture and sale of goods or services in the Life & Healthcare Solutions, Mobility Solutions, ICT Solutions, and Basic & Green Materials segments.

Please note that the classification of reportable segments changed in the first quarter of the year ended March 31, 2023. The details of businesses and principal business activities of the Group are stated in Note 6 "Segment Information (1) Overview of reportable segments."

2. Basis of Preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in compliance with IFRS published by the International Accounting Standards Board. In addition, since the Company qualifies as a "specified company complying with designated international accounting standards" prescribed in Article 1-2 of the Regulation on Consolidated Financial Statements, the provisions of Article 93 of that Regulation are applied.

The Group's consolidated financial statements were approved on June 27, 2023 by Osamu Hashimoto, Representative Director, Member of the Board, President & CEO, and Hajime Nakajima, Member of the Board, Representative Director, Managing Executive Officer & CFO.

(2) Basis of measurement

The consolidated financial statements of the Group are prepared on a historical cost basis except for financial instruments, etc. measured at fair value as described in Note 3 "Significant Accounting Policies."

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company's functional currency, and figures are rounded to the nearest million yen. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers, using ¥133.53=US$1.00, the approximate rate of exchange in effect on March 31, 2023. The translation should not be construed as a representation that yen amounts have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Significant Accounting Policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities that are controlled by the Group. Control is deemed to be achieved when the Group is exposed or has rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when control is obtained until the date when it is lost.

If any accounting policies applied by a subsidiary differ from those applied by the Company, adjustments are made to the subsidiary's financial statements where needed.

Subsidiaries whose fiscal year-end is different from the Group's consolidated fiscal year-end are consolidated based on their provisional financial statements as of the consolidated fiscal year-end.

All intergroup balances of receivables and payables and other internal transactions within the Group, as well as unrealized gains and losses arising from internal transactions are eliminated in preparing the consolidated financial statements.

Changes in ownership interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to owners of the parent. Upon loss of control over a subsidiary, the Group remeasures any retained investment in the subsidiary at fair value at the date of loss of control and recognizes gains or losses resulting from the loss of control in profit or loss.

(ii) Associates and joint arrangements

Associates are entities in which the Group has significant influence over the financial and operating policies but does not have control or jointly control. The Group is presumed to have significant influence over another entity when it holds at least 20% but 50% or less of the voting rights of the 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 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 has an interest in a joint operation, the Group only recognizes an amount equivalent to its share of the assets, liabilities, revenues and expenses generated from the joint operation.

If any accounting policies applied by an associate, a joint venture or a joint operation differ from those applied by the Group, adjustments are made to their financial statements where needed.

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

Unrealized gains or losses arising from transactions between the Group and its associates or joint ventures are adjusted in the Group's consolidated financial statements. The balances of receivables and payables and transactions among the Group and its joint operations, as well as unrealized gains or losses arising from these transactions are eliminated in preparing the consolidated financial statements.

When an entity ceases to be an associate or joint venture and is no longer accounted for using the equity method, the Group remeasures any retained investment in the entity at fair value at the date of discontinuing the use of the equity method and recognizes gains or losses resulting from the discontinued use of the equity method in profit or loss, except when the entity becomes a consolidated subsidiary.

(2) Business combinations

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities assumed of an acquiree are, in principle, measured at their acquisition-date fair value.

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 negative goodwill is immediately recognized in profit or loss.

The consideration transferred is measured as the sum of the fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

The Group elects to measure non-controlling interest in the acquiree for each business combination at either fair value or at the proportionate share of the recognized amounts of identifiable net assets.

Acquisition-related costs incurred for business combinations, such as agent commissions, legal fees and due diligence costs, are expensed as incurred.

If initial accounting for a business combination is incomplete by the end of the period in which the combination occurs, the items for which the accounting is incomplete are measured at provisional amounts. Those provisional amounts recognized at the acquisition date are retrospectively adjusted if new information obtained within one year from the acquisition date, i.e., measurement period, would have affected the measurement of the amounts recognized at the acquisition date.

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

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 translation

(i) Foreign currency transactions

Foreign currency transactions are translated into respective functional currencies of the Company and its subsidiaries at the spot exchange rate at the date of the transaction or at the exchange rate that approximates the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the fiscal year-end are translated into each functional currency at the exchange rate at the fiscal year-end. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currencies at the exchange rate prevailing at the date that the fair value was determined.

Exchange differences arising from such translations and settlements are recognized in profit or loss. However, exchange differences arising from equity instruments measured through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

(ii) Translation of foreign operations
Assets and liabilities of foreign operations are translated into Japanese yen at the prevailing exchange rate at the fiscal year-end. Revenues and expenses are translated into Japanese yen at the average exchange rate during the period, except when the exchange rate fluctuates significantly. Exchange differences arising from such translations are recognized in other comprehensive income.

On the disposal of the entire interest in a foreign operation, or on the partial disposal of an interest in a foreign operation that involves the loss of control of a subsidiary or loss of significant influence over an associate, the cumulative amount of the exchange differences relating to that foreign operation is recognized in profit or loss at the time of disposal.

(4) Financial instruments
(i) Financial assets (excluding derivatives)
i) Initial recognition and measurement
Under IFRS 15 "Revenue from Contracts with Customers," the Group initially recognizes trade receivables when it satisfies its performance obligations and acquires unconditional rights to consideration. All other financial assets are initially recognized on the transaction date when the Group becomes a party to the contractual provisions of the assets.

At initial recognition, the Group classifies financial assets into those measured at amortized cost, those measured at fair value through profit or loss and those measured at fair value through other comprehensive income.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:
- the financial assets are held based on a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments are classified as financial assets measured at fair value through other comprehensive income if both of the following conditions are met. All other debt instruments are classified as financial assets measured at fair value through profit or loss.
- the financial assets are held based on a business model whose objective is achieved by both collecting contractual cash flows and selling assets and;
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments, excluding those held for trading purposes, are classified as financial assets measured at fair value through profit or loss. However, except for those held for trading purpose, each equity instrument is designated as measured at fair value through profit or loss or as measured at fair value through other comprehensive income. Such designations are applied consistently.

Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the financial assets.

However, transaction costs attributable to financial assets measured at fair value through profit or loss are recognized in profit or loss as incurred.

ii) Subsequent measurement
After their initial recognition, financial assets are measured according to their classification as follows:
(a) Financial assets measured at amortized cost
Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.
(b) Financial assets measured at fair value
Financial assets other than those measured at amortized cost are measured at fair value.

Changes in fair value of financial assets measured at fair value are recognized in profit or loss or other comprehensive income.

For equity instruments that are designated as measured at fair value through other comprehensive income, changes in fair value are recognized in other comprehensive income and reclassified to retained earnings in case of derecognition or significant decrease in fair value.

iii) Derecognition
The Group derecognizes financial assets when contractual rights to cash flows from the financial assets expire or when the contractual rights to receive cash flows from the financial assets are transferred and substantially all the risks and rewards of ownership of the financial asset are thereby transferred.

iv) Impairment
At each fiscal year-end, the Group assesses whether the credit risk on a financial asset measured at amortized cost or a financial guarantee contract has increased significantly since initial recognition.

The Group measures 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 its initial recognition, the Group measures allowance for doubtful accounts for financial assets at an amount equal to 12-month expected credit losses.

However, the Group always measures allowance for doubtful accounts at an amount equal to lifetime expected credit losses for trade receivables and lease receivables.

When determining whether the credit risk of a financial asset has increased significantly since its initial recognition, the Group evaluates by comparing the risk of a default occurring on the financial assets at each fiscal year-end with the risk of a default occurring on the financial assets at the date of initial recognition. The Group considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that are available without excessive cost or effort (e.g., internal credit rating, external credit rating, etc.), as well as past due information.

Any financial assets are treated as credit-impaired financial assets if there is a request for changing terms and conditions for repayment from a debtor, 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 cannot reasonably be expected to be recovered in the future, the carrying amount of financial assets is directly reduced, and the amount of corresponding allowance for doubtful accounts is also reduced.

Expected credit losses on financial instruments are measured as the present value of the difference between the contractual cash flows that are due to the Group and the cash flows that the Group expects to receive, and are recognized in profit or loss.

(ii) Financial liabilities (excluding derivatives)

i) Initial recognition and measurement

At initial recognition, financial liabilities are classified as financial liabilities measured at amortized cost and financial liabilities measured at fair value through profit or loss. All financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortized cost are measured at fair value less directly attributable transaction costs.

ii) Subsequent measurement

After initial recognition, financial liabilities are measured according to their classification as follows:

(a) Financial liabilities measured at amortized cost

After their initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization using the effective interest method and gains or losses arising in the case of derecognition are recognized in profit or loss.

(b) Financial liabilities measured at fair value through profit or loss

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

iii) Derecognition

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

(iii) Derivatives and hedge accounting

The Group uses derivatives such as forward exchange contracts, currency swaps and interest rate swaps to hedge foreign exchange fluctuation risk and interest rate fluctuation risk. These derivatives are initially measured at fair value at the date the contracts are entered into and are subsequently remeasured at fair value.

Changes in fair value of derivatives are recognized in profit or loss. However, the effective portion of cash flow hedge is recognized in other comprehensive income in the consolidated statements of 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 transactions, the nature of the risk being hedged, and the methods of assessing the effectiveness of changes in fair value of the hedging instruments (including methods for analyzing the causes of ineffective hedging and determining the hedge ratio) in offsetting the exposures to the changes in fair value or cash flows of hedged items attributable to hedged risks.

At the inception of the hedge and on an ongoing basis, the Group assesses whether a derivative used in the hedge transaction is effective in offsetting changes in fair value or cash flows of hedged items.

Hedges that meet the criteria for hedge accounting are classified and accounted for as follows.

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 are recognized in profit or loss, adjusting the carrying amount of the hedged item.

ii) Cash flow hedges
The effective portion of changes in fair value of hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized in profit or loss.

The amounts associated with the hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the hedged transactions affect profit or loss. If a hedged item results in the recognition of a non-financial asset or a non-financial liability, the associated amount recognized in other comprehensive income is reclassified as adjustment to the initial carrying amount of the non-financial asset or the non-financial liability.

Hedge accounting is discontinued when a forecast transaction is no longer deemed to have a high probability of occurring. Furthermore, when a forecast transaction is no longer expected to occur, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss.

(iv) Offsetting of financial assets and financial liabilities
The Group offsets financial assets and financial liabilities and presents them as a net amount only when it currently holds a legally enforceable right to offset the amounts recognized as assets and liabilities and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(5) Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible to cash and subject to an insignificant risk of changes in value.

(6) Inventories
Inventories are recognized at the lower of cost and net realizable value. The cost of inventories is determined mainly by using the weighted-average cost formula and comprises costs of purchase, costs of conversion and all costs incurred in bringing the inventories to the present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

(7) Non-current assets or disposal groups classified as held for sale
The Group classifies non-current assets (or disposal groups) as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The conditions for classifying non-current assets (or disposal groups) as held for sale are that they must be available for immediate sale in their present condition and the sale must be highly probable. The classification is also limited to when management of the Group is committed to executing the sale plan and the sale is expected to complete within one year.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are not depreciated or amortized after they are classified as held for sale.

(8) Property, plant and equipment
(i) Recognition and measurement
Property, plant and equipment are measured using the cost model and stated at cost less any accumulated depreciation and any accumulated impairment loss.

The acquisition cost includes costs directly attributable to the acquisition of the asset and initially estimated costs of dismantling, removing and restoration of the asset. In addition, borrowing costs that are directly attributable to the acquisition and construction of assets and meet certain criteria for asset recognition are recognized as part of the acquisition cost.

(ii) Depreciation
Property, plant and equipment (excluding land and other non-depreciable assets) are depreciated on a straight-line basis over their respective estimated useful lives.

The estimated useful lives of major classes of assets are as follows:
• Buildings and structures: 2 to 75 years
• Machinery and vehicles: 2 to 25 years

The depreciation method, estimated useful lives, and residual values are reviewed at the end of each fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(9) Leases

Lessees

The Group determines that a contract is a lease or contains a lease at the time of entering into the contract. If the contract conveys the right to control the use of an identified asset for a certain period of time in exchange for consideration, the contract is determined to be a lease or contain a lease. When a contract is determined to be a lease or contain a lease, the Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease.

At the commencement date, lease liabilities are measured at the present value of the lease payments that are not paid at that date. Right-of-use assets are initially measured at the amount of the initial measurement of lease liabilities, adjusted mainly by any initial direct costs and any prepaid lease payments, plus costs including obligations for restoration under the lease contract.

Lease payments are apportioned between financial expenses and reduction of the lease liability based on the interest method, and the financial expenses are recognized in profit or loss.

After initial recognition, depreciation is carried out on a straight-line basis over the shorter of its estimated useful life and the lease term. Regarding the lease term, in addition to the non-cancellable period of the lease, it includes both the period covered by an option to extend the lease when the lessee is reasonably certain to exercise that option and the period covered by an option to cancel the lease if the lessee is reasonably certain not to exercise that option.

The Group recognizes lease payments related to short-term leases whose lease term is 12 months or less and leases for which the underlying asset is of low value as expenses on a straight-line basis over the lease terms.

Lessor

Leases are classified as either operating leases or finance leases. If the bulk of the risks and economic value associated with the ownership of the underlying asset is transferred, the lease is classified as a finance lease, and if such risks and value are not transferred, it is classified as an operating lease. Whether the lease is a finance lease or an operating lease is determined according to the substance of the transaction, not the form of the contract.

When classifying subleases, the intermediate lessor is classified by reference to the right-of-use asset arising from the head lease.

(10) Goodwill and intangible assets

(i) Goodwill

Initial recognition and measurement of goodwill arising from the acquisition of a business are as stated in "(2) Business combinations."

Goodwill is stated at cost less any accumulated impairment loss. Goodwill is not amortized and is tested for impairment annually, or whenever there is an indication of impairment. Impairment loss on goodwill is recognized in the consolidated statements of income and no subsequent reversal is made.

(ii) Intangible assets

Intangible assets are measured using the cost model and stated at cost less any accumulated amortization and any accumulated impairment loss.

Separately acquired intangible assets are initially recognized at cost. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures on internally generated intangible assets are all recognized as expenses in the period when incurred, except for development expenses that satisfy the criteria for capitalization.

Intangible assets with finite useful lives are amortized on a straight-line basis over their respective estimated useful lives and are tested for impairment whenever there is an indication of impairment.

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

• Software:	2 to 15 years
• Patents and technology license:	2 to 45 years
• Customer value:	5 to 30 years
• Trademarks:	5 to 15 years

The estimated useful lives and amortization method of intangible assets with finite useful lives are reviewed at the end of each fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

Intangible assets with indefinite useful lives are not amortized and are tested for impairment annually, or whenever there is an indication of impairment.

(11) Investment property

Investment properties are properties held to earn rentals or for capital gains or both. They do not include properties held for sale in the ordinary course of business, for use in the production or sale of goods or services or for administrative purposes.

Investment properties are measured using the cost model. Investment properties, excluding land and other non-depreciable assets, are depreciated on a straight-line basis over their estimated useful lives, using the same estimated useful lives and depreciation method as those for property, plant and equipment.

(12) Impairment of non-financial assets

The Group assesses whether there is any indication that non-financial assets (excluding inventories, deferred tax assets, retirement benefit assets and non-current assets held for sale) may be impaired at the end of each fiscal year. If there is an indication of impairment, the Group estimates the recoverable amount of the asset or cash-generating unit (CGU) to which the asset belongs.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, or whenever there is an indication of impairment.

The recoverable amount of the asset or CGU to which it belongs is the higher of its fair value less costs of disposal and its value in use.

The value in use is determined by discounting the estimated future cash flows to the 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 the individual asset, the Group estimates the recoverable amount of each CGU to which the asset belongs.

On or after the acquisition date, goodwill is allocated to a CGU or group of CGUs that is expected to benefit from the synergies of the business combination.

Since the Group's corporate assets do not generate independent cash inflows, the recoverable amounts are determined for the CGU or group of CGUs to which the corporate assets belong if there is any indication of impairment of the corporate assets.

Impairment loss is recognized in profit or loss when the recoverable amount of a CGU (or group of CGUs) is less than its carrying amount.

Impairment loss recognized for the CGU (or group of CGUs) is first allocated to extinguish the carrying amount of any goodwill allocated to the unit (or group), and subsequently to reduce the carrying amount of other assets in the unit on a pro-rata basis.

No reversal is made for impairment losses related to goodwill.

Impairment loss recognized in prior years for assets other than goodwill is assessed as to whether there is any indication that the losses may no longer exist or may have decreased. If any such an indication exists, the Group estimates the recoverable amount of the asset or the CGU.

If the recoverable amount exceeds the carrying amount of the asset or CGU, the impairment loss is reversed up to the carrying amount less depreciation or amortization that would have been determined had no impairment loss been recognized.

(13) Employee benefits

(i) Post-employment benefits

The Group has defined benefit plans and defined contribution plans as post-employment benefit plans for its employees.

i) Defined benefit plans

Net defined benefit liabilities or assets are calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligations. If a defined benefit plan is overfunded, the net value of the defined benefit assets is measured at the lower of the overfunded amount of the plan or the asset ceiling. The Group uses the projected unit credit method to determine the present value of the defined benefit obligations, the related current service cost and the past service cost. The discount rate is determined by reference to market yield on high-quality corporate bonds having maturity terms that approximate to the estimated term of the related benefit obligations at the end of the reporting period.

Service costs and net interest on the net defined benefit liabilities or assets are recognized in profit or loss. The past service costs are recognized immediately in profit or loss. Remeasurements of net defined liabilities or assets, including actuarial gains and losses, are recognized in other comprehensive income in the period incurred and immediately reclassified from other components of equity to retained earnings.

ii) Defined contribution plans

Payments to defined contribution plans are recognized as expenses over the period in which employees render services.

(ii) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis, and are recognized as expenses when employees render the related service.

Bonuses and paid leave expenses are recognized as a liability in the amount estimated to be paid if the Group has a legal or constructive obligation to pay such employees and the obligation can be reliably estimated.

(14) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

If the effect of the time value of money is significant, provisions are determined by discounting the expenditures expected to be required to settle the obligation to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability.

(15) Equity

(i) Common stock

The proceeds from issuance of common stock issued by the Company are recorded in share capital and capital surplus, and costs directly attributable to the issuance (after tax effect adjustments) are recognized as a deduction from equity.

(ii) Treasury stock

When treasury stock is acquired, the acquisition costs, including costs directly attributable to the acquisition (after tax effect adjustments), are recognized as a deduction from equity.

When treasury stock is sold, the difference between the carrying amount and the consideration on sales is recognized in capital surplus.

(16) Revenue

The Group recognizes revenue in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the transfer of goods and services to customers, based on the following five-step approach.

Step 1: Identify the contract(s) 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 individual performance obligations in the contract.

Step 5: Recognize revenue when (or as) the performance obligations are satisfied.

The Group is primarily engaged in business activities related to the manufacture and sale of goods or services in the Life & Healthcare Solutions, Mobility Solutions, ICT Solutions, and Basic & Green Materials segments. In the sale of these products, revenue is recognized upon delivery or at the time of shipment of the products depending on when the customer obtains control of the products and the performance obligations are satisfied.

In addition, revenue is determined at the amount of consideration promised in the contract with the customer less returns, discounts, rebates and others. The amount of sales revenue including variable consideration is included in transaction prices only to the extent that a significant reversal of accumulated revenue recognized is very unlikely to occur when uncertainties over the variable consideration is later dispelled.

Considerations in product sales contracts are generally collected within one year after control of the product has transferred to the customer, and do not include a significant financing component.

(17) Share-based payment

The Company has adopted a restricted stock compensation plan as an equity-settled share-based payment for directors and executive officers.

The consideration for services received is measured at fair value of the Company's shares at the grant date and is recognized as expenses in profit or loss together with a corresponding increase in equity.

(18) Government grants

Government grants are recognized at fair value when there is a reasonable assurance that the Group will comply with the attached conditions and receive the grants.

Government grants related to revenue are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

The amount of government grants related to assets is deducted from the acquisition cost of the assets.

(19) Borrowing costs

For assets requiring a considerable period of time before intended use or sale is possible, borrowing costs directly resulting from the acquisition, construction, or manufacturing of the asset are capitalized as part of the acquisition cost of the asset. Other borrowing costs are recognized as expenses for the period incurred.

(20) Income taxes

Income taxes consist of current taxes and deferred taxes, and are recognized in profit or loss, except for taxes arising from business combinations, as well as taxes incurred from items directly recognized in other comprehensive income or equity.

Current taxes are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period.

Deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities for accounting purposes and their value for tax purposes at the end of reporting period, as well as tax loss carryforward and tax credit carryforward.

Deferred tax liabilities are recognized, in principle, for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences, tax loss carryforward and tax credit carryforward to the extent that it is probable that taxable profit will be available. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

- temporary differences arising on initial recognition of goodwill;
- temporary differences arising on initial recognition of an asset or liability in a transaction that is not business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- deductible temporary differences arising from investments in subsidiaries and associates, and interest in joint arrangements to the extent that it is not probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilized; and
- taxable temporary differences arising from investments in subsidiaries and associates, and interest in joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to be applied in the period when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period.

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

The Company and part of its consolidated subsidiaries have adopted the Japanese Group Relief System.

New or Revised Standards and Interpretations

In addition, the Group applied International Tax Reform-Pillar Two Model Rules (Amendments to IAS 12 Income Taxes) in the fiscal year ended March 31, 2023. The amendments clarify that IAS 12 applies to income tax arising from tax legislation enacted or substantively enacted to implement OECD's BEPS Pillar Two GloBE (global minimum tax) rules. However, the amendments also provide temporary exceptions to the requirement that companies do not recognize or disclose information about deferred tax assets and liabilities related to income tax arising from global minimum tax rules. Applying the exceptions stipulated in IAS 12, the Group does not recognize or disclose information about deferred tax assets and liabilities related to income tax arising from global minimum tax rules.

(21) Earnings per share

Basic earnings per share are determined by dividing net income attributable to common shareholders of the parent by the weighted average number of shares of common stock outstanding during the period, adjusted for treasury stock held. Diluted earnings per share are not determined as there are no potential dilutive shares.

(22) Changes in accounting policies

Not applicable

4. Significant Accounting Estimates and Judgments

In order to prepare the consolidated financial statements, the Group is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual operating results may differ from these accounting estimates and their underlying assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects of the review of accounting estimates are recognized in the reporting period in which the changes are made and in future periods.

It is unclear when the COVID-19 will be fully resolved, but the Company believes its impact on Group performance will be minimal. In making accounting estimates, the Company assumes no material impact from the pandemic.

On the other hand , there is a risk that other factors, such as the prolonged rise in crude oil prices due to the crisis in Ukraine, could have a significant impact on the consolidated financial statements for the following fiscal year.

Accounting judgments, estimates and assumptions that could materially affect the Group's consolidated financial statements are as follows:

- Valuation of inventories (see Note 10 "Inventories" below)
- Impairment of non-financial assets (see Note 18 "Impairment of Non-Financial Assets" below)
- Measurement of defined benefit obligations (see Note 24 "Employee Benefits" below)
- Recoverability of deferred tax assets (see Note 35 "Income Taxes" below)
- Impairment of financial assets measured at amortized cost (see note 37 "Financial Instruments" below)

5. Accounting Standards or Interpretations Issued Not Yet Applied

None of the major IFRS standards and interpretations newly issued or amended by the date of approval of the Group's consolidated financial statements has a significant impact on the statements.

6. Segment Information

(1) Overview of reportable segments

The Group's business segments are components of the Group for which separate financial information is available and that are regularly reviewed by the Board of Directors (chief operating decision maker) to make decisions about management resources to be allocated to the segments and assess their performance.

The Group positions business sector distinguished by their products and services within its headquarters. Each business sector proposes comprehensive domestic and overseas strategies in addition to pursuing business expansion in its respective product and service area.

Comprehensively considering similarities such as the details of products and services and target markets, the four reportable segments (distinguished by products and services) that comprise the Group's operations without aggregating the business segments are: Life & Healthcare Solutions, Mobility Solutions, ICT Solutions, and Basic & Green Materials. Business segments, which are not included in the reportable segments, are classified into "Others."

The Company revised our business portfolio to realize VISION 2030, a long-term business plan starting in 2021 and running through to 2030.

Consequently, from the first quarter of fiscal 2022, reportable segments were reviewed and reclassified from previous four segments of "Healthcare", "Mobility", "Food & Packaging", and "Basic Materials" into four segments of "Life & Healthcare Solutions", "Mobility Solutions", "ICT Solutions", and "Basic & Green Materials".

Accordingly, segment information for the corresponding period of the previous fiscal year is based on this reclassification. Major products manufactured and sold by business segments are as follows:

Segments		Major products
Reportable segments	Life & Healthcare Solutions	Vision care materials, nonwoven fabrics, oral care materials, personal care materials and, agrochemicals
	Mobility Solutions	Elastomers, performance compounds, polypropylene compounds and, comprehensive services regarding to the development of automotive and industrial products (Solution business)
	ICT Solutions	Materials and components for semiconductor and electronic component manufacturing processes, optical materials, lithium-ion battery materials, next-generation battery materials, and high-performance food packaging materials
	Basic & Green Materials	Ethylene, propylene, polyethylene, polypropylene, catalysts, phenols, PTA, PET, polyurethane materials and, industrial chemical products
Others	Others	Other related businesses, etc.

(2) Methods to determine sales revenue, profit or loss, assets, and other items by reportable segment

The accounting methods by reportable business segment herein are generally the same as those described under Note 3 "Significant Accounting Policies."

Reportable segment income is presented in operating income before special items which stands for operating income or loss excluding non-recurring items (e.g., losses resulting from withdrawing from and downsizing businesses).

Intersegment transaction pricing and transfer pricing are negotiated and determined based on prevailing market prices.

(3) Information on sales revenue, profit or loss, assets, and other items by reportable segment

FY2022 (April 1, 2022 to March 31, 2023)
Year ended March 31, 2023

	Millions of yen							
	Reportable Segment							
	Life & Healthcare Solutions	Mobility Solutions	ICT Solutions	Basic & Green Materials	Total	Others (Note 1)	Adjustment (Note 2)	Consolidated
Sales revenue								
Sales revenue from external customers	¥258,226	¥521,574	¥235,681	¥848,976	¥1,864,457	¥ 15,090	¥ —	¥1,879,547
Intersegment sales revenue	3,540	3,114	6,845	131,566	145,065	85,883	(230,948)	—
Total	¥261,766	¥524,688	¥242,526	¥980,542	¥2,009,522	¥100,973	¥(230,948)	¥1,879,547
Segment income (Operating income before special items)	¥ 29,214	¥ 49,268	¥ 23,789	¥ 17,818	¥ 120,089	¥ (2,804)	¥ (3,382)	¥ 113,903
Segment assets	¥413,515	¥447,435	¥295,598	¥719,258	¥1,875,806	¥ 94,322	¥ 98,075	¥2,068,203
Other items								
Depreciation and amortization	¥ 14,975	¥ 20,667	¥ 15,276	¥ 33,231	¥ 84,149	¥ 7,993	¥ (62)	¥ 92,080
Share of profit of investments accounted for using equity method	1,264	3,598	5,263	10,975	21,100	617	(24)	21,693
Impairment loss	7	2,928	3	4,517	7,455	—	—	7,455
Investments accounted for using equity method	28,205	13,727	19,903	83,663	145,498	3,457	(63)	148,892
Capital expenditures (Note 3)	32,582	35,759	31,169	59,733	159,243	8,417	342	168,002

	Thousands of U.S. dollars							
	Reportable Segment							
	Life & Healthcare Solutions	Mobility Solutions	ICT Solutions	Basic & Green Materials	Total	Others (Note 1)	Adjustment (Note 2)	Consolidated
Sales revenue								
Sales revenue from external customers	$1,933,843	$3,906,044	$1,765,004	$6,357,941	$13,962,832	$113,009	$ —	$14,075,841
Intersegment sales revenue	26,510	23,320	51,262	985,293	1,086,385	643,174	(1,729,559)	—
Total	$1,960,353	$3,929,364	$1,816,266	$7,343,234	$15,049,217	$756,183	$(1,729,559)	$14,075,841
Segment income (Operating income before special items)	$ 218,782	$ 368,966	$ 178,155	$ 133,438	$ 899,341	$ (20,999)	$ (25,328)	$ 853,014
Segment assets	$3,096,795	$3,350,820	$2,213,720	$5,386,489	$14,047,824	$706,373	$ 734,479	$15,488,676
Other items								
Depreciation and amortization	$ 112,147	$ 154,774	$ 114,401	$ 248,866	$ 630,188	$ 59,859	$ (464)	$ 689,583
Share of profit of investments accounted for using equity method	9,466	26,945	39,414	82,192	158,017	4,621	(180)	162,458
Impairment loss	52	21,928	22	33,828	55,830	—	—	55,830
Investments accounted for using equity method	211,226	102,801	149,053	626,548	1,089,628	25,889	(472)	1,115,045
Capital expenditures (Note 3)	244,005	267,797	233,423	447,338	1,192,563	63,035	2,561	1,258,159

Notes:
1. "Others" encompasses business segments not included in the reportable segments and includes other related businesses, etc.
2. The negative ¥3,382 million in adjustments to segment income includes corporate profit (loss) of negative ¥3,725 million not allocated to reportable segments and ¥343 million elimination of intersegment transactions. Corporate profit (loss) mainly comprise general & administrative expenses which are usually not attributed to segments and R&D expenses for new business and, allocation difference of general & administrative expenses to be borne by segments. The ¥98,075 million in adjustments to segment assets includes corporate assets of ¥171,789 million not allocated to reportable segments and a negative ¥73,714 million elimination of intersegment transactions. Corporate assets are mainly attributed to the Company's surplus management funds (cash and deposits), long-term investment funds (investment securities), deferred tax assets and assets of administrative departments.
3. Capital expenditures are related to property, plant and equipment, intangible assets, investment property, etc.

FY2021 (April 1, 2021 to March 31, 2022)
Year ended March 31, 2022

	Millions of yen							
	Reportable Segment							
	Life & Healthcare Solutions	Mobility Solutions	ICT Solutions	Basic & Green Materials	Total	Others (Note 1)	Adjustment (Note 2)	Consolidated
Sales revenue								
Sales revenue from external customers	¥225,178	¥432,683	¥207,134	¥737,069	¥1,602,064	¥ 10,624	¥ —	¥1,612,688
Intersegment sales revenue	3,018	3,536	5,413	105,000	116,967	64,523	(181,490)	—
Total	¥228,196	¥436,219	¥212,547	¥842,069	¥1,719,031	¥ 75,147	¥(181,490)	¥1,612,688
Segment income								
(Operating income before special items)	¥ 24,946	¥ 33,230	¥ 30,183	¥ 77,771	¥ 166,130	¥ (534)	¥ (3,781)	¥ 161,815
Segment assets	¥366,775	¥414,497	¥258,462	¥732,969	¥1,772,703	¥106,903	¥ 55,359	¥1,934,965
Other items								
Depreciation and amortization	¥ 13,449	¥ 19,777	¥ 12,441	¥ 32,343	¥ 78,010	¥ 6,157	¥ 55	¥ 84,222
Share of profit of investments accounted for using equity method	838	4,202	5,520	14,592	25,152	631	36	25,819
Impairment loss	164	2,225	216	13,578	16,183	—	—	16,183
Investments accounted for using equity method	30,780	9,703	19,408	70,232	130,123	3,146	(112)	133,157
Capital expenditures (Note 3)	65,412	27,360	25,728	83,362	201,862	5,152	118	207,132

Notes:
1. “Others” encompasses business segments not included in the reportable segments and includes other related businesses, etc.
2. The negative ¥3,781 million in adjustments to segment income includes corporate profit (loss) of negative ¥3,455 million not allocated to reportable segments and negative ¥326 million elimination of intersegment transactions. Corporate profit (loss) mainly comprise general & administrative expenses which are usually not attributed to segments and R&D expenses for new business and, allocation difference of general & administrative expenses to be borne by segments. The ¥55,359 million in adjustments to segment assets includes corporate assets of ¥169,718 million not allocated to reportable segments and a negative ¥114,359 million elimination of intersegment transactions. Corporate assets are mainly attributed to the Company’s surplus management funds (cash and deposits), long-term investment funds (investment securities), deferred tax assets and assets of administrative departments.
3. Capital expenditures are related to property, plant and equipment, intangible assets, investment property, etc.

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Segment income	¥113,903	¥161,815	$ 853,014
Gain on negative goodwill	—	7,246	—
Gain on sales of shares of subsidiaries and associates	24,178	638	181,068
Impairment losses	(7,455)	(16,183)	(55,830)
Loss on disposal of non current asset	(1,940)	(1,524)	(14,529)
Loss on related businesses	(1,054)	(5,616)	(7,893)
Others	1,366	934	10,230
Operating income	128,998	147,310	966,060
Financial income	5,678	6,175	42,523
Financial expenses	(17,398)	(12,211)	(130,293)
Income before income taxes	¥117,278	¥141,274	$ 878,290

(4) Geographical information

(i) Sales revenue

Sales revenue by region is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Japan	¥ 959,431	¥ 841,741	$ 7,185,134
China	233,148	234,445	1,746,035
Asia	290,652	218,896	2,176,679
Americas	250,306	190,033	1,874,530
Europe	133,462	117,838	999,491
Other regions	12,548	9,735	93,972
Total	¥1,879,547	¥1,612,688	$14,075,841

Notes:
1. Sales revenue is classified by country or region based on the locations of customers.
2. Major countries and regions located in areas other than Japan and China are as follows:
   (1) Asia: Taiwan, South Korea, Thailand, Malaysia, Singapore and India
   (2) Americas: The United States, Mexico
   (3) Europe: Germany, France
   (4) Other regions: Oceania, Africa

(ii) Non-current assets

Components of non-current assets by region (excluding financial instruments, deferred tax assets, retirement benefit assets, etc.) are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Japan	¥565,420	¥516,565	$4,234,404
Singapore	39,441	44,214	295,372
Asia	39,034	33,188	292,324
Other regions	51,306	49,310	384,228
Total	¥695,201	¥643,277	$5,206,328

Notes:
1. Major countries and regions located in areas other than Japan and Singapore are as follows:
   (1) Asia: China, Taiwan, South Korea, Thailand, Malaysia and India
   (2) Other regions: North America, Europe
2. Non-current assets are classified by country or region based on locations of assets.

(5) Information about main customer

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Name	MITSUI & CO., LTD.	MITSUI & CO., LTD.	MITSUI & CO., LTD.
Sales revenue	¥383,221	¥333,659	$2,869,924
Related segments	Life & Healthcare Solutions, Mobility Solutions, ICT Solutions, Basic & Green Materials, Others	Life & Healthcare Solutions, Mobility Solutions, ICT Solutions, Basic & Green Materials, Others	Life & Healthcare Solutions, Mobility Solutions, ICT Solutions, Basic & Green Materials, Others

7. Business Combination

For the year ended March 31, 2023
Not applicable

For the year ended March 31, 2022

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers, using ¥122.39 =US$1.00, the approximate rate of exchange in effect on March 31, 2022.

(Acquisition of Honshu Chemical Industry Co., Ltd.)

(1) Outline of business combination

① Name and description of acquired companies
Name of acquired company: Honshu Chemical Industry Co., Ltd. (hereinafter "Honshu Chemical") and two other companies
Description of business: Manufacturing and selling various chemicals used as raw materials in high-performance resins such as liquid crystal polymers, special polycarbonate resins and special epoxy resins, electronic materials, pharmaceuticals and agricultural chemicals, etc.

② Acquisition date
September 16, 2021

③ Acquired ratio of holding capital with voting rights
Ratio of voting rights owned at the beginning of the period: 27%
Ratio of voting rights acquired through a series of procedures related to the tender offer: 24%
Ratio of voting rights after acquisition: 51%

④ Primary reason for business combination
The Company believes Honshu Chemical possesses a range of high technologies in the field of high-performance monomers related to ICT, mobility, and healthcare, and has high growth potential. Viewing ICT as a key growth area in its management strategy, the Company acquired Honshu Chemical, having determined that the acquisition was in line with its management strategy of bolstering and expanding downstream businesses in its Basic & Green Materials business segment. Going forward, the Company will promote collaboration between the Company and Honshu Chemical in product development and R&D, aiming to create new products and businesses through synergies between the two companies.

⑤ Acquisition method and type of consideration
Acquisition of shares in exchange for a cash consideration

(2) Acquisition-date fair value of acquisition consideration

	Millions of yen	Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2022
Acquisition-date fair value of the equity interest held immediately before the acquisition date	¥ 5,766	$47,112
Payment consideration (cash)	5,043	41,204
Fair value of acquisition consideration (total)	¥10,809	$88,316

(3) Assets acquired, liabilities assumed, non-controlling interests, and gain on negative goodwill

	Millions of yen	Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2022
Cash and cash equivalents	¥11,555	$ 94,411
Trade receivables	5,226	42,700
Inventories	4,637	37,887
Property, plant and equipment	12,766	104,306
Intangible assets	4,520	36,931
Other assets	1,728	14,119
Trade payables	(2,346)	(19,168)
Other liabilities	(8,875)	(72,515)
Fair value (net) of assets acquired and liabilities assumed	29,211	238,671
Non-controlling interests (Note 1)	16,247	132,748
Gain on negative goodwill	¥ (2,155)	$ (17,608)

Notes:
1. Non-controlling interests are calculated as the ratio of non-controlling interests to the fair value of identifiable net assets of the acquired company.
2. The gain on negative goodwill of ¥2,155 million was generated by this business combination because the fair value of the net assets acquired exceeded the acquisition consideration. The amount is recorded in "Other operating revenue" in the consolidated statements of income.

(4) Acquisition-related costs

The ¥262 million in acquisition-related costs incurred for the business combination are recorded under "Selling, general and administrative expenses" in the consolidated statements of income.

(5) Difference between acquisition cost of the acquired company and sum of acquisition costs for each transaction leading up to the acquisition

Before the acquisition date, the Company held shares of the acquired company, which was accounted for using the equity method as an associate of the Company.

The Company remeasured the equity interests of the acquired company held just prior to the acquisition date at fair value on the acquisition date, but the impact on earnings was immaterial.

(6) Impact on the business performance of the Group

Revenues and net income attributable to the acquired company from the acquisition date are not disclosed because the amounts were immaterial.

In addition, earnings information assuming that the business combination was carried out at the beginning of the period is not disclosed because the amounts were immaterial. Related proforma information has not been audited.

(Share Acquisition of Polyurethane Raw Materials Business Subsidiaries and Jointly Controlled Companies due to Dissolution of Joint Venture)

(1) Outline of business combination

① Names, description of business of acquired companies and acquired ratio of holding capital with voting rights

(i) Tianjin Cosmo Polyurethane Co., Ltd.
Description of business: Manufacturing and selling polyurethane raw materials
Acquired ratio of holding capital with voting rights: 100%

(ii) Thai Mitsui Specialty Chemicals Co., Ltd.
Description of business: Manufacturing and selling polyurethane raw materials
Acquired ratio of holding capital with voting rights: 52%

(iii) Foshan Mitsui Chemicals Polyurethanes Co., Ltd.
Description of business: Manufacturing and selling polyurethane raw materials
Acquired ratio of holding capital with voting rights: 100%

(iv) PT. Mitsui Chemicals Polyurethanes Indonesia
Description of business: Manufacturing and selling polyurethane raw materials
Acquired ratio of holding capital with voting rights: 81%

(v) Mitsui Chemicals Polyurethanes Malaysia Sdn. Bhd.
Description of business: Manufacturing and selling polyurethane raw materials
Acquired ratio of holding capital with voting rights: 51%

In addition to the above, the Company acquired the shares of two joint ventures which are accounted for using the equity method.

In addition, as part of the dissolution of the joint venture agreement, the Company assumed the polyurethane raw materials manufacturing, sales, and research businesses of Mitsui Chemicals & SKC Polyurethanes Inc. Japan.

② Acquisition date
Share acquisition due to dissolution of joint venture: December 23, 2021
Business transfer due to dissolution of joint venture: January 1, 2022

③ Primary reason for business combination
The Company and SKC Co., Ltd. (hereinafter "SKC") established Mitsui Chemicals & SKC Polyurethanes Inc. (hereinafter "MCNS") in July 2015 as a joint venture for their operations in polyurethane raw materials.

However, over this period, discrepancies gradually started to arise between the Company's policy of steadily improving earnings through its high-performance products and bio-products and SKC's policy of quickly expanding its global market in scale.

It has now been determined that if both companies are to further develop and grow their businesses, it would be beneficial for each party to run its own operations in line with its specific strategy. The decision to dissolve the current partnership then followed from this. The Company decided to receive transfer of the business in Japan of MCNS-J, a consolidated subsidiary of MCNS.

④ Acquisition method and type of consideration
Share acquisition and business transfer in exchange for a cash consideration.

The amount of investment in MCNS, which was accounted for using the equity method, has been transferred to assets held for sale in line with the loss of joint control. For details, please refer to Note 13 "Assets Held for Sale."

(2) Acquisition-date fair value of acquisition consideration

	Millions of yen	Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2022
Acquisition-date fair value of the equity interest held immediately before the acquisition date	¥ 3,304	$ 26,995
Payment consideration (cash)	50,530	412,861
Fair value of acquisition consideration (total)	¥53,834	$439,856

In the fiscal year ended March 31, 2023, the Company finalized the provisional accounting treatment. There was no change in the acquisition cost.

(3) Assets acquired, liabilities assumed, non-controlling interests, and gain on negative goodwill

	Millions of yen	Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2022
Cash and cash equivalents	¥ 4,098	$ 33,483
Trade receivables	19,304	157,725
Inventories	11,197	91,486
Property, plant and equipment	6,461	52,790
Investment accounted for using the equity method	45,322	370,308
Other assets	2,987	24,406
Trade payables	(18,935)	(154,710)
Other liabilities	(7,898)	(64,531)
Fair value (net) of assets acquired and liabilities assumed	62,536	510,957
Non-controlling interests (Note 1)	3,611	29,504
Gain on negative goodwill	¥ (5,091)	$ (41,597)

Notes:
1. Non-controlling interests are calculated as the ratio of non-controlling interests to the fair value of identifiable net assets of the acquired companies.
2. The gain on negative goodwill of ¥5,091 million was generated by this business combination because the fair value of the net assets acquired exceeded the acquisition consideration. The amount is recorded in "Other operating revenue" in the consolidated statements of income. The amount of goodwill expected to be deductible for tax purposes is ¥2,372 million.

(4) Acquisition-related costs

Of the ¥2,790 million in acquisition-related costs incurred for the business combination, the amount related to consolidated subsidiaries is recorded under "Selling, general and administrative expenses" in the consolidated statements of income. The amount related to associates accounted for using the equity method is included in the share acquisition cost.

(5) Difference between acquisition cost of the acquired company and sum of acquisition costs for each transaction leading up to the acquisition

The Company remeasured the equity interests of the acquired company held just prior to the acquisition date at fair value on the acquisition date, but the impact on earnings was immaterial.

(6) Impact on the business performance of the Group

Revenues and net income attributable to the acquired company from the acquisition date are not disclosed because the amounts were immaterial.

In addition, earnings information assuming that the business combination was carried out at the beginning of the period is not disclosed because the amounts were immaterial. Related proforma information has not been audited.

(Acquisition of Shares in a subsidiaries of Meiji Seika Pharma's Agrochemicals Business by Mitsui Chemicals Agro)

(1) Outline of business combination

① Name and description of acquired companies and description of business
Name of acquired companies: MMAG Co., Ltd. and two other companies
Description of business: R&D, manufacturing and selling of agrochemicals

② Acquisition date
January 4, 2022

③ Acquired ratio of holding capital with voting rights: 100%

④ Primary reason for business combination
Integrating Meiji Seika Pharma's agrochemicals business portfolio of active ingredients, domestic and international customer base and drug discovery, formulation, and natural product technologies with that of Mitsui Chemicals Agro, Inc. will enable the Company's subsidiary to enhance its presence in the Japanese market and speed up its expansion into agrochemical markets overseas, where future growth is anticipated. The move will also help bolster Mitsui Chemicals Agro's ongoing creation of new active ingredients along with its development of products that meet the needs of the market, promising then to accelerate the fulfillment of Mitsui Chemicals Agro's growth strategy and, more broadly, the Company's Long-Term Business Plan.

⑤ Acquisition method and type of consideration
Acquisition of shares for a cash consideration

(2) Fair value of the acquisition consideration as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2022
Consideration paid (cash)	¥41,240	$336,956
Fair value of acquisition consideration (total)	¥41,240	$336,956

In the fiscal year ended March 31, 2023, the Company finalized the provisional accounting treatment. There was no change in the acquisition cost.

(3) Assets acquired, liabilities assumed, and goodwill

	Millions of yen	Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2022
Cash and cash equivalents	¥ 745	$ 6,087
Trade receivables	1,746	14,266
Inventories	4,175	34,112
Property, plant and equipment	3,452	28,205
Intangible assets (Note 1)	15,395	125,786
Other assets	5,946	48,582
Trade payables	(968)	(7,909)
Other liabilities	(6,033)	(49,292)
Fair value (net) of assets acquired and liabilities assumed	24,458	199,837
Goodwill (Note 2)	¥16,782	$137,119

Notes:
1. Intangible assets consist mainly of technology assets of ¥5,275 million, customer-related assets of ¥3,196 million, and license agreements of ¥6,923 million. Fair value of these assets is measured by outside specialists, who identify and measure identifiable assets acquired and liabilities assumed (purchase price allocation) and calculate the fair value using a valuation model based on an income-approach method. The valuation model uses inputs such as future business plans and discount rates. Because the acquired agrochemicals company is an R&D type business, determination of future cash flows includes major assumptions by management, such as R&D periods, the timing of license registration, and sales prospects after registration. These assumptions may be affected by changes in uncertain economic conditions, including the impact of the COVID-19. In addition, the selection of input data used to calculate the weighted average cost of capital before tax, which is the discount rate, the distribution amount of identifiable intangible assets, and determinations of their useful life include management judgments and estimates. If the actual situation differs from these estimates, this could have a significant impact on amounts recognized in the consolidated financial statements for the following fiscal year.
2. Goodwill consists mainly of synergies with existing businesses and excess earnings power expected from acquisitions that individually do not meet requirements for identification. The amount of goodwill expected to be deductible for tax purposes is ¥31,469 million.

(4) Costs related to acquisitions

Costs related to acquisitions for the business combinations are ¥291 million, the entirety of which is recorded in "Selling, general and administrative expenses" in the consolidated statements of income.

(5) Impact on operating performance of the Group

Revenues and net income attributable to the acquired company from the acquisition date are not disclosed because the amounts were immaterial.

In addition, earnings information assuming that the business combination was carried out at the beginning of the period is not disclosed because the amounts were immaterial. Related proforma information has not been audited.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Cash and deposits	¥185,377	¥179,754	$1,388,280
Short-term investments	933	1,398	6,987
Total	¥186,310	¥181,152	$1,395,267

The balance of cash and cash equivalents in the consolidated statements of financial position matches the balance of cash and cash equivalents in the consolidated statements of cash flows.

9. Trade Receivables

The breakdown of trade receivables is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Notes receivable—trade	¥ 12,338	¥ 13,205	$ 92,399
Accounts receivable—trade	341,032	358,482	2,553,973
Allowance for doubtful accounts	(1,189)	(1,261)	(8,905)
Total	¥352,181	¥370,426	$2,637,467

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

10. Inventories

The breakdown of inventories is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Merchandise and finished goods	¥298,434	¥243,898	$2,234,958
Work in process	11,667	9,409	87,374
Raw materials and supplies	131,848	115,702	987,404
Total	¥441,949	¥369,009	$3,309,736

Inventories are recognized at the lower of 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 selling costs. Inventories held by the Group tend to be affected by the economic environment, which is characterized by significant price fluctuations. As a result, losses may occur if the market environment deteriorates more than expected and the net realizable value drops significantly.

Write-downs of inventories recognized as expenses for the fiscal years ended March 31, 2023 and March 31, 2022 are ¥18,741 million and ¥13,166 million, respectively.

11. Other Financial Assets

The breakdown of other financial assets is as follows:

(1) Breakdown

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Financial assets measured at amortized cost			
Accounts receivable—other	¥ 79,016	¥ 44,632	$ 591,747
Bonds	11,531	10,569	86,355
Lease receivables	2,151	2,477	16,109
Loans receivable	3,227	3,413	24,167
Others	10,149	9,199	76,005
Allowance for doubtful accounts	(20,244)	(12,867)	(151,606)
Financial assets measured at fair value through profit or loss			
Shares and investments	3,569	2,861	26,728
Derivative assets	43	589	322
Equity instruments measured at fair value through other comprehensive income			
Shares and investments	45,485	38,380	340,635
Total	134,927	99,253	1,010,462
Current assets	76,409	43,496	572,223
Non-current assets	58,518	55,757	438,239
Total	¥134,927	¥ 99,253	$1,010,462

(2) Equity instruments measured at fair value through other comprehensive income

The Company designates shares held for the main purpose of maintaining and strengthening transactions or business relationships as equity instruments measured at fair value through other comprehensive income.

(i) Major equity instruments at fair value

Fair values by major issues are as follows:

As of March 31, 2023

Issue	Millions of yen	Thousands of U.S. dollars
Iharabras, S.A	¥10,277	$76,964
Japan Saudi Arabia Methanol Company	3,915	29,319

As of March 31, 2022

Issue	Millions of yen
Iharabras, S.A	¥6,723
Japan Saudi Arabia Methanol Company	3,781

(ii) Derecognition of equity instruments measured at fair value through other comprehensive income

The Company sold and derecognized a part of equity instruments measured at fair value through other comprehensive income, primarily to increase asset efficiency and make more effective use of its assets.

Fair value and cumulative gains or losses (before income taxes) when such equity instruments were sold are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Fair value	¥845	¥2,840	$6,328
Cumulative gains or losses	414	1,294	3,100

Cumulative gains or losses (after income taxes) recognized in other components of equity were transferred to retained earnings when such equity instruments were sold.

(iii) Dividend income
Dividend income recognized from equity instruments measured at fair value through other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Derecognized investments during the reporting period	¥ 30	¥ 24	$ 225
Investments held at year-end	2,132	1,216	15,966
Total	¥2,162	¥1,240	$16,191

12. Other Assets

The breakdown of other assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Current assets			
Prepaid expenses	¥ 6,274	¥ 5,957	$ 46,986
Consumption taxes receivable	17,564	13,209	131,536
Income taxes receivable	6,611	2,717	49,509
Others	6,988	5,375	52,333
Total	¥37,437	¥27,258	$280,364
Non-current assets			
Prepaid employee benefits	2,572	2,932	19,262
Long-term prepaid expenses	1,181	751	8,844
Others	1,373	1,142	10,281
Total	¥ 5,126	¥ 4,825	$ 38,387

13. Assets Held for Sale

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Assets held for sale			
Other financial assets	¥—	¥42,104	$—
Total	¥—	¥42,104	$—

At the Board of Directors meeting held on September 29, 2021, it was decided to dissolve the joint venture agreement establishing Mitsui Chemicals & SKC Polyurethanes Inc. (MCNS) as a joint venture integrating the polyurethane raw materials operations of the Company and SKC Co., Ltd. On the same day, a contract was formed regarding the dissolution of the joint venture. Consequently, the remaining investment balance in MCNS, which was accounted for using the equity method in the Basic & Green Materials segment, was reclassified into assets held for sale in the fiscal year ended March 31, 2022. The Company received a refund of its equity interest in MCNS through a paid-in capital reduction in the second quarter.

The assets held for sale are measured at fair value less costs to sell. Fair value is calculated based on price negotiations with the buyer, among other factors, and the fair value measurement is categorized within Level 3 of the fair value hierarchy. The fair value hierarchy is described in Note 37 “Financial Instruments (7) Fair value of financial instruments.”

14. Property, Plant and Equipment

(1) Change in property, plant and equipment

The acquisition cost, changes in accumulated depreciation and impairment, and carrying amount of property, plant and equipment are as follows:

(i) Acquisition cost

	Millions of yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2021	¥149,884	¥382,359	¥1,143,856	¥75,696	¥ 38,063	¥1,789,858
Acquisition	1	477	2,446	630	115,898	119,452
Acquisition through business combinations	5,416	10,728	47,413	2,409	2,860	68,826
Sale or disposal	(1,844)	(8,794)	(40,147)	(3,269)	(591)	(54,645)
Transfer	1,757	14,457	80,283	4,623	(102,568)	(1,448)
Exchange differences on translation of foreign operations	107	5,081	18,393	1,071	495	25,147
Others	1	(274)	(380)	(26)	(593)	(1,272)
Balance as of March 31, 2022	¥155,322	¥404,034	¥1,251,864	¥81,134	¥ 53,564	¥1,945,918
Acquisition	14	511	3,034	1,166	123,501	128,226
Acquisition through business combinations	—	76	54	6	—	136
Sale or disposal	(31)	(5,751)	(42,402)	(3,613)	(392)	(52,189)
Transfer	(155)	19,819	81,880	5,342	(109,157)	(2,271)
Exchange differences on translation of foreign operations	266	4,546	17,999	1,257	93	24,161
Others	(1)	(5,205)	(53,460)	(1,909)	(235)	(60,810)
Balance as of March 31, 2023	¥155,415	¥418,030	¥1,258,969	¥83,383	¥ 67,374	¥1,983,171

	Thousands of U.S. dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of March 31, 2022	$1,163,199	$3,025,792	$9,375,152	$607,609	$ 401,138	$14,572,890
Acquisition	105	3,827	22,721	8,732	924,894	960,279
Acquisition through business combinations	—	569	404	45	—	1,018
Sale or disposal	(232)	(43,069)	(317,547)	(27,058)	(2,935)	(390,841)
Transfer	(1,161)	148,424	613,196	40,006	(817,472)	(17,007)
Exchange differences on translation of foreign operations	1,992	34,045	134,794	9,414	696	180,941
Others	(7)	(38,981)	(400,359)	(14,297)	(1,760)	(455,404)
Balance as of March 31, 2023	$1,163,896	$3,130,607	$9,428,361	$624,451	$ 504,561	$14,851,876

(ii) Accumulated depreciation and impairment

	Millions of yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2021	¥13,878	¥269,399	¥ 988,822	¥62,010	¥—	¥1,334,109
Depreciation and amortization	—	9,819	56,102	4,665	—	70,586
Impairment losses	36	3,628	9,015	335	—	13,014
Sale or disposal	(527)	(7,351)	(37,723)	(3,230)	—	(48,831)
Acquisition through business combinations	6	5,952	38,145	1,991	—	46,094
Transfer	—	27	418	14	—	459
Exchange differences on translation of foreign operations	—	2,410	13,947	814	—	17,171
Others	—	(96)	(572)	34	—	(634)
Balance as of March 31, 2022	¥13,393	¥283,788	¥1,068,154	¥66,633	¥—	¥1,431,968
Depreciation and amortization	—	10,752	60,074	4,987	—	75,813
Impairment losses	—	1,320	5,495	330	—	7,145
Sale or disposal	(7)	(5,351)	(40,618)	(3,465)	—	(49,441)
Acquisition through business combinations	—	—	—	—	—	—
Transfer	—	(9)	(30)	16	—	(23)
Exchange differences on translation of foreign operations	1	2,369	13,821	985	—	17,176
Others	(1)	(4,472)	(46,531)	(1,795)	—	(52,799)
Balance as of March 31, 2023	¥13,386	¥288,397	¥1,060,365	¥67,691	¥—	¥1,429,839

	Thousands of U.S. dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of March 31, 2022	$100,300	$2,125,275	$7,999,356	$499,011	$—	$10,723,942
Depreciation and amortization	—	80,521	449,891	37,348	—	567,760
Impairment losses	—	9,885	41,152	2,472	—	53,509
Sale or disposal	(52)	(40,073)	(304,186)	(25,950)	—	(370,261)
Acquisition through business combinations	—	—	—	—	—	—
Transfer	—	(67)	(225)	120	—	(172)
Exchange differences on translation of foreign operations	7	17,741	103,505	7,377	—	128,630
Others	(8)	(33,490)	(348,469)	(13,443)	—	(395,410)
Balance as of March 31, 2023	$100,247	$2,159,792	$7,941,024	$506,935	$—	$10,707,998

(iii) Carrying amount

	Millions of yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2021	¥136,006	¥112,960	¥155,034	¥13,686	¥38,063	¥455,749
Balance as of March 31, 2022	141,929	120,246	183,710	14,501	53,564	513,950
Balance as of March 31, 2023	¥142,029	¥129,633	¥198,604	¥15,692	¥67,374	¥553,332

	Thousands of U.S. dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of March 31, 2023	$1,063,649	$970,815	$1,487,337	$117,516	$504,561	$4,143,878

Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income.

Expenditures incurred for property, plant and equipment under construction are stated as construction in progress.

(2) Borrowing costs

In the fiscal year ended March 31, 2023, borrowing costs arising from the acquisition of property, plant and equipment are capitalized as part of the acquisition cost, at ¥83 million, applying 0.16% capitalization rate.

15. Leases

Lessees

The Group has entered into lease agreements as a lessee for land, buildings and other properties to use them mainly as an office and a site for a factory.

The Group does not enter into a lease agreement that has a material purchase option, escalation clauses, restrictions placed by the lease agreement (e.g., dividends, additional borrowings, restrictions on additional leases, etc.), variable lease payments, a termination option, and a residual value guarantee, or no lease transaction or sale and leaseback transaction has been started yet although the Group has entered into such lease agreement.

(1) Income or expenses and cash outflows associated with lease transactions

Income or expenses and cash outflows associated with lease transactions are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Depreciation of right-of-use assets			
Land	¥ 814	¥ 753	$ 6,096
Buildings and structures	7,996	6,993	59,882
Machinery and vehicles	893	1,112	6,688
Tools, furniture and fixtures	136	115	1,018
Total	9,839	8,973	73,684
Interest expense on lease liabilities	842	791	6,306
Expenses incurred for short-term leases and leases of low value	1,250	1,185	9,361
Total expenses associated with leases, net	2,092	1,976	15,667
Total of cash outflows associated with leases	¥12,082	¥10,729	$90,482

(2) Right-of-use assets

The breakdown of the carrying amounts of right-of-use assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Right-of-use assets			
Land	¥ 4,959	¥ 6,314	$ 37,138
Buildings and structures	37,382	28,535	279,952
Machinery and vehicles	4,890	4,476	36,621
Tools, furniture and fixtures	324	309	2,426
Total	¥47,555	¥39,634	$356,137

Increases in right-of-use assets for the fiscal years ended March 31, 2023 and March 31, 2022 are ¥23,232 million and ¥6,973 million, respectively.

The maturity analysis of lease liabilities is described in Note 37 "Financial Instruments (4) Liquidity risk management."

(3) Extension options

The Group's lease agreements primary for land and buildings have extension options with which the lessee can extend a lease term.

The Group exercises the extension option as considering it necessary to do so by taking into overall account the profitability of relevant assets in the agreement, changes in neighboring market environments, conditions to exercise the option, and other factors, and only when such exercise is reasonably certain, the Group includes such extended period in the lease term and includes lease payments for the lease term in the measurement of lease liabilities.

The extendible period when the option is exercised and lease payments for the extendible period are generally same as or similar to the original contract term and lease payments.

The Group reviews the possibility of exercising the option to extend the lease every reporting period. The financial impact of this review for the fiscal years ended March 31, 2023 and March 31, 2022 is immaterial.

Lessors

The Group provides rental housing as a part of its benefits package for employees, and the transactions involved correspond to a sublease. Since the lease terms of the subleases and the lease terms of the head leases are deemed to be the same, such subleases are classified as finance leases. The total amount of uncollected lease investments is insignificant.

16. Goodwill and Intangible Assets

(1) Change in goodwill and intangible assets

The acquisition cost, changes in accumulated amortization and impairment, and carrying amount of goodwill and intangible assets are as follows:

(i) Acquisition cost

	Millions of yen						
		Intangible assets					
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of April 1, 2021	¥26,179	¥49,019	¥15,764	¥15,796	¥10,437	¥6,487	¥ 97,503
Acquisition	—	2,693	6,504	—	—	50	9,247
Acquisitions through business combinations	16,782	62	13,212	6,678	—	—	19,952
Sale or disposal	—	(1,124)	(22)	—	—	(488)	(1,634)
Exchange differences on translation of foreign operations	3,034	435	660	1,024	695	228	3,042
Others	(2)	600	30	19	—	(31)	618
Balance as of March 31, 2022	¥45,993	¥51,685	¥36,148	¥23,517	¥11,132	¥6,246	¥128,728
Acquisition	—	5,337	141	—	1	35	5,514
Acquisitions through business combinations	1,301	—	801	183	224	—	1,208
Sale or disposal	—	(1,404)	(3)	—	(16)	(123)	(1,546)
Exchange differences on translation of foreign operations	1,675	396	683	1,155	788	145	3,167
Others	(160)	1,440	(9)	(1)	(1)	21	1,450
Balance as of March 31, 2023	¥48,809	¥57,454	¥37,761	¥24,854	¥12,128	¥6,324	¥138,521

	Thousands of U.S. dollars						
		Intangible assets					
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of March 31, 2022	$344,439	$387,067	$270,711	$176,118	$83,367	$46,775	$ 964,038
Acquisition	—	39,969	1,056	—	7	262	41,294
Acquisitions through business combinations	9,743	—	5,999	1,370	1,678	—	9,047
Sale or disposal	—	(10,514)	(22)	—	(120)	(922)	(11,578)
Exchange differences on translation of foreign operations	12,544	2,966	5,115	8,650	5,900	1,087	23,718
Others	(1,198)	10,782	(69)	(8)	(6)	159	10,858
Balance as of March 31, 2023	$365,528	$430,270	$282,790	$186,130	$90,826	$47,361	$1,037,377

(ii) Accumulated amortization and impairment loss

	Millions of yen						
		Intangible assets					
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of April 1, 2021	¥25,056	¥41,822	¥11,148	¥14,511	¥5,021	¥5,323	¥77,825
Amortization	—	2,462	716	157	7	171	3,513
Impairment loss	—	47	49	—	—	—	96
Sale or disposal	—	(1,043)	(18)	—	—	(432)	(1,493)
Acquisitions through business combinations	—	30	—	—	—	—	30
Exchange differences on translation of foreign operations	2,956	359	448	746	350	129	2,032
Others	—	330	468	209	381	(4)	1,384
Balance as of March 31, 2022	¥28,012	¥44,007	¥12,811	¥15,623	¥5,759	¥5,187	¥83,387
Amortization	—	2,789	2,152	708	431	161	6,241
Impairment loss	—	—	56	—	—	—	56
Sale or disposal	—	(1,357)	(1)	—	(13)	(38)	(1,409)
Acquisitions through business combinations	—	—	—	—	—	—	—
Exchange differences on translation of foreign operations	1,620	333	427	484	(9)	78	1,313
Others	(161)	(20)	54	344	418	—	796
Balance as of March 31, 2023	¥29,471	¥45,752	¥15,499	¥17,159	¥6,586	¥5,388	¥90,384

	Thousands of U.S. dollars						
		Intangible assets					
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of March 31, 2022	$209,781	$329,566	$ 95,941	$117,000	$43,129	$38,845	$624,481
Amortization	—	20,887	16,116	5,302	3,228	1,206	46,739
Impairment loss	—	—	419	—	—	—	419
Sale or disposal	—	(10,163)	(7)	—	(97)	(285)	(10,552)
Acquisitions through business combinations	—	—	—	—	—	—	—
Exchange differences on translation of foreign operations	12,132	2,494	3,198	3,625	(67)	583	9,833
Others	(1,206)	(150)	404	2,576	3,129	2	5,961
Balance as of March 31, 2023	$220,707	$342,634	$116,071	$128,503	$49,322	$40,351	$676,881

(iii) Carrying amount

	Millions of yen						
		Intangible assets					
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of April 1, 2021	¥ 1,123	¥ 7,197	¥ 4,616	¥1,285	¥5,416	¥1,164	¥19,678
Balance as of March 31, 2022	17,981	7,678	23,337	7,894	5,373	1,059	45,341
Balance as of March 31, 2023	¥19,338	¥11,702	¥22,262	¥7,695	¥5,542	¥ 936	¥48,137

	Thousands of U.S. dollars						
		Intangible assets					
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of March 31, 2023	$144,821	$87,636	$166,719	$57,627	$41,504	$7,010	$360,496

Amortization is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income.

There are no significant internally generated intangible assets for each reporting period.

The carrying amounts of intangible assets with indefinite useful lives as of March 31, 2023 and March 31, 2022 are ¥1,053 million and ¥757 million, respectively.

Among those, major intangible assets are the trademarks of SDC Technologies, Inc. belonging to the Life & Healthcare Solutions business segment. As these trademarks basically exist as long as the entity's business continues, the Group determined that their useful lives are indefinite.

The impairment tests for these assets are described in Note 18 "Impairment of Non-Financial Assets."

17. Investment Property

The carrying amount and fair value of investment property are as follows:

(1) Carrying amount

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Balance at beginning of period	¥21,546	¥23,222	$161,357
Acquisition	—	—	—
Acquisitions through business combinations	—	336	—
Sale or disposal	—	(1,137)	—
Others	167	(875)	1,251
Balance at end of period	¥21,713	¥21,546	$162,608
Accumulated depreciation	—	—	—
Acquisition cost	¥21,713	¥21,546	$162,608

(2) Fair value

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Fair value	¥22,440	¥21,759	$168,052

The Group does not have contractual obligations to purchase, construct or develop investment property or those for repairs, maintenance or enhancements.

The fair value of investment property is mainly based on the valuation presented by an independent real estate appraiser using the discounted cash flow method or on the market transaction price of a similar asset. The fair value is categorized within Level 3 of the fair value hierarchy because it includes significant unobservable inputs. The fair value hierarchy is described in Note 37 "Financial Instruments (7) Fair value of financial instruments."

(3) Profit or loss of investment property

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Rental income	¥452	¥585	$3,385
Direct operating expenses arising from investment property that generated rental income	(93)	(113)	(696)

18. Impairment of Non-Financial Assets

The Group examines whether there are any indicators of impairment of non-financial assets (excluding inventories, deferred tax assets, assets related to retirement benefits, and assets held for sale) at the end of each fiscal year. If there are indicators of impairment, the Group estimates the recoverable amount of the asset or the cash-generating unit (CGU) to which the asset belongs. Assets provided for business use are categorized by entity, business sector, or similar unit. Of these, assets to be disposed of due to business withdrawal or other reason are assessed on an individual basis. Idle properties and properties not in use are also assessed on an individual basis.

The recoverable amount of the asset or CGU to which the asset belongs is the higher of the fair value less costs of disposal and the value in use.

The fair value less costs of disposal and the value in use are calculated by discounting the estimated future cash flow to the present value using the time value of money and the pre-tax discount rate that reflects the risks inherent in the asset. If it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is estimated for each CGU to which the asset belongs.

In calculating the fair value less costs of disposal and the value in use, certain assumptions are made regarding the useful life of the asset, future cash flow discount rate, growth rate, and other factors.

These assumptions are determined by management's best estimates and judgments, but changes in uncertain future economic conditions, such as the market environment for related businesses, rising global interest rates and capital spending among customers may affect these assumptions. If such assumptions have to be revised, this could have a significant impact on amounts recognized in the consolidated financial statements for the following fiscal year.

Impairment loss for the fiscal years ended March 31, 2023 and March 31, 2022 is as follows. Impairment loss is included in "Other operating expenses" in the consolidated statements of income.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Property, plant and equipment			
Buildings and structures	¥1,320	¥ 3,628	$ 9,885
Machinery and vehicles	5,495	9,015	41,153
Tools, furniture and fixtures	330	335	2,471
Land	—	36	—
Construction in progress	254	617	1,902
Right-of-use assets	—	2,452	—
Goodwill and Intangible assets	56	96	419
Other non-current assets	—	4	—
Total impairment losses	¥7,455	¥16,183	$55,830

Major assets for which an impairment loss is recognized are as follows:

For the year ended March 31, 2023

There are no individually immaterial impairment losses for the fiscal year ended March 31, 2023.

For the year ended March 31, 2022

Use	Location	Asset category	Reportable segment	Millions of yen Impairment loss
Production facilities	Oomuta City, Fukuoka Prefecture, Japan	Machinery and vehicles	Basic & Green Materials	¥13,267
Production facilities	Netherlands	Machinery and vehicles	Mobility Solutions	1,507
			Others	1,409
			Total	¥16,183

Breakdown of impairment loss

• Production facilities in Oomuta City, Fukuoka Prefecture, Japan

In the polyurethane raw materials business, the Group ships tolylene diisocyanate (TDI), a raw material, to markets in Japan and overseas.

Highly volatile export prices make overseas sales revenue forecasts for this product difficult. Meanwhile, soaring crude oil prices aredriving up manufacturing costs of naphtha, the main raw material in polyurethane, as well as of various other raw materials and utilities.

Costs related to maintenance of production facilities and other costs are also increasing. The Group thus anticipated that production of this raw material would generate an ongoing operating loss for the following fiscal year, and judged that there were indications of impairment in the relevant asset group. The carrying amount was thus reduced to the recoverable amount. The recoverable amount is measured by value in use, but given that future cash flows are negative, the amount was assessed at zero.

Determination of future cash flows is based on the business plan approved by management. The business plan includes major assumptions by management, such as the sales prices and manufacturing costs of TDI in Japan and overseas. These assumptions may be affected by changes in uncertain economic conditions, including the impact of long-term oil price increases brought about by the crisis in Ukraine.

• Production facilities in the Netherlands

The Group impaired these business assets by reducing the carrying amount to the recoverable amount because the profitability of these assets became significantly lower due to the deteriorating market environment, and a return could no longer be expected. The recoverable amount was measured at the value in use calculated by discounting the future cash flows with a weighted average cost of capital before tax of 10.3%.

Individually immaterial impairment loss is mainly on property, plant and equipment, such as buildings and structures, machinery and equipment, and intangible assets for business activities. The Group recorded such impairment loss because the recoverable amount became lower than the carrying amount as the expected return became low.

The carrying amounts of goodwill to cash-generating units (groups of cash-generating units) are as follows. Because the balance of intangible assets with indefinite useful lives is not significant, it is omitted.

Goodwill

		Millions of yen		Thousands of U.S. dollars
Reportable segment	Cash-generating units (Groups of cash-generating units)	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Life & Healthcare Solutions	MMAG Co. Ltd	¥16,782	¥16,782	$125,680
—	Others	2,556	1,199	19,141
	Total	¥19,338	¥17,981	$144,821

Goodwill allocated to each cash-generating unit in the fiscal year ended March 31, 2023 primarily relates to MMAG Co. Ltd. The following impairment tests have been conducted for this goodwill.

Of the recoverable amounts of goodwill and intangible assets with indefinite useful lives allocated to groups of cash-generating units (CGUs), major amounts were measured at fair value less costs of disposal. Major components of intangible assets are technology assets of ¥4,945 million, customer-related assets of ¥3,026 million, and license agreements of ¥6,074 million.

Fair value less costs of disposal is calculated reflecting the past experience and external sources of information, and using present value of future cash flows based on business plan approved by management and a terminal value for the period beyond the business plan.

The growth rate in excess of the business plans takes into consideration the level of inflation and the risk-free rate in Japan, and is determined within a range that does not exceed this. The fair value measurement is categorized within Level 3 of the fair value hierarchy. The fair value hierarchy is described in Note 37 "Financial Instruments (7) Fair value of financial instruments."

If some or all of the carrying amount of goodwill is allocated across multiple CGU (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill, such carrying amount is aggregated in "Others."

Discount rates (weighted average cost of capital before tax) used to calculate the recoverable amounts are as follows:

		Millions of yen	
Reportable segment	Cash-generating units (Groups of cash-generating units)	As of March 31, 2023	As of March 31, 2022
Life & Healthcare Solutions	MMAG Co. Ltd.	9.1%	9.8%

The recoverable amount of goodwill and intangible assets with indefinite useful lives associated with MMAG Co., Ltd. is well above the carrying amount of the cash-generating unit or group of cash-generating units. The Group determined that the recoverable amount is unlikely to fall below the carrying amount even if key assumptions used for the impairment tests changed within a reasonably foreseeable range.

For goodwill and intangible assets with indefinite useful lives associated with other cash-generating units, the Group determined that any material impairment would be unlikely to occur in the cash-generating units even if the growth rate and discount rate used for the impairment tests changed within a reasonably foreseeable range.

19. Investments Accounted for Using the Equity Method

(1) Investments in associates

The carrying amount of investments in individually immaterial associates accounted for using the equity method are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Carrying amount of investments	¥48,039	¥44,812	$359,762

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Net income	¥5,926	¥6,478	$44,380
Other comprehensive income	(938)	(98)	(7,025)
Comprehensive income	¥4,988	¥6,380	$37,355

(2) Investments in joint ventures

(i) Material joint ventures

Material joint ventures for the Group are as follows:

			Percentage of interests	
Name	Major business	Location	As of March 31, 2023	As of March 31, 2022
Kumho Mitsui Chemicals	Manufacturing and sales of polyurethane materials	South Korea	50%	50%
Shanghai Sinopec Mitsui Chemicals Co., Ltd.	Manufacturing and sales of phenols	China	50%	50%

The Group disclosed the summarized financial statements of Kumho Mitsui Chemicals Inc. and Shanghai Sinopec Mitsui Chemicals Co., Ltd. due to their materiality in relation to the consolidated financial statements of the Group.

Since it is not feasible to harmonize the reporting periods of both companies, the equity method is applied to the financial statements with a three-month difference in reporting period. These summarized financial statements also include a three-month difference in reporting period. In addition, these statements were prepared by adding reconciliations in line with the Group's accounting policies.

Kumho Mitsui Chemicals

Adjustments between the summarized financial statements of Kumho Mitsui Chemicals and the carrying amount of the investment are as follows.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Current assets	¥ 82,364	¥74,193	$616,820
Non-current assets	56,073	40,000	419,928
Current liabilities	32,415	28,958	242,754
Non-current liabilities	3,570	2,849	26,736
Total equity	102,452	82,386	767,258
Group interest in total assets	51,226	41,193	383,629
Consolidated adjustment within the Group	(113)	(113)	(846)
Carrying amount of investments	51,113	41,080	382,783
Material accounts included in above			
Cash and cash equivalents	11,848	2,800	88,729
Financial liabilities included in current liabilities	24,199	10,850	181,225
Financial liabilities included in non-current liabilities	¥ 1,436	¥ 1,413	$ 10,754

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Sales revenue	¥135,615	¥122,088	$1,015,614
Net income (loss)	16,988	27,641	127,223
Other comprehensive income	7,678	80	57,500
Comprehensive income	24,666	27,721	184,723
Material accounts included in above			
Depreciation and amortization	(3,388)	(3,180)	(25,373)
Interest income	1,092	371	8,178
Interest expenses	(85)	(59)	(637)
Income tax expense	(5,845)	(10,168)	(43,773)
Dividends received by the Group	¥ 2,300	¥ 3,908	$ 17,225

Shanghai Sinopec Mitsui Chemicals Co., Ltd.

The summarized financial statements of Shanghai Sinopec Mitsui Chemicals Co., Ltd. are as follows.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Current assets	¥31,360	¥31,717	$234,854
Non-current assets	17,492	18,855	130,997
Current liabilities	1,546	5,787	11,578
Non-current liabilities	165	221	1,236
Total equity	47,141	44,564	353,037
Carrying amount of investments	23,570	22,282	176,515
Material accounts included in above			
Cash and cash equivalents	26,064	27,258	195,192
Financial liabilities included in current liabilities	1,502	1,559	11,248
Financial liabilities included in non-current liabilities	¥ 165	¥ 221	$ 1,236

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Sales revenue	¥63,554	¥78,596	$475,953
Net income (loss)	2,357	21,825	17,651
Other comprehensive income	2,427	3,905	18,176
Comprehensive income	4,784	25,730	35,827
Material accounts included in above			
Depreciation and amortization	(2,355)	(2,231)	(17,636)
Interest income	516	216	3,864
Interest expenses	(13)	(30)	(97)
Income tax expense	(765)	(2,880)	(5,729)
Dividends received by the Group	¥ 1,103	¥ —	$ 8,260

(ii) Individually immaterial joint ventures

The carrying amount of investments in individually immaterial joint ventures are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Carrying amount of investments	¥26,170	¥24,983	$195,986

The amount of equity shares on comprehensive income of investments in individually immaterial joint ventures is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Net income	¥6,095	¥ 8,429	$45,646
Other comprehensive income	690	2,083	5,167
Comprehensive income	¥6,785	¥10,512	$50,813

The Group does not have unrecognized commitments relating to each joint venture that could result in the outflow of economic resources in the future.

20. Trade Payables

The breakdown of trade payables is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Notes payable—trade	¥ 1,383	¥ 1,074	$ 10,357
Accounts payable—trade	159,814	171,958	1,196,840
Contract liabilities	3,070	1,812	22,991
Total	¥164,267	¥174,844	$1,230,188

Trade payables are categorized as financial liabilities measured at amortized cost.

21. Bonds and Borrowings

The breakdown of bonds and borrowings is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2023	Average interest rate (%)	As of March 31, 2022	As of March 31, 2023
Short-term borrowings	¥184,120	1.88%	¥177,437	$1,378,866
Commercial papers	140,000	0.02%	120,000	1,048,454
Current portion of bonds payable	296	0.18%	284	2,217
Current portion of long-term borrowings	44,047	1.33%	48,894	329,866
Bonds payable	130,000	0.37%	115,296	973,564
Long-term borrowings (Note 3)	239,786	0.46%	204,175	1,795,746
Total	¥738,249	—	¥666,086	$5,528,712
Current liabilities	368,463	—	346,615	2,759,402
Non-current liabilities	369,786	—	319,471	2,769,310
Total	¥738,249	—	¥666,086	$5,528,712

Notes:
1. Bonds and borrowings are categorized as financial liabilities measured at amortized cost.
2. The weighted average interest rate on the outstanding balance as of March 31, 2023 is stated for the average interest rate.
3. Long-term borrowings will be due in 2024 through 2035.

The contractual terms of bonds are as follows:

Company name	Issue name	Date of issue	Millions of yen: As of March 31, 2023	Millions of yen: As of March 31, 2022	Thousands of U.S. dollars: As of March 31, 2023	Interest rate (%)	Collateral	Date of maturity
Mitsui Chemicals Inc.	The 45th Unsecured Corporate Bond	July 24, 2017	¥ 5,000	¥ 5,000	$ 37,445	0.26 / year	N/A	July 24, 2024
	The 46th Unsecured Corporate Bond	July 24, 2017	5,000	5,000	37,445	0.37 / year	N/A	July 23, 2027
	The 47h Unsecured Corporate Bond	June 19, 2018	10,000	10,000	74,890	0.26 / year	N/A	June 19, 2025
	The 48th Unsecured Corporate Bond	June 19, 2018	15,000	15,000	112,334	0.39 / year	N/A	June 19, 2028
	The 49th Unsecured Corporate Bond	June 19, 2018	10,000	10,000	74,890	0.9 / year	N/A	June 19, 2038
	The 50th Unsecured Corporate Bond	December 5, 2019	10,000	10,000	74,890	0.27 / year	N/A	December 5, 2029
	The 51st Unsecured Corporate Bond	December 5, 2019	10,000	10,000	74,890	0.68 / year	N/A	December 5, 2039
	The 52nd Unsecured Corporate Bond	December 2, 2020	15,000	15,000	112,334	0.13 / year	N/A	December 2, 2025
	The 53rd Unsecured Corporate Bond	June 16, 2021	15,000	15,000	112,334	0.09 / year	N/A	June 16, 2026
	The 54th Unsecured Corporate Bond	December 3, 2021	10,000	10,000	74,890	0.28 / year	N/A	December 3, 2031
	The 55th Unsecured Corporate Bond	December 3, 2021	10,000	10,000	74,890	0.68 / year	N/A	December 3, 2041
	The 56th Unsecured Corporate Bond	March 1, 2023	15,000	—	112,334	0.30 / year	N/A	Feburary 27, 2026
ARRK CORPORATION	The 1st Unsecured Corporate Bond	March 30, 2017	80 (80)	150 (70)	599 (599)	0.07 / year	N/A	March 29, 2024
	The 2nd Unsecured Corporate Bond	March 30, 2017	68 (68)	140 (72)	509 (509)	0.31 / year	N/A	March 29, 2024
	The 3rd Unsecured Corporate Bond	March 30, 2017	80 (80)	150 (70)	599 (599)	0.07 / year	N/A	March 29, 2024
	The 4th Unsecured Corporate Bond	March 30, 2017	68 (68)	140 (72)	509 (509)	0.31 / year	N/A	March 29, 2024
Total	—	—	130,296 ¥ (296)	115,580 ¥ (284)	975,781 $ (2,217)	—	—	—

Note: The figures in brackets represent the current portion.

Assets pledged as collateral and secured debt are as follows:

Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Property, plant and equipment	¥ 980	¥1,036	$7,339
Other financial assets	98	117	734
Total	¥1,078	¥1,153	$8,073

Secured debt

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Bonds and borrowings (current)	¥298	¥290	$2,232
Other financial liabilities	27	28	202
Bonds and borrowings (non-current)	—	298	—
Total	¥325	¥616	$2,434

22. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Financial liabilities measured at amortized cost			
Accounts payable—other	¥101,738	¥116,603	$ 761,911
Others	10,416	9,679	78,005
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	165	493	1,236
Lease liabilities	56,451	48,973	422,759
Others	1,337	1,157	10,012
Total	170,107	176,905	1,273,923
Current liabilities	112,933	127,608	845,750
Non-current liabilities	57,174	49,297	428,173
Total	¥170,107	¥176,905	$1,273,923

23. Changes in Liabilities Arising from Financing Activities

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

(i) For the year ended March 31, 2023

	Millions of yen					
			Non-cash transactions			
	Balance as of April 1, 2022	Cash flow	Business combinations	New leases	Foreign currency translation, etc.	Balance as of March 31, 2023
Bonds payable (Note)	¥115,580	¥14,716	¥ —	¥ —	¥ —	¥130,296
Commercial papers	120,000	20,000	—	—	—	140,000
Short-term borrowings	177,437	4,064	—	—	2,619	184,120
Long-term borrowings (Note)	253,069	30,593	—	—	171	283,833
Lease liabilities	48,973	(9,810)	208	23,467	(6,387)	56,451
Total	¥715,059	¥59,563	¥208	¥23,467	¥(3,597)	¥794,700

	Thousands of U.S. dollars					
			Non-cash transactions			
	Balance as of April 1, 2022	Cash flow	Business combinations	New leases	Foreign currency translation, etc.	Balance as of March 31, 2023
Bonds payable (Note)	$ 865,574	$110,207	$ —	$ —	$ —	$ 975,781
Commercial papers	898,675	149,779	—	—	—	1,048,454
Short-term borrowings	1,328,817	30,435	—	—	19,614	1,378,866
Long-term borrowings (Note)	1,895,222	229,109	—	—	1,281	2,125,612
Lease liabilities	366,757	(73,467)	1,558	175,743	(47,832)	422,759
Total	$5,355,045	$446,063	$1,558	$175,743	$(26,937)	$5,951,472

Note: Current portions are included.

(ii) For the year ended March 31, 2022

	Millions of yen					
			Non-cash transactions			
	Balance as of April 1, 2021	Cash flow	Business combinations	New leases	Foreign currency translation, etc.	Balance as of March 31, 2022
Bonds payable (Note)	¥ 91,012	¥ 24,568	¥ —	¥ —	¥ —	¥115,580
Commercial papers	50,000	70,000	—	—	—	120,000
Short-term borrowings	112,182	54,999	3,704	—	6,552	177,437
Long-term borrowings (Note)	257,022	(5,277)	—	—	1,324	253,069
Lease liabilities	53,575	(9,637)	1,414	7,004	(3,383)	48,973
Total	¥563,791	¥134,653	¥5,118	¥7,004	¥ 4,493	¥715,059

Note: Current portions are included.

24. Employee Benefits

The Company and its major Japanese consolidated subsidiaries have established and maintained contract-type corporate pension plans and lump-sum retirement benefit plans as defined benefit plans. Some of its foreign consolidated subsidiaries also have established and maintained defined benefit plans. In addition, the Company and some of its Japanese consolidated subsidiaries have established and maintained defined contribution plans.

(1) Defined benefit plans

A retirement benefit trust has been set up for the plan assets of funded retirement benefit plans.

In contract-type corporate pension plans, the amount of benefits is calculated by the accumulated points mainly based on an occupational ability-based grading system and other similar systems.

In accordance with the Defined-benefit Corporate Pension Act, the Company has an obligation to make contributions to the Corporate Pension Fund (hereinafter the "Fund") that manages corporate pension plans.

A trustee manages plan assets in accordance with contract terms specified based on a management policy that resolved by the Board of Directors of the Company. The Fund developed a basic policy on the management of plan assets, developed management guidelines in line with the basic policy, and issued these documents to the trustee. This helps the trustee to fulfill its obligation to manage plan assets safely and efficiently.

The Company has an obligation to make contributions at the amount set by the Fund over the future years. The amount of contributions is regularly reviewed to the extent permitted by laws and regulations.

In addition to the pension plans above, employees are qualified for receiving a lump-sum retirement payment when leaving the Company for reasons other than dismissals. The amount of payment is calculated based on factors such as the accumulated points based on occupational ability-based grading system and other similar system at the time of retirement as well as a payment rate based on the number of years of service. If the reason to leave the Company is an involuntary termination or death, the amount of payment exceeds the one in case of voluntary termination.

Additionally, the Company may provide increased retirement payments to its employees when they retire.

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

(i) Assets and liabilities recognized in the consolidated statements of financial position

The amounts of assets and liabilities recorded in the consolidated statements of financial position for the defined benefit plans are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Present value of defined benefit obligations	¥ 158,319	¥ 168,895	$ 1,185,644
Fair value of plan assets	(199,113)	(210,788)	(1,491,149)
Total	(40,794)	(41,893)	(305,505)
Amounts presented in the consolidated statements of financial position			
Retirement benefit liability	20,242	18,857	151,591
Retirement benefit asset	(61,036)	(60,750)	(457,096)
Net defined benefit liability/asset	¥ (40,794)	¥ (41,893)	$ (305,505)

(ii) Present value of defined benefit obligations

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Balance at beginning of period	¥168,895	¥170,289	$1,264,847
Current service cost	5,165	5,303	38,680
Interest expenses	1,278	1,026	9,571
Remeasurements of defined benefit plans			
Actuarial gains and losses arising from changes in demographic assumptions	(172)	78	(1,288)
Actuarial gains and losses arising from changes in financial assumptions	(6,678)	(249)	(50,011)
Actuarial gains and losses arising from experience adjustment	1,110	(1,832)	8,313
Payment of benefits	(11,727)	(10,220)	(87,823)
Effects of business combination and disposal	(67)	4,674	(502)
Others	515	(174)	3,857
Balance at end of period	¥158,319	¥168,895	$1,185,644

The weighted average duration of defined benefit obligations of the Company and its major consolidated subsidiaries at March 31, 2023 and March 31, 2022 are 14 years and 15 years, respectively.

Defined benefit obligations and service costs are calculated based on actuarial assumptions such as discount rates and mortality rates. Making such assumptions necessitates estimates and judgments. The discount rate is based on the market yield on high-quality corporate bonds, and the mortality rate used is the latest mortality rate released by the Ministry of Health, Labour and Welfare.

Actuarial assumptions are determined by management's best estimates and judgments, but may be affected by changes in uncertain economic conditions. If such assumptions have to be revised, this could have a significant impact on amounts recognized in the consolidated financial statements for the following fiscal year.

The significant actuarial assumptions used in determining the present value of defined benefit obligations are as follows:

	As of March 31, 2023	As of March 31, 2022
Discount rate	1.1%	0.7%

If significant actuarial assumptions change, the impact on the present value of defined benefit obligations is as follows. Negative values indicate a decrease in defined benefit obligations, and positive values indicate an increase in defined benefit obligations:

		Impact on defined benefit obligations		
		Millions of yen		Thousands of U.S. dollars
Assumptions	Changes in assumptions	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Discount rate	0.5 percentage point increase	¥(6,717)	¥(7,746)	$(50,303)
	0.5 percentage point decrease	7,360	8,609	55,119

The above analysis shows the impact on the defined benefit obligations when one of the significant actuarial assumptions changes to the extent reasonable with the assumption that all the rest of the actuarial assumptions are constant, however, another actuarial assumption change may impact the defined benefit obligations as well.

(iii) Fair value of plan assets

The Company developed a basic policy on the management of plan assets and continues to monitor compliance with and appropriateness of the policy to ensure adequate plan assets to provide pension benefits to pensioners in the future. Given the risk of plan assets, the Company also developed a standard portfolio to achieve expected returns. Based on the standard portfolio, the Company manages plan assets by making investments in shares and bonds. The Company examines every year a range of gaps between long-term expected returns on plan assets and actual returns in order to determine whether or not the Company needs to revise the standard portfolio. The Company reviews the standard portfolio as necessary to achieve the expected returns on plan assets.

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Balance at beginning of period	¥210,788	¥208,964	$1,578,582
Interest income	1,623	1,358	12,155
Remeasurements of defined benefit plans			
Return on plan assets	(4,608)	1,094	(34,509)
Contributions by the employer	1,341	5,408	10,043
Benefits	(10,168)	(7,007)	(76,148)
Others	137	971	1,026
Balance at end of period	¥199,113	¥210,788	$1,491,149

The Group plans to make contributions of ¥2,733 million in the fiscal year ending March 31, 2024.

The fair value of plan assets by asset category is as follows:

	Millions of yen						Thousands of U.S. dollars		
	As of March 31, 2023			As of March 31, 2022			As of March 31, 2023		
	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total
Cash and cash equivalents	¥ 13,192	¥ —	¥ 13,192	¥ 11,707	¥ —	¥ 11,707	$ 98,794	$ —	$ 98,794
Equity instruments									
Shares issued by Japanese companies	61,412	—	61,412	64,195	—	64,195	459,912	—	459,912
Shares issued by foreign companies	37,564	—	37,564	42,189	—	42,189	281,315	—	281,315
Debt instruments									
Bonds issued by Japanese companies	2,713	—	2,713	2,669	—	2,669	20,318	—	20,318
Bonds issued by foreign companies	49,817	—	49,817	56,536	—	56,536	373,077	—	373,077
Others (Note)	218	34,197	34,415	170	33,322	33,492	1,632	256,101	257,733
Total	¥164,916	¥34,197	¥199,113	¥177,466	¥33,322	¥210,788	$1,235,048	$256,101	$1,491,149

Note: "Others" mainly includes investments of fund of funds and equity long-short hedge funds.

(2) Defined contribution plans and public plans

Amounts recognized as expenses in defined contribution plans and public plans are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Expenses in defined contribution plans	¥1,114	¥924	$8,343
Expenses in public plans	169	100	1,266

(3) Employee benefits expenses

The total amounts of employee benefits expenses (excluding ones for employees who are engaged on research and development) included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income for the fiscal years ended March 31, 2023 and March 31, 2022 are ¥183,289 million and ¥167,600 million, respectively.

25. Provisions

The breakdown of changes in provisions for the fiscal year ended March 31, 2023 is as follows:

	Millions of yen			
	Asset retirement obligations	Provision for environmental measures	Others	Total
Balance as of April 1, 2022	¥3,641	¥ 638	¥ 3,246	¥ 7,525
Increase during period	782	7	3,201	3,990
Decrease during period (utilization)	—	(453)	(1,567)	(2,020)
Decrease during period (reversal)	—	—	(192)	(192)
Interest expense by discounting	56	—	—	56
Others	(848)	—	(61)	(909)
Balance as of March 31, 2023	3,631	192	4,627	8,450
Current liabilities	730	5	1,614	2,349
Non-current liabilities	2,901	187	3,013	6,101
Total	¥3,631	¥ 192	¥ 4,627	¥ 8,450

	Thousands of U.S. dollars			
	Asset retirement obligations	Provision for environmental measures	Others	Total
Balance as of April 1, 2022	$27,267	$ 4,778	$ 24,309	$ 56,354
Increase during period	5,856	52	23,973	29,881
Decrease during period (utilization)	—	(3,392)	(11,736)	(15,128)
Decrease during period (reversal)	—	—	(1,438)	(1,438)
Interest expense by discounting	419	—	—	419
Others	(6,350)	—	(456)	(6,806)
Balance as of March 31, 2023	27,192	1,438	34,652	63,282
Current liabilities	5,467	38	12,087	17,592
Non-current liabilities	21,725	1,400	22,565	45,690
Total	$27,192	$ 1,438	$ 34,652	$ 63,282

The breakdown of changes in provisions for the fiscal year ended March 31, 2022 is as follows:

	Millions of yen			
	Asset retirement obligations	Provision for environmental measures	Others	Total
Balance as of April 1, 2021	¥2,678	¥295	¥1,882	¥4,855
Increase during period	674	423	2,052	3,149
Decrease during period (utilization)	—	(80)	(622)	(702)
Decrease during period (reversal)	—	—	(82)	(82)
Interest expense by discounting	48	—	—	48
Others	241	—	16	257
Balance as of March 31, 2022	3,641	638	3,246	7,525
Current liabilities	—	420	2,054	2,474
Non-current liabilities	3,641	218	1,192	5,051
Total	¥3,641	¥638	¥3,246	¥7,525

Asset retirement obligations

Provisions for asset retirement obligations are mainly for dismantling and removal costs of plant facilities and offices held on land leased out to the Group overseas, to fulfill the obligation to restore the property to its original state. These expenses are mainly expected to be incurred after one year or longer from the lease; however, they are subject to the influence of a business plan or other aspects in the future.

Provision for environmental measures

The provision for environmental measures is an estimate of the total costs of equipment maintenance and treatment work related to measures to address soil pollution detected at the Company's manufacturing sites. These expenses are mainly expected to be incurred after one year or longer from the lease; however, they are subject to the influence of a business plan or other aspects in the future.

26. Other Liabilities

The breakdown of other liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Accrued bonuses	¥17,809	¥18,254	$133,371
Accrued paid leave	8,500	7,958	63,656
Accrued expenses	8,099	9,021	60,653
Consumption taxes payable	1,763	1,656	13,203
Advances received	951	1,282	7,122
Others	3,885	4,419	29,095
Total	41,007	42,590	307,100
Current liabilities	40,016	42,125	299,678
Non-current liabilities	991	465	7,422
Total	¥41,007	¥42,590	$307,100

27. Equity

(1) Share capital and treasury stock

The total number of shares authorized and the number of shares issued are as follows:

	Shares	
	Year ended March 31, 2023	Year ended March 31, 2022
The total number of shares authorized to be issued	600,000,000	600,000,000
The number of shares issued		
Balance at beginning of period	204,653,315	204,608,615
Changes during the period (Note 2)	(3,889,500)	44,700
Balance at end of period	200,763,815	204,653,315

Notes:
1. All the shares the Company issued are no-par value common stock and are fully paid.
2. The 44,700 increase in the total number of shares during the fiscal year ended March 31, 2022 was due to a paid third-party allocation of shares through a resolution of the Board of Directors. The change in the total number of shares during the fiscal year ended March 31, 2023 reflects an increase of 110,500 shares due to a paid third-party allocation of shares through a resolution of the Board of Directors and a decrease of 4,000,000 shares due to the canceling of treasury stock through a resolution of the Board of Directors.

Changes in the number of shares of treasury stock during the period are as follows:

	Shares	
	Year ended March 31, 2023	Year ended March 31, 2022
At the beginning of the period	11,417,375	8,664,390
Increase (Note 1)	3,282,135	2,754,652
Decrease (Note 2)	4,001,781	1,667
At the end of the period	10,697,729	11,417,375

Notes:
1. The increase in the number of shares of treasury stock for the fiscal year ended March 31, 2022 is due to the purchase of 10,952 shares less than one unit and the acquisition of 2,743,700 shares through a resolution of the Board of Directors. The increase in the number of shares of treasury stock for the fiscal year ended March 31, 2023 is due to the purchase of 7,735 shares less than one unit and the acquisition of 3,274,400 shares through a resolution of the Board of Directors.
2. The decrease in the number of shares of treasury stock for the fiscal year ended March 31, 2022 is due to the sale of 1,667 shares less than one unit. The decrease in the number of shares of treasury stock for the fiscal year ended March 31, 2023 is due to the sale of 1,781 shares less than one unit and the cancellation of 4,000,000 shares through a resolution of the Board of Directors.

(2) Capital surplus and retained earnings

The capital surplus account is composed of amounts arising from equity transactions that are not included in share capital. Major components of the capital surplus account are legal capital surplus and other capital surplus. The retained earnings account is composed of legal retained earnings and other retained earnings.

The Companies Act of Japan requires that at least 50% of the contribution for share issue be appropriated as share capital and the rest be appropriated as legal capital surplus. The Companies Act of Japan also requires that 10% of surplus appropriated for dividends be reserved either as legal capital surplus or legal retained earnings until the total amount of legal capital surplus and legal retained earnings reaches 25% of the amount of share capital. Legal capital surplus and legal retained earnings cannot be the source of dividends, however, these can be transferred to capital surplus, other surplus or share capital upon approval at the General Meeting of Shareholders.

In addition, acquired treasury stock must be excluded in calculating the amount available for distribution. Acquired treasury stock of ¥32,704 million, and ¥34,932 million at March 31, 2023, and March 31, 2022, respectively, is excluded in calculating the amount available for distribution.

(3) Other components of equity
Other components of equity are as follows:
Financial assets measured at fair value through other comprehensive income
It is valuation difference on financial assets measured at fair value through other comprehensive income.

Remeasurement of defined benefit plans
Remeasurement of defined benefit plans represents the effect of gaps between actuarial assumptions at the beginning of the year and actual results as well as the effect of changes in actuarial assumptions. These effects are recognized in other comprehensive income when incurred and are immediately transferred from other components of equity to retained earnings.

Exchange differences on translation of foreign operations
These exchange differences occurred when foreign operations' financial statements prepared in foreign currencies are consolidated.

Effective portion of net changes in fair value of cash flow hedges
It is the amount of accumulated effective portion of gains or losses arising from changes in the fair value of hedging instruments for cash flow hedges.

The breakdown of each item of other comprehensive income and related amount of tax effects (including non-controlling interests) are as follows:

For the year ended March 31, 2023

	Millions of yen				
	Amount arising during the year	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	¥ 5,972	¥ —	¥ 5,972	¥(1,786)	¥ 4,186
Remeasurements of defined benefit plans	1,242	—	1,242	(341)	901
Share of other comprehensive income of investments accounted for using equity method	14	—	14	—	14
Total of items that will not be reclassified to profit or loss	7,228	—	7,228	(2,127)	5,101
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	23,052	(5,173)	17,879	—	17,879
Effective portion of net change in fair value of cash flow hedges	558	(308)	250	(90)	160
Share of other comprehensive income of investments accounted for using equity method	4,790	—	4,790	—	4,790
Total of items that may be reclassified to profit or loss	28,400	(5,481)	22,919	(90)	22,829
Total	¥35,628	¥(5,481)	¥30,147	¥(2,217)	¥27,930

	Thousands of U.S. dollars				
	Amount arising during the year	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	$ 44,724	$ —	$ 44,724	$(13,375)	$ 31,349
Remeasurements of defined benefit plans	9,301	—	9,301	(2,553)	6,748
Share of other comprehensive income of investments accounted for using equity method	104	—	104	—	104
Total of items that will not be reclassified to profit or loss	54,129	—	54,129	(15,928)	38,201
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	172,635	(38,740)	133,895	—	133,895
Effective portion of net change in fair value of cash flow hedges	4,179	(2,307)	1,872	(674)	1,198
Share of other comprehensive income of investments accounted for using equity method	35,872	—	35,872	—	35,872
Total of items that may be reclassified to profit or loss	212,686	(41,047)	171,639	(674)	170,965
Total	$266,815	$(41,047)	$225,768	$(16,602)	$209,166

For the year ended March 31, 2022

	Millions of yen				
	Amount arising during the year	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	¥ 3,929	¥ —	¥ 3,929	¥ (855)	¥ 3,074
Remeasurements of defined benefit plans	3,101	—	3,101	(952)	2,149
Share of other comprehensive income of investments accounted for using equity method	210	—	210	—	210
Total of items that will not be reclassified to profit or loss	7,240	—	7,240	(1,807)	5,433
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	22,195	301	22,496	—	22,496
Effective portion of net change in fair value of cash flow hedges	1,094	(455)	639	(145)	494
Share of other comprehensive income of investments accounted for using equity method	3,726	—	3,726	—	3,726
Total of items that may be reclassified to profit or loss	27,015	(154)	26,861	(145)	26,716
Total	¥34,255	¥(154)	¥34,101	¥(1,952)	¥32,149

28. Dividends

For the year ended March 31, 2023

i) Dividends paid

Dividends paid are as follows:

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 24, 2022	Common stock	¥12,560	Retained earnings	¥65.00	March 31, 2022	June 27, 2022
Board of Directors' meeting held on November 8, 2022	Common stock	11,601	Retained earnings	60.00	September 30, 2022	December 2, 2022

Resolution	Type of shares	Total cash dividends paid (Thousands of U.S. dollars)	Source of dividends	Cash dividends per share (U.S. dollars)	Record date	Effective date
Annual General Meeting of Shareholders on June 24, 2022	Common stock	$94,061	Retained earnings	$0.487	March 31, 2022	June 27, 2022
Board of Directors' meeting held on November 8, 2022	Common stock	86,880	Retained earnings	0.449	September 30, 2022	December 2, 2022

ii) Dividends whose record date is within the fiscal year ended March 31, 2023, however, whose effective date is in the fiscal year ending March 31, 2024

Dividends whose record date is within the fiscal year ended March 31, 2023, however, whose effective date is in the fiscal year ending March 31, 2024 are as follows:

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 27, 2023	Common stock	¥11,404	Retained earnings	¥60.00	March 31, 2023	June 28, 2023

Resolution	Type of shares	Total cash dividends paid (Thousands of U.S. dollars)	Source of dividends	Cash dividends per share (U.S. dollars)	Record date	Effective date
Annual General Meeting of Shareholders on June 27, 2023	Common stock	$85,404	Retained earnings	$0.449	March 31, 2023	June 28, 2023

For the year ended March 31, 2022

i) Dividends paid

Dividends paid are as follows:

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 25, 2021	Common stock	¥ 9,797	Retained earnings	¥50.00	March 31, 2021	June 28, 2021
Board of Directors' meeting held on November 5, 2021	Common stock	10,730	Retained earnings	55.00	September 30, 2021	December 2, 2021

ii) Dividends whose record date is within the fiscal year ended March 31, 2022, however, whose effective date is in the fiscal year ended March 31, 2023

Dividends whose record date is within the fiscal year ended March 31, 2022, however, whose effective date is in the fiscal year ended March 31, 2023 are as follows:

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on J une 24, 2022	Common stock	¥12,560	Retained earnings	¥65.00	March 31, 2022	June 27, 2022

29. Sales Revenue

(1) Disaggregation of revenue

The Group is composed of the following business segments: Life & Healthcare Solutions, Mobility Solutions, ICT Solutions, and Basic & Green Materials, and Others, whose operating results are regularly reviewed by the Board of Directors of the Company to make decisions about management resource allocation and assess their performance. Therefore, turnover recognized from these businesses is presented as sales revenue. The Group further disaggregates revenue from contracts with customers into the sale of products and merchandise, license income, and other based on the contracts with customers.

The relationship between these disaggregated sales revenue and sales revenue of each reportable segment is as follows:

For the year ended March 31, 2023

	Millions of yen						
	Life & Healthcare Solutions	Mobility Solutions	ICT Solutions	Basic & Green Materials	Total of reportable segments	Others	Total
Sale of products and merchandise	¥257,194	¥521,169	¥235,657	¥847,587	¥1,861,607	¥12,132	¥1,873,739
License income	1,032	405	24	1,389	2,850	—	2,850
Others	—	—	—	—	—	2,958	2,958
Total	¥258,226	¥521,574	¥235,681	¥848,976	¥1,864,457	¥15,090	¥1,879,547

	Thousands of U.S. dollars						
	Life & Healthcare Solutions	Mobility Solutions	ICT Solutions	Basic & Green Materials	Total of reportable segments	Others	Total
Sale of products and merchandise	$1,926,114	$3,903,011	$1,764,824	$6,347,540	$13,941,489	$90,854	$14,032,343
License income	7,729	3,033	180	10,401	21,343	—	21,343
Others	—	—	—	—	—	22,155	22,155
Total	$1,933,843	$3,906,044	$1,765,004	$6,357,941	$13,962,832	$113,009	$14,075,841

Notes:
1. The above amounts are net of internal transactions among Group companies.
2. Most of the Group's sales revenue is recognized from contracts with customers. Revenue recognized from other sources is immaterial.

For the year ended March 31, 2022

	Millions of yen						
	Life & Healthcare Solutions	Mobility Solutions	ICT Solutions	Basic & Green Materials	Total of reportable segments	Others	Total
Sale of products and merchandise	¥224,259	¥432,267	¥207,088	¥736,749	¥1,600,363	¥7,671	¥1,608,034
License income	919	416	46	320	1,701	—	1,701
Other	—	—	—	—	—	2,953	2,953
Total	¥225,178	¥432,683	¥207,134	¥737,069	¥1,602,064	¥10,624	¥1,612,688

Notes:
1. The above amounts are net of internal transactions between Group companies.
2. Most of the Group's sales revenue is recognized from contracts with customers. Revenue recognized from other sources is immaterial.

The Group is primarily engaged in business activities related to the manufacture and sale of goods or services in the Life & Healthcare Solutions, Mobility Solutions, ICT Solutions, and Basic & Green Materials segments. Revenue from these businesses is measured based on the consideration clearly stated in contracts with customers, and excludes amounts collected for third parties. The amount of sales revenue including variable consideration is included in transaction prices only to the extent that a significant reversal of accumulated revenue recognized is very unlikely to occur when uncertainties over the variable consideration are later dispelled.

The Group recognizes revenue from the manufacture and sale of products upon the delivery of the products because it is when the Group deems that customers have obtained control of the products and performance obligations have been satisfied. The consideration of a transaction is generally received within one year after the performance obligation is satisfied. The contract for the transaction does not include a significant financing component.

Of license income, the Group records revenue from patent license agreements at the time the assignment or provision agreement takes effect. The Group also recognizes revenue from net sales-based royalties promised in exchange for the license of intellectual property at the time either of the following occurs, whichever is later:

- Subsequent sales or use occurs, or
- The performance obligation to which some or all net sales-based or usage-based royalties are allocated is satisfied (or partially satisfied).

(2) Contract balances

Information on receivables from contracts with customers and contract liabilities is as follows:

In the consolidated statements of financial position, receivables from contracts with customers are included in "Trade receivables," and contract liabilities are included in "Trade payables" and "Other non-current liabilities."

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021	As of March 31, 2023
Receivables from contracts with customers	¥352,181	¥370,426	¥285,846	$2,637,467
Contract liabilities	3,070	1,812	1,962	22,991

Contract liabilities are mainly related to advance consideration received from customers.

Of revenue recognized for the fiscal years ended March 31, 2023 and March 31, 2022, amounts included in the beginning balance of contract liabilities are ¥1,422 million and ¥1,382 million, respectively. In the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2022, the amount of revenue recognized from performance obligations satisfied (or partially satisfied) in the previous period was insignificant.

There are no contract assets as of March 31, 2023 or March 31, 2022.

(3) Transaction price allocated to the remaining performance obligations

Since the Group does not have any significant transactions whose expected individual contract term exceeds one year, practical expedients have been applied and information regarding remaining performance obligations is omitted.

(4) Assets recognized from the costs to obtain or fulfill contracts with customers

There are no costs to obtain or fulfill contracts with customers for the fiscal years ended March 31, 2023 or March 31, 2022.

30. Selling, General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Personnel expenses	¥ 72,625	¥ 63,096	$ 543,885
Research and development expenses	42,954	38,124	321,681
Transportation and storage fees	77,342	68,644	579,211
Depreciation and amortization	15,917	12,950	119,202
Others	75,751	56,542	567,295
Total	¥284,589	¥239,356	$2,131,274

31. Share-Based Payment

(1) Overview of restricted stock compensation plan

The Company has introduced a restricted stock compensation plan (hereinafter the "Plan") for directors (excluding outside directors), executive officers, and chief senior directors (hereinafter collectively "Eligible Directors, etc.") for the purposes of granting Eligible Directors, etc. incentives for sustainable improvement of corporate value of the Company and promoting greater shared value with shareholders, and accounts for as equity-settled payments. In the Plan, shares are issued on a grant date, and a period over which shares are subject to a restriction on transfer lasts three to five years from the grant date.

The Plan does not contain vesting conditions, and vesting will be on the grant date.

(2) The number of shares of the Company granted during the period based on the restricted stock compensation plan, and the weighted-average fair value

The number of shares of the Company granted during the period and the weighted-average fair value per share are as follows:

	Year ended March 31, 2023	Year ended March 31, 2022
The number of shares granted during the year	110,500 shares	44,700 shares

	Yen		U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
The weighted-average fair value per share	¥2,850	¥3,710	$21,344

The fair value of share-based payment is measured with reference to the share price on the grant date.

(3) Expenses for share-based payment

The total amount of expenses recognized under the restricted stock compensation plan is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Equity-settled payment	¥316	¥166	$2,366

The expenses above are recorded in "Selling, general and administrative expenses" in the consolidated statements of income.

32. Research and Development Expenses

Research and development expenses recognized as expenses for the fiscal years ended March 31, 2022 and March 31, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Research and development expenses	¥42,954	¥38,124	$321,681

33. Other Operating Income and Other Operating Expenses

The breakdown of other operating income and other operating expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Gain on sale of fixed assets	¥ 241	¥ 323	$ 1,805
Insurance income	2,083	1,226	15,599
Rental income	268	383	2,007
Gain on sales of shares of subsidiaries (Note)	24,178	638	181,068
Gain on negative goodwill	—	7,246	—
Others	1,555	3,296	11,646
Total of other operating income	28,325	13,112	212,125
Loss on sale and retirement of fixed assets	7,377	5,373	55,246
Impairment losses	7,455	16,183	55,830
Loss on related businesses	1,054	5,616	7,893
Loss on disaster	14	1	105
Others	2,024	3,832	15,158
Total of other operating expenses	¥17,924	¥31,005	$134,232

Note: In the year ended March 31, 2023, the Company transferred all shares of consolidated subsidiary Mitsui Phenols Singapore Pte. Ltd. to INEOS Holdings Limited. As a result of the transfer, the Company recorded ¥23,244 million gain on sales of shares of subsidiaries.

34. Financial Income and Financial Expenses

(1) Financial income

The breakdown of financial income is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Dividend income	¥2,162	¥1,240	$16,191
Interest income	2,848	1,217	21,329
Others	668	3,718	5,003
Total	¥5,678	¥6,175	$42,523

(2) Financial expenses

The breakdown of financial expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Interest expenses			
Financial liabilities measured at amortized cost	¥ 5,236	¥ 3,292	$ 39,212
Lease obligations	842	791	6,306
Accrual of allowance for doubtful accounts	7,790	7,311	58,339
Others	3,530	817	26,436
Total	¥17,398	¥12,211	$130,293

35. Income Taxes

(1) Deferred tax

(i) The breakdown of deferred tax assets and liabilities, and the details of changes

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

i) For the year ended March 31, 2023

	Millions of yen				
	April 1, 2022	Recognized through profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2023
Deferred tax assets					
Accrued bonuses	¥ 5,188	¥ (14)	¥ —	¥ 1	¥ 5,175
Retirement benefit liability	11,578	(452)	(327)	920	11,719
Tax loss carryforward	2,091	(1,240)	—	29	880
Excess depreciation	6,563	(773)	—	1,025	6,815
Inventories	1,452	635	—	66	2,153
Adjustment accounts	5,698	1,759	—	—	7,457
Others	19,308	801	(99)	(1,564)	18,446
Total deferred tax assets	¥51,878	¥ 716	¥ (426)	¥ 477	¥52,645
Deferred tax liabilities					
Retirement benefit asset	21,224	(343)	(159)	—	20,722
Gain on contribution of securities to retirement benefit trust	8,126	—	(686)	—	7,440
Financial assets measured at fair value through other comprehensive income	5,752	—	1,926	—	7,678
Retained earnings of subsidiaries, associates, etc.	7,744	2,084	—	—	9,828
Property, plant and equipment	8,336	(820)	—	228	7,744
Valuation difference	10,709	(651)	—	207	10,265
Others	9,541	2,193	2,062	64	13,860
Total deferred tax liabilities	¥71,432	¥ 2,463	¥3,143	¥ 499	¥77,537

	Thousands of U.S. dollars				
	April 1, 2022	Recognized through profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2023
Deferred tax assets					
Accrued bonuses	$ 38,853	$ (105)	$ —	$ 7	$ 38,755
Retirement benefit liability	86,707	(3,385)	(2,449)	6,890	87,763
Tax loss carryforward	15,659	(9,286)	—	217	6,590
Non-current assets	49,150	(5,789)	—	7,676	51,037
Inventories	10,874	4,755	—	495	16,124
Adjustment accounts	42,672	13,173	—	—	55,845
Others	144,597	5,999	(741)	(11,713)	138,142
Total deferred tax assets	$388,512	$ 5,362	$ (3,190)	$ 3,572	$394,256
Deferred tax liabilities					
Retirement benefit asset	158,946	(2,569)	(1,191)	—	155,186
Gain on contribution of securities to retirement benefit trust	60,855	—	(5,137)	—	55,718
Financial assets measured at fair value through other comprehensive income	43,076	—	14,424	—	57,500
Retained earnings of subsidiaries, associates, etc.	57,994	15,607	—	—	73,601
Property, plant and equipment	62,428	(6,141)	—	1,707	57,994
Valuation difference on land	80,199	(4,875)	—	1,550	76,874
Others	71,453	16,423	15,442	480	103,798
Total deferred tax liabilities	$534,951	$18,445	$23,538	$ 3,737	$580,671

Note: "Others" includes exchange differences on translation of foreign operations.

ii) For the year ended March 31, 2022

	Millions of yen				
	April 1, 2021	Recognized through profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2022
Deferred tax assets					
Accrued bonuses	¥ 4,243	¥ 833	¥ —	¥ 112	¥ 5,188
Retirement benefit liability	11,964	(1,204)	43	775	11,578
Tax loss carryforward	1,449	608	—	34	2,091
Excess depreciation	5,745	630	—	188	6,563
Inventories	1,545	(236)	—	143	1,452
Adjustment accounts	—	(409)	—	6,107	5,698
Others	13,938	6,374	(535)	(469)	19,308
Total deferred tax assets	¥38,884	¥ 6,596	¥ (492)	¥6,890	¥51,878
Deferred tax liabilities					
Retirement benefit asset	19,340	1,112	531	241	21,224
Gain on contribution of securities to retirement benefit trust	8,350	—	(224)	—	8,126
Financial assets measured at fair value through other comprehensive income	4,967	—	786	(1)	5,752
Retained earnings of subsidiaries, associates, etc.	7,102	642	—	—	7,744
Property, plant and equipment	6,103	2,002	—	231	8,336
Valuation difference	3,721	(320)	7,308	—	10,709
Others	7,802	953	102	684	9,541
Total deferred tax liabilities	¥57,385	¥ 4,389	¥8,503	¥1,155	¥71,432

Note: "Others" includes exchange differences on translation of foreign operations.

In recognizing deferred tax assets, the Group records deductible temporary differences and tax loss carryforwards to the extent that it is probable that taxable income will be available against which the deductible temporary differences and unused tax loss carryforwards can be utilized.

The recoverability of deferred tax assets is determined based on the sufficiency of taxable income based on profitability in the consolidated tax group with the Company as consolidated parent, tax planning opportunities, and the sufficiency of taxable temporary differences. Estimates of future taxable income based on profitability are based on the Group's business plan for the year ending March 31, 2024, which includes growth and expansion through the investment of resources to strengthen the foundation of Group global management. The business plan includes major assumptions made by management regarding forecast sales volume related to revenue.

The Group's businesses are wide-ranging and may be affected by changes in uncertain economic conditions, including global economic trends stemming from the prolonged crisis in Ukraine and rising interest rates in Europe and the United States. If future taxable income results differ from initial estimates due to changes in forecast sales volume, this could have a significant impact on amounts recognized in the consolidated financial statements for the following fiscal year.

The bulk of the balance of deferred tax assets of the Group is related to the consolidated tax group with the Company as consolidated parent, and the Company records most of them on its books.

For some subsidiaries that posted a net loss for whom the recoverability of deferred tax assets depends on their future taxable income, the Group recognized deferred tax assets of ¥5,542 million at March 31, 2023 and ¥601 million at March 31, 2022. The future taxable income used by these companies in recognizing deferred tax assets is based on the assumptions of a business plan approved by management. Based on past plans and performance trends, the Company considers the recoverability of the deferred tax to be unproblematic.

(ii) Deductible temporary differences and tax loss carryforward for which no deferred tax assets are recognized

The amounts of deductible temporary differences and tax loss carryforward for unrecognized deferred tax assets as well as the expiration year of such tax loss carryforward and tax credit carryforward are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Tax loss carryforward	¥ 22,497	¥ 18,164	$ 168,480
Due within one year	6,740	3,065	50,476
Due after one year through five years	1,513	5,836	11,331
Due after five years	14,244	9,263	106,673
Deductible temporary differences	157,125	205,138	1,176,701
Total	¥179,622	¥223,302	$1,345,181

The Group in Japan has adopted the Japanese Group Relief System.

Deferred tax assets related to local taxes (resident tax and business tax), which are not applicable under the Japanese Group Relief System, are included in "Deductible temporary differences and tax loss carryforward for which no deferred tax assets are recognized" above.

(iii) Taxable temporary differences on investments in subsidiaries and other entities that do not recognize deferred tax liabilities

The total amount of taxable temporary differences on investments in subsidiaries and other entities that do not recognize deferred tax liabilities is ¥17,616 million, and ¥1,955 million at March 31, 2023 and March 31, 2022, respectively. The Group does not recognize deferred tax liabilities if it can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

(2) Income tax expense

(i) Breakdown of income tax expense

The breakdown of income taxes is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Current tax expenses	¥23,081	¥24,733	$172,853
Prior period restatement	2,312	(127)	17,314
Deferred tax expenses			
Origination and reversal of temporary differences, etc.	1,857	(1,597)	13,907
Revision to and reversal of deferred tax assets	(110)	(286)	(824)
Total of deferred tax expenses	1,747	(1,883)	13,083
Total income tax expense	¥27,140	¥22,723	$203,250

(ii) Reconciliation of applicable tax rate

The Company is subject to income tax, corporate inhabitant tax, and corporate enterprise tax. The effective statutory tax rate used to calculate these taxes for the fiscal years ended March 31, 2023 and March 31, 2022 is 30.6% for both years. For its foreign subsidiaries, they are subject to income taxes in their locations.

The breakdown of major reconciling items between the effective statutory tax rate and the average actual tax rate is as follows:

	Year ended March 31, 2023	Year ended March 31, 2022
Effective statutory tax rate	30.6%	30.6%
Expenses not subject to deduction, such as entertainment expenses	1.9	1.3
Income not subject to tax, such as dividend income	0.6	0.2
Differences in tax rates of consolidated foreign subsidiaries	(5.8)	(8.5)
Changes in unrecognized deferred tax assets	1.6	(0.9)
Share of profit (loss) of investments accounted for using equity method	(5.7)	(4.2)
Tax deduction for research expenses, etc.	(4.6)	(3.2)
Adjustment for income taxes for prior periods	2.0	0.1
Others	2.5	0.7
Average actual tax rate	23.1%	16.1%

36. Per Share Information

The basis for calculation of basic earnings per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Net income attributable to common shareholders of the parent	¥82,936	¥109,990	$621,104

	Shares	
	Year ended March 31, 2023	Year ended March 31, 2022
The average number of common shares during the period	192,349,712	194,516,547

	Yen		U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Basic earnings per share	¥431.17	¥565.45	$3.23

Note: Diluted earnings per share are not stated as potential dilutive shares do not exist.

37. Financial Instruments

(1) Capital management

While the Company's top priority is the enhancement of corporate value through business growth and expansion, the Company also sees the return of profit to its shareholders as a key management priority.

To this end, the Company uses operating income before special items, net income attributable to owners of the parent, ROIC (return on invested capital), net debt to equity, and ROE (return on equity) as key indicators for capital management with a basic policy of ensuring financial soundness and optimizing the capital efficiency of business activities.

The Company is not subject to any material capital restrictions.

(2) Financial risk management policy

The Company is exposed to various financial risks (credit risk, liquidity risk and market risk) in the course of performing business activities and performs risk management in accordance with relevant policies to avoid or mitigate these risks.

The Company uses derivatives to avoid the risks explained below and does not engage in speculative transactions. The finance division executes and manages the Company's derivative transactions upon approval of the officer in charge. The finance division reports the results of such transactions to the Management Committee every six months. The Company's consolidated subsidiaries also execute and manage derivative transactions in accordance with their management standards.

(3) Credit risk management

Notes and accounts receivable—trade, i.e., trade receivables, and receivables other than trade receivables are exposed to credit risks of customers. Trade receivables denominated in foreign currencies arising from doing business overseas are exposed to foreign exchange fluctuation risk, and a certain amount of such receivables is hedged using forward exchange contracts and other instruments, except for those within outstanding balance of accounts payable—trade denominated in the same foreign currencies.

In accordance with the internal credit management rules, the Company regularly monitors the status of trade receivables of counterparties and manages due dates and balances for each business partner, while working to early identify and mitigate any concerns about collections due to deterioration in their financial position and other factors. The Company's consolidated subsidiaries also manage credit risk in the same manner in accordance with the Company's credit management rules.

The Company and its consolidated subsidiaries engage in derivative transactions with creditworthy financial institutions and therefore believe that it is exposed to minimal credit risk arising from default of counterparties.

The maximum exposure to the credit risk as of the end of the fiscal year is the carrying amount of financial assets less allowance for doubtful accounts stated in the consolidated statements of financial position. The maximum exposure to the credit risk associated with debt guarantees is the amount of guaranteed liabilities stated in Note 41 "Contingent Liabilities."

In connection with these credit risk exposures, the Company mainly holds deposits as collateral for some trade receivables. The Company has neither significant exposure to credit risk related to particular counterparties nor excessive concentration of credit risk that requires special attention.

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

• Trade receivables

The allowance is calculated by multiplying the carrying amount of receivables by the provision rate calculated by considering future prospects of economic conditions and relevant factors in addition to the historical rate of credit losses. Provided, however, that if the asset meets criteria for credit-impaired financial assets, the amount of allowance is calculated on an individual basis by considering future prospects of economic conditions and other factors in addition to the financial conditions of counterparty.

• Receivables other than trade receivables

For assets for which credit risk is not considered to have increased significantly, the amount of allowance is calculated by multiplying the carrying amount by the provision rate that is determined by considering future prospects of economic conditions and other factors in addition to the historical rate of credit losses of similar assets.

For financial assets and credit-impaired financial assets whose credit risk is considered to have increased significantly from the time of initial recognition, anticipated credit losses over a 12-month period or for the entire period are estimated. Such estimates are based on numerous assumptions and estimates, including the possibility of default, timing of credit recovery, forecasts regarding the future amount of loss incurred, discount rates, and the impact of the crisis in Ukraine. Management of the Group determines that actual losses may be more or less than expected losses. If underlying assumptions change, initial estimates and assumptions may differ significantly from the actual amount of impairment loss on financial assets measured at amortized cost, which could have a significant impact on amounts recognized in the consolidated financial statements for the following fiscal year.

The allowance for doubtful accounts for financial assets is included in "Trade receivables" and "Other financial assets" in the consolidated statements of financial position.

Changes in allowance for doubtful accounts are as follows:

Year ended March 31, 2023

	Millions of yen				
	Trade receivables	Receivables other than trade receivables			
	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets measured at an amount equal to 12-month expected credit losses	Financial assets whose credit risk has increased significantly	Credit-impaired financial assets	Total
Balance at beginning of period	¥1,261	¥ 3	¥469	¥12,395	¥14,128
Increase during period	327	0	37	7,888	8,252
Decrease during period (utilization)	(167)	—	—	(460)	(627)
Decrease during period (reversal)	(284)	(0)	—	(88)	(372)
Others	52	(2)	(1)	3	52
Balance at end of period	¥1,189	¥ 1	¥505	¥19,738	¥21,433

	Thousands of U.S. dollars				
	Trade receivables	Receivables other than trade receivables			
	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets measured at an amount equal to 12-month expected credit losses	Financial assets whose credit risk has increased significantly	Credit-impaired financial assets	Total
Balance at beginning of period	$ 9,444	$ 22	$3,512	$ 92,826	$105,804
Increase during period	2,449	0	277	59,073	61,799
Decrease during period (utilization)	(1,251)	—	—	(3,445)	(4,696)
Decrease during period (reversal)	(2,127)	(0)	—	(659)	(2,786)
Others	390	(15)	(7)	22	390
Balance at end of period	$ 8,905	$ 7	$3,782	$147,817	$160,511

Year ended March 31, 2022

	Millions of yen				
	Trade receivables	Receivables other than trade receivables			
	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets measured at an amount equal to 12-month expected credit losses	Financial assets whose credit risk has increased significantly	Credit-impaired financial assets	Total
Balance at beginning of period	¥1,458	¥11	¥ 3,660	¥ 1,589	¥ 6,718
Increase during period	348	0	38	7,574	7,960
Decrease during period (utilization)	(88)	(8)	—	—	(96)
Decrease during period (reversal)	(466)	(0)	—	—	(466)
Others	9	—	(3,229)	3,232	12
Balance at end of period	¥1,261	¥ 3	¥ 469	¥12,395	¥14,128

The increase in allowance for doubtful accounts for the fiscal year ended March 31, 2023 is mainly for credit-impaired financial assets.

(4) Liquidity risk management

Liquidity risk is the risk that the Group is unable to perform its repayment obligations of financial liabilities on the due date. The Company manages liquidity risk by having the finance division prepare and update a cash flow management plan in a timely manner based on cash flow schedules of respective departments taking capital efficiency into account, as well as by preparing for alternative means of financing such as commitment line and overdraft facility.

The balances of major financial liabilities (including derivative financial instruments) by due date at March 31, 2023 and March 31, 2022 are as follows:

(i) As of March 31, 2023

	Millions of yen							
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade payables	¥ 164,267	¥ 164,267	¥164,267	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	184,120	184,120	184,120	—	—	—	—	—
Commercial papers	140,000	140,000	140,000	—	—	—	—	—
Long-term borrowings	283,833	290,699	45,439	30,891	5,765	27,487	33,539	147,578
Bonds payable	130,296	152,901	771	5,475	40,372	15,358	5,340	85,585
Lease liabilities	56,451	58,996	8,443	7,955	7,046	6,440	6,285	22,827
Others	113,316	113,316	105,285	821	33	123	46	7,008
Derivative financial liabilities								
Currency-related	7	7	7	—	—	—	—	—
Interest rate-related	158	158	78	80	—	—	—	—
Total	¥1,072,448	¥1,104,464	¥648,410	¥45,222	¥53,216	¥49,408	¥45,210	¥262,998

	Thousands of U.S. dollars							
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade payables	$1,230,188	$1,230,188	$1,230,188	$ —	$ —	$ —	$ —	$ —
Short-term borrowings	1,378,866	1,378,866	1,378,866	—	—	—	—	—
Commercial papers	1,048,454	1,048,454	1,048,454	—	—	—	—	—
Long-term borrowings	2,125,612	2,177,031	340,291	231,341	43,174	205,849	251,172	1,105,204
Bonds payable	975,781	1,145,069	5,774	41,002	302,344	115,015	39,991	640,943
Lease liabilities	422,759	441,818	63,229	59,575	52,767	48,229	47,068	170,950
Others	848,618	848,618	788,475	6,147	247	921	345	52,483
Derivative financial liabilities								
Currency-related	52	52	52	—	—	—	—	—
Interest rate-related	1,184	1,184	584	600	—	—	—	—
Total	$8,031,514	$8,271,280	$4,855,913	$338,665	$398,532	$370,014	$338,576	$1,969,580

(ii) As of March 31, 2022

	Millions of yen							
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade payables	¥ 174,844	¥ 174,844	¥174,844	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	177,437	177,437	177,437	—	—	—	—	—
Commercial papers	120,000	120,000	120,000	—	—	—	—	—
Long-term borrowings	253,069	258,067	50,221	43,848	29,017	4,028	21,112	109,841
Bonds payable	115,580	120,552	715	707	5,437	25,372	20,340	67,981
Lease liabilities	48,973	52,834	9,232	7,279	6,263	5,398	4,940	19,722
Others	127,304	127,304	119,144	525	532	2	—	7,101
Derivative financial liabilities								
Currency-related	4	4	4	—	—	—	—	—
Interest rate-related	489	489	77	264	148	—	—	—
Total	¥1,017,700	¥1,031,531	¥651,674	¥52,623	¥41,397	¥34,800	¥46,392	¥204,645

Financial guarantee contracts are not included in the tables above. The obligation to pay under financial guarantee contracts arises upon request. The details of financial guarantee contracts are stated in Note 41 “Contingent Liabilities.”

(5) Market risk management

(i) Foreign exchange risk

Receivables and payables denominated in foreign currencies arising from the Group's global business development are exposed to foreign exchange fluctuation risk. The Group enters into forward exchange contracts and currency swap contracts to hedge foreign exchange fluctuation risk identified by currency for certain trade receivables and payables and borrowings denominated in foreign currencies.

Foreign exchange sensitivity analysis

For the financial instruments denominated in foreign currencies held by the Group at the end of each reporting period, the impact of a 1% appreciation of Japanese yen against US dollar, Euro and Chinese yuan as of the end of period on income before income taxes in the consolidated statements of income is as follows.

This analysis does not include the impact of translating financial instruments denominated in the functional currency and translating assets, liabilities, revenue and expenses of foreign operations into Japanese yen. The analysis is based on the assumption that all other variables (balance, interest rate, etc.) are constant.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
US dollar	¥(609)	¥(276)	$(4,561)
Euro	(4)	(112)	(30)
Chinese yuan	(10)	(8)	(75)

(ii) Interest rate risk

Borrowings issued by the Group are mainly for the purpose of raising funds for capital investment. A portion of the Group's borrowings are floating-rate instruments and therefore exposed to interest rate fluctuation risk. The Group hedges the risk of interest rate hikes by using interest rate swap contracts to mitigate the interest rate fluctuation risk related to borrowings.

Interest rate sensitivity analysis

For financial instruments held by the Group at the end of each reporting period, the impact of a 100-basis point increase in interest rates on income before income taxes in the consolidated statements of income is as follows.

This analysis is limited to financial instruments affected by interest rate fluctuations and is based on the assumption that all other variables (balance, exchange rate, etc.) are constant.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Income before income taxes	¥(1,569)	¥(1,551)	$(11,750)

(iii) Market price fluctuation risk

Marketable securities and investment securities held by the Group are primarily shares in companies with which the Group has business relationships and are exposed to market price fluctuation risk. With regard to marketable securities and investment securities, the Group regularly assesses fair value and financial conditions of issuers (business partners), and constantly reviews the holding of such securities other than held-to-maturity debt securities, taking market conditions into account and the Group's relationships with the business partners. The Company's consolidated subsidiaries also manage market price fluctuation risk in the same manner.

(6) Derivatives and hedge accounting

As of March 31, 2023, the periods when cash flows from hedging instruments are expected to occur and when they are expected to affect profit or loss are, at maximum of, 1 years from March 31, 2023 for foreign exchange risk and 3 years from March 31, 2023 for interest rate risk.

The principal rates on forward exchange contracts and currency swap contracts, and principal interest rates on interest rate swap contracts and other swap contracts are as follows:

	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Cash flow hedges			
Foreign exchange risk			
Forward exchange contracts			
US dollar	¥131–¥133	¥122–¥124	$1–$1
Interest rate risk			
Interest rate swap contracts			
Pay fixed rate, receive floating rate	0.98%–1.30%	0.86%–1.19%	0.98%–1.30%
Interest rate currency swap contracts			
Pay fixed rate, receive floating rate	—	0.11%	—

Amounts of items designated as hedging instruments are as follows:.

As of March 31, 2023

	Millions of yen			
		Carrying amount		
	Contract amount	Assets	Liabilities	Items in the consolidated statements of financial position
Cash flow hedges				
Foreign exchange risk				
Foreign exchange derivatives	¥ 280	¥43	¥ 2	Other financial assets Other financial liabilities
Interest rate risk				
Interest rate derivatives	29,600	—	158	Other financial liabilities

	Thousands of U.S. dollars			
		Carrying amount		
	Contract amount	Assets	Liabilities	Items in the consolidated statements of financial position
Cash flow hedges				
Foreign exchange risk				
Foreign exchange derivatives	$ 2,100	$322	$ 17	Other financial assets Other financial liabilities
Interest rate risk				
Interest rate derivatives	221,673	—	1,184	Other financial liabilities

As of March 31, 2022

	Millions of yen			
		Carrying amount		
	Contract amount	Assets	Liabilities	Items in the consolidated statements of financial position
Cash flow hedges				
Foreign exchange risk				
Foreign exchange derivatives	¥ 782	¥ —	¥ 4	Other financial liabilities
Interest rate risk				
Interest rate derivatives	52,894	589	489	Other financial assets Other financial liabilities

Amounts of items designated as hedged items are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
	Cash flow hedge reserve	Cash flow hedge reserve	Cash flow hedge reserve
Cash flow hedges			
Foreign exchange risk			
Forecast purchases	¥ —	¥ 53	$ —
Payables denominated in foreign currencies	19	—	142
Interest rate risk			
Interest on borrowings	(100)	(314)	(749)

The details of cash flow hedges are as follows:

Year ended March 31, 2023

	Millions of yen				
	Changes in fair value of hedging instruments recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Items in the consolidated statements of income in which ineffective portion of hedges are included in profit or loss	Reclassification adjustments to profit or loss	Items in the consolidated statements of income including profit or loss from reclassification adjustments
Foreign exchange risk					
Forward exchange contracts	¥ (47)	¥—	¥—	¥ —	—
Interest rate risk					
Interest rate swap contracts	308	—	—	459	Financial expenses
Interest rate currency swap contracts	(13)	—	—	(767)	Financial income

	Thousands of U.S. dollars				
	Changes in fair value of hedging instruments recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Items in the consolidated statements of income in which ineffective portion of hedges are included in profit or loss	Reclassification adjustments to profit or loss	Items in the consolidated statements of income including profit or loss from reclassification adjustments
Foreign exchange risk					
Forward exchange contracts	$ (352)	$—	$—	$ —	—
Interest rate risk					
Interest rate swap contracts	2,307	—	—	3,437	Financial expenses
Interest rate currency swap contracts	(97)	—	—	(5,744)	Financial income

Year ended March 31, 2022

	Millions of yen				
	Changes in fair value of hedging instruments recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Items in the consolidated statements of income in which ineffective portion of hedges are included in profit or loss	Reclassification adjustments to profit or loss	Items in the consolidated statements of income including profit or loss from reclassification adjustments
Foreign exchange risk					
Forward exchange contracts	¥ 82	¥—	¥—	¥ —	—
Interest rate risk					
Interest rate swap contracts	478	—	—	532	Financial expenses
Interest rate currency swap contracts	17	—	—	(1,049)	Financial income

(7) Fair value of financial instruments

The fair value hierarchy of financial instruments is categorized as follows, according to the external observability of the inputs used in the fair value measurement.

• Level 1: Fair value measured at the unadjusted quoted price in an active market for the same asset or liability.
• Level 2: Fair value calculated directly or indirectly using observable prices other than Level 1
• Level 3: Fair value calculated from valuation techniques, including inputs that are not based on significant observable market data.

Transfers among levels of financial instruments are recognized at the end of the reporting period in which the transfer occurs. There was no significant transfer among levels during the fiscal year ended March 31, 2022.

The level in the fair value measurement hierarchy to measure the fair value of each financial instrument is based on the lowest level input that is significant to the entire fair value measurement.

The breakdowns of financial instruments measured at fair value as of March 31, 2023 and March 31, 2022 are as follows:

(i) Financial instruments measured at fair value on a recurring basis

i) As of March 31, 2023

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Shares and investments	¥ —	¥506	¥ 3,063	¥ 3,569
Derivative assets	—	43	—	43
Financial assets measured at fair value through other comprehensive income				
Shares and investments	6,927	—	38,558	45,485
Total	6,927	549	41,621	49,097
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	165	—	165
Total	¥ —	¥165	¥ —	¥ 165

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Shares and investments	$ —	$3,789	$ 22,939	$ 26,728
Derivative assets	—	322	—	322
Financial assets measured at fair value through other comprehensive income				
Shares and investments	51,876	—	288,759	340,635
Total	51,876	4,111	311,698	367,685
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	1,236	—	1,236
Total	$ —	$1,236	$ —	$ 1,236

ii) As of March 31, 2022

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Shares and investments	¥ —	¥ 504	¥ 2,357	¥ 2,861
Derivative assets	—	589	—	589
Financial assets measured at fair value through other comprehensive income				
Shares and investments	5,094	—	33,286	38,380
Total	5,094	1,093	35,643	41,830
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	493	—	493
Total	¥ —	¥ 493	¥ —	¥ 493

Shares and investments

The fair value of marketable shares classified as Level 1 is calculated based on unadjusted quoted prices in an active market for identical assets or liabilities.

The fair value of Level 3 unlisted shares and investments for which quoted prices in an active market is unavailable is calculated by using comparable company comparisons or valuation techniques based on net asset value. In measuring such fair value, the Group uses unobservable inputs such as discount rates and valuation multiples and takes certain illiquidity discount into account as needed.

Derivative assets and derivative liabilities

The fair value of Level 2 derivative assets and liabilities is calculated based on such observable inputs as prices provided by counterparty financial institutions or exchange and interest rates.

The fair value of Level 3 financial instruments is calculated by valuation specialists determining valuation methods for each relevant financial instrument in accordance with valuation policies and procedures that include valuation methods for fair value measurement approved by appropriately authorized person. The results are reviewed and approved by suitably authorized personnel.

The breakdowns of changes in financial instruments measured at fair value on a recurring basis that are classified as Level 3 of the fair value measurement hierarchy for the fiscal years ended March 31, 2023 and March 31, 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Balance at beginning of period	¥35,643	¥29,660	$266,929
Total gains or losses	4,277	4,498	32,030
Profit or loss	377	21	2,823
Other comprehensive income (Note 1)	3,900	4,477	29,207
Purchases	2,069	2,633	15,495
Sales	(334)	(1,043)	(2,501)
Transfer from Level 3 (Note 2)	(42)	—	(315)
Others	8	(105)	60
Balance at end of period	¥41,621	¥35,643	$311,698

Notes:
1. Gains and losses recognized in other comprehensive income are included in "Financial assets measured at fair value through other comprehensive income" in the consolidated statements of comprehensive income.
2. The transfer from Level 3 is due to the listing of shares of investee companies.

(ii) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows:

i) As of March 31, 2023

	Millions of yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Other financial assets					
Public and corporate bonds, etc.	¥ 11,531	¥—	¥ —	¥11,531	¥ 11,531
Total	11,531	—	—	11,531	11,531
Financial liabilities:					
Bonds and borrowings					
Bonds payable	130,296	—	126,216	—	126,216
Long-term borrowings	283,833	—	281,293	—	281,293
Total	¥414,129	¥—	¥407,509	¥ —	¥407,509

	Thousands of U.S. dollars				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Other financial assets					
Public and corporate bonds, etc.	$ 86,355	$—	$ —	$86,355	$ 86,355
Total	86,355	—	—	86,355	86,355
Financial liabilities:					
Bonds and borrowings					
Bonds payable	975,781	—	945,226	—	945,226
Long-term borrowings	2,125,612	—	2,106,590	—	2,106,590
Total	$3,101,393	$—	$3,051,816	$ —	$3,051,816

ii) As of March 31, 2022

	Millions of yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Other financial assets					
Public and corporate bonds, etc.	¥ 10,569	¥—	¥ —	¥10,569	¥ 10,569
Total	10,569	—	—	10,569	10,569
Financial liabilities:					
Bonds and borrowings					
Bonds payable	115,580	—	113,980	—	113,980
Long-term borrowings	253,069	—	256,595	—	256,595
Total	¥368,649	¥—	¥370,575	¥ —	¥370,575

Public and corporate bonds, etc.
The fair value of Level 3 public and corporate bonds, etc. is calculated with reference to prices provided by financial institutions.

Bonds payable
The fair value of Level 2 bonds payable is calculated based on quoted prices when quoted prices are readily available, and the fair value of those without quoted prices is measured at the present value calculated by discounting the combined total of principal and interest at a rate taking the remaining period and credit risk of the bonds payable into account.

Long-term borrowings
The fair value of Level 2 long-term borrowings is calculated by discounting to the present value of the combined total of principal and interest at a rate assumed to be applied if the same borrowings were newly executed.

For other financial assets and liabilities other than above, relevant notes are omitted as they are mainly settled for a short period of time and the fair value approximates the carrying amount.

38. Major Subsidiaries

Major subsidiaries as of March 31, 2023 and 2022 are as follows:

(1) Consolidated subsidiaries with material non-controlling interests

The summarized financial information of consolidated subsidiaries that the Company recognizes their material non-controlling interests is as follows. The summarized financial information shows amounts before transactions within the Group are eliminated.

Prime Polymer Co., Ltd.

(i) Percentage of non-controlling interests and accumulated non-controlling interests

	Percentage of non-controlling interests (%)	
Name of Subsidiary	As of March 31, 2023	As of March 31, 2022
Prime Polymer Co., Ltd.	35%	35%

	Accumulated non-controlling interests		
	Millions of yen		Thousands of U.S. dollars
Name of Subsidiary	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Prime Polymer Co., Ltd.	¥39,104	¥38,777	$292,848

(ii) Profit or loss attributed to non-controlling interests and dividends paid to non-controlling interests

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Profit or loss attributed to non-controlling interests	¥1,279	¥1,327	$9,578
Comprehensive income allocated to non-controlling interests	1,228	1,250	9,196
Dividends paid to non-controlling interests	901	661	6,748

(iii) Summarized financial information

i) Summarized statements of financial position

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Current assets	¥148,622	¥159,151	$1,113,023
Non-current assets	45,891	39,850	343,676
Total assets	194,513	199,001	1,456,699
Current liabilities	85,107	92,575	637,362
Non-current liabilities	14,322	7,873	107,257
Total liabilities	99,429	100,448	744,619
Total equity	95,084	98,553	712,080
Total liabilities and equity	¥194,513	¥199,001	$1,456,699

ii) Summarized statements of income and comprehensive income

Summarized statements of income

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Sales revenue	¥300,629	¥255,935	$2,251,397
Net income	(469)	3,989	(3,512)

Summarized statements of comprehensive income

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Other comprehensive income	¥(108)	¥ (162)	$ (809)
Comprehensive income	(577)	3,827	(4,321)

iii) Summarized statements of cash flows

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities	¥ (6,816)	¥(10,554)	$ (51,045)
Cash flows from investing activities	(18,443)	(12,526)	(138,119)
Cash flows from financing activities	7,682	(2,028)	57,531
Net increase (decrease) in cash and cash equivalents	¥(17,577)	¥(25,108)	$(131,633)

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

In the fiscal year ended March 31, 2022, Advanced Composites, Inc. acquired and canceled treasury stock. As a result, the Group's percentage of ownership in Advanced Composites, Inc. increased from 61.75% to 68.75%.

In the fiscal year ended March 31, 2023, there were no changes in ownership interests in subsidiaries that did not result in loss of control. The prior effect of changes in ownership interests in subsidiaries that do not result in loss of control is as follows.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Changes in the Company's ownership interests	¥—	¥(3,739)	$—

39. Related Parties

(1) Transactions with associates and joint ventures

For the year ended March 31, 2023

Significant transactions with related parties to be disclosed are as follows:

					Millions of yen			Thousands of U.S. dollars	
Status	Company	Ownership of voting rights, etc.	Relationship with related parties	Type of transaction	Transaction amount	Balance at March 31, 2023	Accounting item	Transaction amount	Balance at March 31, 2023
Subsidiary of joint venture	Mitsui Chemicals & SKC Polyurethanes Inc.	50.0% (Note)	investee	a paid-in capital reduction	¥43,145	—	—	$323,111	—

Note: On July 14, 2022, Mitsui Chemicals & SKC Polyurethanes Inc. returned its equity interest to the Company through a paid-in capital reduction, completed a series of procedures for dissolution, and ceased to be a joint venture. The ownership of voting rights, etc. is as of the time of the paid-in capital reduction.

For the year ended March 31, 2022

Significant transactions with related parties to be disclosed are as follows:

Status	Company	Ownership of voting rights, etc.	Relationship with related parties	Type of transaction	Millions of yen: Transaction amount	Millions of yen: Balance at March 31, 2022	Millions of yen: Accounting item	Thousands of U.S. dollars: Transaction amount	Thousands of U.S. dollars: Balance at March 31, 2022
Subsidiary of joint venture	Mitsui Chemicals & SKC Polyurethanes Inc. (Japanese company)	—	Purchase of shares and equity interests due to dissolution of joint venture	Purchase of shares and equity interests (Note 1)	¥43,118	—	—	$322,909	—
			Transfer of business due to dissolution of joint venture	Transfer of all business assets (Note 2)	25,435	—	—	190,482	—
				Transfer of all business liabilities (Note 2)	16,265	—	—	121,808	—
				Consideration for business transfer (Note 2)	10,694	—	—	80,087	—

Notes:

1. Purchase price of shares and equity interests is decided after negotiation based on a consideration calculated by the Company.
2. The amount of business assets and business liabilities transferred is determined based on a proper evaluation. The consideration for business transfer is determined by projecting the excess earning power expected from future businesses.

(2) Remuneration for key management personnel

Remuneration for key management personnel of the Company is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Remuneration and bonuses	¥538	¥570	$4,029
Share-based payment	115	61	861
Total	¥653	¥631	$4,890

40. Commitments

Commitments related to expenditures on and after the closing date are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Purchase of property, plant and equipment and intangible assets	¥88,641	¥102,392	$663,828

41. Contingent Liabilities

Debt guarantees

The Group has guaranteed and made guarantee commitments for companies outside the Group for loans from financial institutions and entities. In case of default by the entities for which the Company conducts debt guarantees, the Company will need to bear repayments that such entities have failed to make, as well as related losses.

The status of debt guarantees at March 31, 2023, and March 31, 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Nghi Son Refinery&Petrochemical LLC	¥19,363	¥21,800	$145,009
Solar and wind power generation cooperative in Tahara (Note 1)	6,300	7,730	47,180
Shanghai Sinopec Mitsui Elastomers, Co., Ltd.	—	2,092	—
Formosa Mitsui Advanced Chemicals Co., Ltd.	1,155	1,705	8,650
Others (Note 2)	849	751	6,358
Total	¥27,667	¥34,078	$207,197

(i) As of March 31, 2023

Notes:

1. Of which, the amount of ¥3,465 million has been re-guaranteed by MITSUI & CO., LTD.
2. Of which, the amount of ¥485 million has been re-guaranteed by another entity.

(ii) As of March 31, 2022

Notes:

1. Of which, the amount of ¥4,252 million has been re-guaranteed by MITSUI & CO., LTD.
2. Of which, the amount of ¥383 million has been re-guaranteed by another entity.

42. Subsequent Events

Not applicable

Other Information

Quarterly information for the fiscal year ended March 31, 2023

	Millions of yen			
(Cumulative period)	First three months	First six months	First nine months	FY2022
Sales revenue	¥476,113	¥951,077	¥1,428,911	¥1,879,547
Income (loss) before income taxes	40,819	70,654	100,187	117,278
Net income (loss) attributable to owners of the parent	27,992	44,353	64,946	82,936
Basic earnings (loss) per share (Yen)	144.86	229.46	336.43	431.17

(Fiscal period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (Yen)	¥144.86	¥84.62	¥106.94	¥94.55

	Thousands of U.S. dollars			
(Cumulative period)	First three months	First six months	First nine months	FY2022
Sales revenue	$3,565,588	$7,122,572	$10,701,048	$14,075,841
Income (loss) before income taxes	305,692	529,125	750,296	878,290
Net income (loss) attributable to owners of the parent	209,631	332,158	486,378	621,104
Basic earnings (loss) per share (Dollar)	1.085	1.718	2.520	3.229

(Fiscal period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Dollar)	$1.085	$0.634	$0.801	$0.708

Independent Auditor’s Report

The Board of Directors
Mitsui Chemicals, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Mitsui Chemicals, Inc., and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of cash-generating units, including goodwill and intangible assets, related to MMAG Co., Ltd.	
Description of Key Audit Matter	**Auditor's Response**
Mitsui Chemicals, Inc. (the "Company") recorded intangible assets of ¥48,137 million in the consolidated statement of financial position as of March 31, 2023. Of the amounts provided in Note 18 "Impairment of Non-Financial Assets（Goodwill）" in the Notes to the Consolidated Financial Statements, technology assets of ¥4,945 million, customer-related assets of ¥3,026 million, license agreements of ¥6,074 million, and goodwill of ¥16,782 million were recorded upon the acquisition of all outstanding shares of MMAG Co., Ltd. ("MMAG") by the Company's consolidated subsidiary, Mitsui Chemicals Agro, Inc., (currently, Mitsui Chemicals Crop & Life Solutions, Inc. ("MCCLS")) in the fiscal year ended March 31, 2022. In the fiscal year ended March 31, 2023, the Company and MCCLS performed annual impairment testing for cash-generating units, including goodwill and intangible assets, and, as a result, did not record impairment loss since fair value less costs of disposal, which was the recoverable amount, exceeded the carrying amount of the cash-generating units. Fair value less costs of disposal is calculated using the present value of future cash flows based on business plan approved by management and a terminal value for the period beyond the business plan. The growth rate for the period beyond the business plan is determined in consideration of the inflation rate and risk-free rate in Japan and is set within a range that does not exceed these rates. The determination of fair value less costs of disposal includes estimation elements such as the sales volume and unit price of each product as well as the growth rate for the period beyond the business plan and discount rate. The sales volume and unit price of each product and the growth rate included in the business plan involve uncertainty since such factors are dependent on market trends in the industry to which the business belongs and since the forecasts are long term. In addition, estimating the discount rate used in measuring fair value less costs of disposal requires a high degree of specialized knowledge related to valuations that is necessary for selecting the calculation elements used in the capital asset pricing model. Given that the determination of fair value less costs of disposal of cash-generating units, including the goodwill and intangible assets recorded upon the	The audit procedures we performed in considering the impairment testing for the technology assets, customer-related assets, license agreements, and goodwill recorded upon the acquisition of MMAG Co., Ltd. ("MMAG") by Mitsui Chemicals Agro, Inc. (currently, Mitsui Chemicals Crop & Life Solutions, Inc.) included the following, among others: ・Valuation method We considered that future cash flows used in impairment testing are based on future business plans approved by management. We evaluated the competence, capabilities and objectivity of the external valuation specialists used by management and involved valuation specialists from our network firm to assess the valuation method used by the external valuation specialists in determining fair value less costs of disposal. ・Response to estimation uncertainty We compared the business plan formulated in the prior fiscal year to the actual results for the current fiscal year and analyzed the factors contributing to differences between the plan and the actual results. We considered the necessity to revise the business plan based on the past fiscal year performance and the outlook of the external environment to assess whether the effects of events that are factors contributing to differences were appropriately reflected in the business plan for the current fiscal year. In addition, we developed and compared with an auditor's point estimate. We obtained an understanding of the logic and preconditions for the determination of the sales volume and unit price of each product, and considered the basis for these assumptions by discussion with management regarding the sales expansion strategy for the global market and inspecting related documents. ・Growth rate We involved valuation specialists from our network firm to compare the growth rate for the period beyond the business plan to data published by external organizations and assess that this growth rate is determined in consideration of the long-term average growth rates of the industries or

acquisition of MMAG by MCCLS, requires management's judgement and has a significant effect on the determination of whether or not such cash-generating units are impaired as well as the amount of impairment loss that is recorded, we have determined that this is a significant aspect of our audit of the consolidated financial statements for the fiscal year ended March 31, 2023 and is thus a key audit matter.	countries to which the cash-generating units belong and is set within a range that does not exceed these rates. ・Discount rate We involved valuation specialists from our network firm to compare the calculation elements (e.g., β value, equity risk premium, and size risk premium) for the capital asset pricing model used in estimating the discount rate to available data published by external organizations.

Recoverability of deferred tax assets of Mitsui Chemicals, Inc.	
Description of Key Audit Matter	**Auditor's Response**
Mitsui Chemicals, Inc. (the "Company") recognized deferred tax assets of ¥10,270 million in the consolidated statement of financial position as of March 31, 2023. As described in Note 35 "Income Taxes" in the Notes to the Consolidated Financial Statements, the amount of deferred tax assets before offsetting against deferred tax liabilities was ¥52,645 million. The Company applies the Japanese Group Relief System and determines the recoverability of deferred tax assets related to income taxes and local corporation taxes by treating the entire relief group as a single taxable entity. Deferred tax assets in the consolidated financial statements primarily represent those of the relief group with the Company as the consolidated parent and are mostly recognized at the Company. The recoverability of deferred tax assets is mainly dependent on estimates of future taxable profit made by management, and estimates of future taxable profit are based on the budget for the following fiscal year approved by the board of directors. Although the planned sales volume in the budget for the following fiscal year is estimated based on the actual results for the current fiscal year and a demand forecast that takes into consideration market trends, such estimate involves a high degree of uncertainty and requires management's judgement since the Company operates in a wide variety of business areas that are affected by global economic trends resulting from factors such as the protracted crisis in Ukraine and interest rate hikes in Europe and the US. Given that the Company's deferred tax assets account for a large proportion of the deferred tax	The audit procedures we performed in considering the recoverability of the deferred tax assets of Mitsui Chemicals, Inc. (the "Company") included the following, among others: ・Scheduling of deductible temporary differences and taxable temporary differences We involved tax specialists from our network firm to assess the balances of deductible temporary differences and taxable temporary differences of the Company and consider the schedule for the temporary differences expected to be reversed. We assessed whether or not deferred tax assets related to deductible temporary differences have been recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized in accordance with IAS 12 Income Taxes. ・Estimate of future taxable profit We assessed whether or not the estimate of future taxable profit of the relief group used in evaluating the recoverability of deferred tax assets is based on the budget for the following fiscal year approved by the board of directors by reconciling the estimate with budget-related documents. ・Response to estimation uncertainty We compared the budget for current fiscal year used in estimating taxable income in the prior fiscal year to the actual results for the current fiscal year and analyzed the factors contributing to differences between the budget and the actual results. We made inquiries regarding the method of formulating the budget for the following fiscal year and the assumptions underlying the budget, and discussed with management the method of

assets recognized in the consolidated financial statements and that estimates of planned sales volume, which are a significant aspect of assessments of the recoverability of deferred tax assets, involve a high degree of uncertainty and require management's judgement, we have determined that the recoverability of the Company's deferred tax assets is a significant aspect of our audit of the consolidated financial statements for the fiscal year ended March 31, 2023 and is thus a key audit matter.	considering uncertainty related to the likelihood of achieving the budget. We assessed the planned sales volume, which is based on a demand forecast for the following fiscal year and onwards, by comparing it to the actual results for the current fiscal year and to available external data such as market forecast reports issued by third-party organizations.

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, 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 and disclosing, as required by IFRSs, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing 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. 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 an 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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing 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 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 in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 27, 2023

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