

# Consolidated Financial Statements

## Year ended March 31, 2023

 Sumitomo Electric Industries, Ltd.

Financial Section FY2022  
(Fiscal year 2022, ended March 31, 2023)

Five-Year Financial Data and Indexes

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen					Thousands of U.S. dollars
	<b>FY2022</b> For the years ended <b>Mar. 31, 2023</b>	FY2021 Mar. 31, 2022	FY2020 Mar. 31, 2021	FY2019 <sup>6</sup> Mar. 31, 2020	FY2018 Mar. 31, 2019	<b>FY2022</b> <b>Mar. 31, 2023</b>
<b>For the Year:</b>						
Net sales	<b>¥4,005,561</b>	¥3,367,863	¥2,918,580	¥3,107,027	¥3,177,985	<b>\$29,997,461</b>
Cost of sales	<b>3,335,585</b>	2,793,919	2,387,237	2,553,902	2,593,363	<b>24,980,042</b>
Selling, general and administrative expenses	<b>492,533</b>	451,749	417,417	425,909	418,362	<b>3,688,557</b>
Operating income	<b>177,443</b>	122,195	113,926	127,216	166,260	<b>1,328,862</b>
Profit before income taxes	<b>196,472</b>	159,921	110,340	133,198	181,388	<b>1,471,370</b>
Profit attributable to owners of the parent	<b>112,654</b>	96,306	56,344	72,720	118,063	<b>843,661</b>
Capital expenditures <sup>1</sup>	<b>208,278</b>	189,719	172,246	208,834	190,314	<b>1,559,784</b>
Depreciation and amortization	<b>195,999</b>	180,508	168,040	163,581	148,916	<b>1,467,827</b>
R&D expenses	<b>127,672</b>	123,060	118,820	125,449	129,627	<b>956,130</b>
<b>At Year-End:</b>						
Total assets	<b>4,013,008</b>	3,807,390	3,381,914	3,100,260	3,053,263	<b>30,053,231</b>
Total interest-bearing liabilities	<b>960,368</b>	859,794	685,087	636,262	540,745	<b>7,192,152</b>
Total net assets <sup>2</sup>	<b>2,110,819</b>	2,052,938	1,892,506	1,766,647	1,776,313	<b>15,807,826</b>
<b>Per Share Data:</b>						
	<b>FY2022</b>	FY2021	FY2020	FY2019 <sup>7</sup>	FY2018	<b>FY2022</b>
Profit attributable to owners of the parent <sup>3</sup> :						
Basic	<b>¥ 144.45</b>	¥ 123.49	¥ 72.25	¥ 93.24	¥ 151.38	<b>\$ 1.082</b>
Diluted	—	—	—	—	—	—
Cash dividends	<b>50.00</b>	50.00	32.00	40.00	48.00	<b>0.374</b>
Owner's equity <sup>4</sup>	<b>2,436.14</b>	2,269.31	2,088.51	1,946.93	1,988.58	<b>18.244</b>
Weighted average number of shares outstanding (in thousands)	<b>779,876</b>	779,884	779,893	779,893	779,897	
Number of employees (at year-end)	<b>289,191</b>	281,075	286,784	283,910	272,796	
Average number of temporary employees	<b>(45,525)</b>	(48,275)	(38,227)	(37,065)	(40,134)	
<b>Financial Indexes:</b>						
Operating income / net sales (%)	<b>4.4</b>	3.6	3.9	4.1	5.2	
Profit attributable to owners of the parent / net sales (%)	<b>2.8</b>	2.9	1.9	2.3	3.7	
Operating income / invested assets <sup>5</sup> (ROIC) (%)	<b>5.9</b>	4.5	4.6	5.4	7.3	
Return on owner's equity (%)	<b>6.1</b>	5.7	3.6	4.7	7.6	
Owner's equity ratio (%)	<b>47.3</b>	46.5	48.2	49.0	50.8	
Current ratio (times)	<b>1.5</b>	1.6	1.7	1.7	1.7	
R&D expenses / net sales (%)	<b>3.2</b>	3.7	4.1	4.0	4.1	

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥133.53 to U.S. \$1.00, the approximate exchange rate prevailing on March 31, 2023.

<sup>1</sup> Capital expenditures are recorded as property, plant and equipment.

<sup>2</sup> See Note 9.

<sup>3</sup> There were no potentially dilutive common shares.

<sup>4</sup> Owner's equity is the sum of total shareholders' equity and total accumulated other comprehensive income.

<sup>5</sup> Invested assets = total assets - interest-free liabilities

<sup>6</sup> The U.S. consolidated subsidiaries have adopted IFRS to replace U.S. GAAP from the beginning of the fiscal year ended March 31, 2021. The financial data and indexes for the year ended March 31, 2020 have been adjusted retrospectively to reflect the changes in accounting policy.

## Management's Discussion and Analysis

### Business Conditions in FY2022

With respect to the world economy, in the U.S., despite the impact of rising prices and credit squeezes, a modest recovery of the economy continued, supported by stable personal consumption and favorable employment conditions; however, in China, the urban blockages and restrictions on activity following the spread of COVID-19 placed downward pressure on the economy; further, in Europe, the economy gradually slowed down toward the end of this fiscal year due to rising prices for energy and other commodities, caused by the situation in Ukraine, and the tight monetary policies. With respect to the Japanese economy, gradually, socioeconomic activities returned to normal, and it recovered moderately, but it continued to lack strength due in part to sharp fluctuations in the exchange rate and rising prices.

### Review of Operations in FY2022

The business circumstances of the Sumitomo Electric Group were challenging due to soaring material and energy prices, in addition to a decrease in the production of automobiles caused by reasons such as urban blockages in China and a supply shortage of semiconductors and other components. In this environment, in the consolidated financial settlement for this fiscal year, net sales increased from the preceding fiscal year to ¥4,005,561 million (preceding fiscal year: ¥3,367,863 million, +18.9 %) and exceeded ¥4 trillion for the first time, thanks to efforts to expand the sale of wiring harnesses, power cables, cemented carbide tools, and other commodities, as well as the depreciation of the Japanese yen. With respect to income and profits, we worked to thoroughly reduce costs and improve selling prices; as a result, operating income was ¥177,443 million (preceding fiscal year: ¥122,195 million, +45.2 %) with an operating margin of 4.4% (preceding fiscal year: 3.6%; +0.8 percentage points) and the profit attributable to owners of the parent was ¥112,654 million (preceding fiscal year: ¥96,306 million, +17.0 %). In this way, each of these items increased from the preceding fiscal year.

### Segment Information

#### Automotive:

Due to an increase in sales of wiring harnesses, electronic components of cars, and anti-vibration rubber, as well as the depreciation of the Japanese yen, net sales increased by ¥432,654 million (24.7% compared with the preceding fiscal year) to ¥2,186,849 million. Operating income increased, despite soaring material prices and logistics expense, by ¥43,481 million to ¥55,745 million, due to an increase in sales and the thorough reduction of costs. The operating income margin improved by 1.8 percentage points to 2.5%.

#### Infocommunications:

Net sales increased by ¥11,175 million (4.7%) to ¥250,325 million as a result of expanding sales of products such as optical wiring equipment and optical fibers, as well as depreciation of the Japanese yen. Operating income decreased by ¥1,472 million to ¥21,926 million due to an increase in material and energy prices as well as a decline in selling prices. The operating income margin fell by 1.0 percentage points to 8.8%.

#### Electronics:

Net sales increased by ¥73,504 million (25.1%) to ¥366,013 million, and operating income increased by ¥18,524 million to ¥38,349 million, due to the depreciation of the Japanese yen in addition to capturing demands for products such as FPCs (flexible printed circuits) and electronic wire products, and an increase in sales by TECHNO ASSOCIE Co., Ltd. The operating income margin improved by 3.7 percentage points to 10.5%.

#### Environment and Energy:

Net sales increased by ¥94,814 million (11.4%) to ¥928,239 million mainly due to the expansion of sales of power cables, an increase in demand for substation equipment, etc. from Nissin Electric Co., Ltd., and an increase in electric work at Sumitomo Densetsu Co., Ltd. Operating income decreased by ¥6,104 million to ¥37,920 yen compared to the preceding fiscal year, when the increase in profit was largely attributable to higher copper prices. The operating income margin fell by 1.2 percentage points to 4.1%. Meanwhile, orders received for plant and installation work came to ¥370,860 million (the order backlog at end of this fiscal year being ¥420,287 million), a rise of ¥878 million (0.2%).

**Industrial Materials and Others:**

Due to an increase in sales of cemented carbide tools and diamond/CBN tools, as well as the depreciation of the Japanese yen and an improvement in selling prices, net sales increased by ¥35,413 million (10.8%) to ¥363,296 million. Operating income increased by ¥954 million yen to ¥23,978 million. The operating income margin fell by 0.4 percentage points to 6.6%.

**Cash Flows**

Net cash provided by operating activities recorded ¥265,191 million, an increase by ¥189,189 million compared with the preceding fiscal year, after adjustment of the fluctuation in working capital made in the cash flow generated by business activities of ¥392,471 million, represented by an addition of depreciation and amortization of ¥195,999 million back in profit before income taxes of ¥196,472 million.

Net cash used in investing activities recorded ¥147,821 million, a decrease by ¥17,626 million compared with the preceding fiscal year, due to capital expenditure of ¥184,467 million on the purchase of property, plant and equipment and a cash inflow of ¥43,810 million on the proceeds from sales of investment securities.

Free cash flow, represented by net cash used in investing activities offset against net cash provided by operating activities, was positive ¥117,370 million, while free cash flow was negative ¥89,445 million in the preceding fiscal year.

Cash flow from financing activities recorded a decrease of ¥98,290 million, while an increase of ¥82,816 million was recorded in the preceding fiscal year, due to payment of dividends and payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation offsetting an increase in loans payable.

Year-end balance of cash and cash equivalents stood at ¥279,432 million, a year-on-year increase of ¥23,892 million (9.3%).

## Consolidated Balance Sheet

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
	<b>FY2022</b>	FY2021	<b>FY2022</b>
	As of <b>March 31, 2023</b>	March 31, 2022	<b>March 31, 2023</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and time deposits (Notes 3 and 4)	¥ 283,425	¥ 259,581	\$ 2,122,557
Trade notes and accounts receivable (Note 4)	842,794	784,647	6,311,645
Contract assets (Note 23)	32,838	30,030	245,922
Inventories (Note 7)	851,224	844,837	6,374,777
Other current assets	154,802	140,152	1,159,305
Allowance for doubtful receivables	(2,395)	(2,319)	(17,936)
Total current assets	<b>2,162,688</b>	2,056,928	<b>16,196,271</b>
<b>Non-current Assets:</b>			
<b>Property, Plant and Equipment (Note 8):</b>			
Buildings and structures	830,737	786,964	6,221,351
Machinery, equipment and others	2,259,127	2,113,611	16,918,498
Land	99,932	98,637	748,386
Construction in progress	73,273	64,054	548,738
	<b>3,263,069</b>	3,063,266	<b>24,436,973</b>
Accumulated depreciation	(2,200,290)	(2,036,482)	(16,477,870)
Net property, plant and equipment	<b>1,062,779</b>	1,026,784	<b>7,959,103</b>
<b>Intangible Assets</b>	<b>36,682</b>	36,062	<b>274,710</b>
<b>Investments and Other Assets:</b>			
Investments in unconsolidated subsidiaries and affiliates(Note 4)	269,335	299,986	2,017,037
Investment securities (Notes 4 and 5)	234,456	143,910	1,755,830
Net defined benefit asset (Note 13)	175,997	173,434	1,318,033
Deferred tax assets (Note 12)	30,909	32,329	231,476
Other	40,885	38,810	306,186
Allowance for doubtful receivables	(723)	(853)	(5,415)
Total investments and other assets	<b>750,859</b>	687,616	<b>5,623,148</b>
Total non-current assets	<b>1,850,320</b>	1,750,462	<b>13,856,961</b>
Total assets	<b>¥4,013,008</b>	¥3,807,390	<b>\$30,053,231</b>

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2022	FY2021	FY2022
	As of March 31, 2023	March 31, 2022	March 31, 2023
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Trade notes and accounts payable (Note 4)	¥ 445,951	¥ 444,985	\$ 3,339,706
Short-term debt (Notes 4 and 8)	601,237	482,212	4,502,636
Commercial papers (Notes 4 and 8)	7,000	8,000	52,423
Current portion of bonds (Notes 4 and 8)	—	9,996	—
Accrued income taxes	34,011	23,113	254,707
Contract liabilities (Note 23)	50,168	46,355	375,706
Other current liabilities	261,040	245,433	1,954,916
<b>Total current liabilities</b>	<b>1,399,407</b>	<b>1,260,094</b>	<b>10,480,094</b>
<b>Non-current Liabilities:</b>			
Bonds (Notes 4 and 8)	94,864	84,900	710,432
Long-term debt (Notes 4 and 8)	195,578	222,188	1,464,675
Deferred tax liabilities (Note 12)	87,895	65,068	658,242
Net defined benefit liabilities (Note 13)	45,794	46,037	342,949
Other non-current liabilities	78,651	76,165	589,014
<b>Total non-current liabilities</b>	<b>502,782</b>	<b>494,358</b>	<b>3,765,311</b>
<b>Total liabilities</b>	<b>1,902,189</b>	<b>1,754,452</b>	<b>14,245,406</b>
<b>Contingent Liabilities (Note 14)</b>			
<b>NET ASSETS (Note 9)</b>			
<b>Shareholders' Equity:</b>			
Common stock:			
Authorized—3,000,000 thousand shares in FY2022 and FY2021	99,737	99,737	746,926
Issued—793,941 thousand shares in FY2022 and FY2021	166,817	170,539	1,249,285
Capital surplus	1,383,046	1,346,210	10,357,568
Retained earnings	(20,793)	(20,781)	(155,718)
Treasury stock, at cost: 14,068 thousand shares in FY2022 and 14,060 thousand shares in FY2021			
<b>Total shareholders' equity</b>	<b>1,628,807</b>	<b>1,595,705</b>	<b>12,198,060</b>
<b>Accumulated Other Comprehensive Income:</b>			
Net unrealized holding gains or losses on available-for-sale securities	135,032	76,687	1,011,248
Deferred gains or losses on hedges	(2,340)	(1,366)	(17,524)
Foreign currency translation adjustments	85,258	38,821	638,493
Remeasurements of defined benefit plans	53,122	59,941	397,828
<b>Total accumulated other comprehensive income</b>	<b>271,072</b>	<b>174,083</b>	<b>2,030,046</b>
<b>Non-controlling Interests</b>	<b>210,940</b>	<b>283,150</b>	<b>1,579,720</b>
<b>Total net assets</b>	<b>2,110,819</b>	<b>2,052,938</b>	<b>15,807,826</b>
<b>Total liabilities and net assets</b>	<b>¥4,013,008</b>	<b>¥3,807,390</b>	<b>\$30,053,231</b>

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

## Consolidated Statement of Income

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2022	FY2021	FY2022
	For the years ended March 31, 2023	March 31, 2022	March 31, 2023
<b>Net Sales</b>	<b>¥4,005,561</b>	¥3,367,863	<b>\$29,997,461</b>
<b>Cost of Sales</b>	<b>3,335,585</b>	2,793,919	<b>24,980,042</b>
Gross profit	<b>669,976</b>	573,944	<b>5,017,419</b>
<b>Selling, General and Administrative Expenses</b>	<b>492,533</b>	451,749	<b>3,688,557</b>
Operating income	<b>177,443</b>	122,195	<b>1,328,862</b>
<b>Other Income (Expenses):</b>			
Interest and dividend income	<b>6,305</b>	5,080	<b>47,218</b>
Interest expense	<b>(16,107)</b>	(5,559)	<b>(120,625)</b>
Loss on claims	<b>(3,625)</b>	(2,887)	<b>(27,147)</b>
Share of profit of investments accounted for using the equity method	<b>11,485</b>	20,577	<b>86,011</b>
Gain on sales of property, plant and equipment	<b>5,832</b>	4,683	<b>43,676</b>
Gain on sales of investment securities	<b>32,478</b>	11,194	<b>243,226</b>
Fire insurance recovery gain and compensation income (Notes 15)	<b>2,508</b>	2,668	<b>18,782</b>
Gain on sale of shares of subsidiaries	—	3,409	—
Gain on change in equity (Note 16)	—	11,516	—
Gain on return of assets from retirement benefit trust (Note 17)	—	6,894	—
Loss on disposal of property, plant and equipment (Note 18)	<b>(3,123)</b>	(3,790)	<b>(23,388)</b>
Impairment loss on fixed assets (Note 19)	<b>(2,823)</b>	(6,456)	<b>(21,141)</b>
Restructuring expenses (Note 20)	<b>(9,622)</b>	(5,405)	<b>(72,059)</b>
Loss due to fire (Note 21)	<b>(2,126)</b>	(2,952)	<b>(15,922)</b>
Other, net	<b>(2,153)</b>	(1,246)	<b>(16,124)</b>
	<b>19,029</b>	37,726	<b>142,507</b>
<b>Profit before Income Taxes</b>	<b>196,472</b>	159,921	<b>1,471,370</b>
<b>Income Taxes (Note 12):</b>			
Current	<b>61,828</b>	41,294	<b>463,027</b>
Deferred	<b>2,371</b>	8,925	<b>17,756</b>
	<b>64,199</b>	50,219	<b>480,783</b>
<b>Profit for the year</b>	<b>132,273</b>	109,702	<b>990,586</b>
<b>Profit Attributable to Non-controlling Interests</b>	<b>(19,619)</b>	(13,396)	<b>(146,926)</b>
<b>Profit Attributable to Owners of the Parent</b>	<b>¥ 112,654</b>	¥ 96,306	<b>\$ 843,661</b>
	Yen		U.S. dollars (Note 1)
<b>Per Share of Common Stock (Note 10):</b>			
Basic	<b>¥144.45</b>	¥123.49	<b>\$1.082</b>
Diluted	—	—	—
Cash dividends	<b>50.00</b>	50.00	<b>0.374</b>

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

Consolidated Statement of Comprehensive Income  
SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
	<b>FY2022</b>	FY2021	<b>FY2022</b>
	For the years ended <b>March 31, 2023</b>	March 31, 2022	<b>March 31, 2023</b>
<b>Profit for the year</b>	<b>¥132,273</b>	¥109,702	<b>\$ 990,586</b>
<b>Other Comprehensive Income (Loss) (Note 11) :</b>			
Net unrealized holding gains or losses on available-for-sale securities	<b>58,593</b>	1,250	<b>438,800</b>
Deferred gains or losses on hedges	<b>(1,048)</b>	43	<b>(7,848)</b>
Foreign currency translation adjustments	<b>30,112</b>	63,966	<b>225,507</b>
Remeasurements of defined benefit plans	<b>(6,061)</b>	11,477	<b>(45,391)</b>
Share of other comprehensive income (loss) of affiliates accounted for using equity method	<b>18,067</b>	15,164	<b>135,303</b>
Total other comprehensive income (loss)	<b>99,663</b>	91,900	<b>746,372</b>
<b>Comprehensive Income (Loss)</b>	<b>¥231,936</b>	¥201,602	<b>\$1,736,958</b>
Comprehensive income (loss) attributable to:			
Owners of the parent	<b>207,375</b>	173,188	<b>1,553,022</b>
Non-controlling interests	<b>24,561</b>	28,414	<b>183,936</b>

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



Consolidated Statement of Changes in Net Assets  
SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen									
	Shareholders' Equity				Accumulated Other Comprehensive Income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains or losses on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets (Note 9)
<b>Balance at Beginning of FY2021</b>	¥99,737	¥170,875	¥1,281,762	¥(20,769)	¥ 74,866	¥(1,419)	¥(23,659)	¥47,413	¥263,700	¥1,892,506
Hyperinflation adjustment										—
<b>Restated Balance at Beginning of FY 2021</b>	99,737	170,875	1,281,762	(20,769)	74,866	(1,419)	(23,659)	47,413	263,700	1,892,506
Cash dividends			(31,983)							(31,983)
Profit attributable to owners of the parent for the year			96,306							96,306
Purchases of treasury stock				(12)						(12)
Disposal of treasury stock										—
Increase by merger			125							125
Change in scope of equity method										—
Change in ownership interests arising from transactions with non-controlling shareholders		(336)								(336)
Other					1,821	53	62,480	12,528	19,450	96,332
<b>Balance at End of FY2021</b>	¥99,737	¥170,539	¥1,346,210	¥(20,781)	¥ 76,687	¥(1,366)	¥ 38,821	¥59,941	¥283,150	¥2,052,938
<b>Balance at Beginning of FY2022</b>	¥99,737	¥170,539	¥1,346,210	¥(20,781)	¥ 76,687	¥(1,366)	¥ 38,821	¥59,941	¥283,150	¥2,052,938
Hyperinflation adjustment			48				2,268		(33)	2,283
<b>Restated Balance at Beginning of FY 2022</b>	99,737	170,539	1,346,258	(20,781)	76,687	(1,366)	41,089	59,941	283,117	2,055,221
Cash dividends			(39,004)							(39,004)
Profit attributable to owners of the parent for the year			112,654							112,654
Purchases of treasury stock				(12)						(12)
Disposal of treasury stock		(0)		0						0
Increase by merger										—
Change in scope of equity method			(36,862)							(36,862)
Change in ownership interests arising from transactions with non-controlling shareholders		(3,722)								(3,722)
Other					58,345	(974)	44,169	(6,819)	(72,177)	22,544
<b>Balance at End of FY2022</b>	¥99,737	¥166,817	¥1,383,046	¥(20,793)	¥135,032	¥(2,340)	¥ 85,258	¥53,122	¥210,940	¥2,110,819

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

## Thousands of U.S. dollars (Note 1)

	Shareholders' Equity				Accumulated Other Comprehensive Income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains or losses on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets (Note 9)
<b>Balance at Beginning of FY2022</b>	\$746,926	\$1,277,159	\$10,081,704	\$(155,628)	\$ 574,305	\$(10,230)	\$290,729	\$448,895	\$2,120,497	\$15,374,358
Hyperinflation adjustment			359				16,985		(247)	17,097
<b>Restated Balance at Beginning of FY 2022</b>	746,926	1,277,159	10,082,064	(155,628)	574,305	(10,230)	307,714	448,895	2,120,250	15,391,455
Cash dividends			(292,099)							(292,099)
Profit attributable to owners of the parent for the year			843,661							843,661
Purchases of treasury stock				(90)						(90)
Disposal of treasury stock		(0)		0						0
Increase by merger										—
Change in scope of equity method			(276,058)							(276,058)
Change in ownership interests arising from transactions with non-controlling shareholders		(27,874)								(27,874)
Other					436,943	(7,294)	330,780	(51,067)	(540,530)	168,831
<b>Balance at End of FY2022</b>	\$746,926	\$1,249,285	\$10,357,568	\$(155,718)	\$1,011,248	\$(17,524)	\$638,493	\$397,828	\$1,579,720	\$15,807,826

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

Consolidated Statement of Cash Flows  
SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2022	FY2021	FY2022
	For the years ended March 31, 2023	March 31, 2022	March 31, 2023
<b>Cash Flows from Operating Activities:</b>			
Profit before income taxes	<b>¥196,472</b>	¥159,921	<b>\$1,471,370</b>
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	<b>195,999</b>	180,508	<b>1,467,827</b>
Impairment loss on fixed assets	<b>4,774</b>	8,832	<b>35,752</b>
Amortization of goodwill	<b>67</b>	843	<b>502</b>
Interest and dividend income	<b>(6,305)</b>	(5,080)	<b>(47,218)</b>
Interest expense	<b>16,107</b>	5,559	<b>120,625</b>
Share of loss (profit) of investments accounted for using the equity method	<b>(11,485)</b>	(20,577)	<b>(86,011)</b>
Loss (gain) on change in equity	<b>—</b>	(11,516)	<b>—</b>
Net loss (gain) on sales of property, plant and equipment	<b>(5,449)</b>	(4,518)	<b>(40,807)</b>
Net loss (gain) on sales of investment securities	<b>(32,478)</b>	(11,193)	<b>(243,226)</b>
Loss on disposal of property, plant and equipment	<b>3,123</b>	5,288	<b>23,388</b>
Loss (gain) on valuation of investment securities	<b>51</b>	367	<b>382</b>
Gain on return of assets from retirement benefit trust	<b>—</b>	(6,894)	<b>—</b>
(Increase) decrease in trade notes and accounts receivable	<b>(41,241)</b>	(27,414)	<b>(308,852)</b>
(Increase) decrease in inventories	<b>26,540</b>	(195,098)	<b>198,757</b>
Increase (decrease) in trade notes and accounts payable	<b>(7,322)</b>	33,272	<b>(54,834)</b>
Increase/decrease in net defined benefit assets and liabilities	<b>(13,276)</b>	(3,310)	<b>(99,423)</b>
Other, net	<b>(14,708)</b>	(8,464)	<b>(110,148)</b>
Subtotal	<b>310,869</b>	100,526	<b>2,328,084</b>
Interest and dividend received	<b>14,093</b>	13,725	<b>105,542</b>
Interest paid	<b>(14,988)</b>	(5,389)	<b>(112,244)</b>
Income taxes paid	<b>(44,783)</b>	(32,860)	<b>(335,378)</b>
Net cash provided by operating activities	<b>265,191</b>	76,002	<b>1,986,003</b>
<b>Cash Flows from Investing Activities:</b>			
Purchase of property, plant and equipment	<b>(184,467)</b>	(174,059)	<b>(1,381,465)</b>
Proceeds from sales of property, plant and equipment	<b>10,252</b>	7,666	<b>76,777</b>
Purchase of investment securities	<b>(478)</b>	(90)	<b>(3,580)</b>
Proceeds from sales of investment securities	<b>43,810</b>	15,155	<b>328,091</b>
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	<b>—</b>	1,329	<b>—</b>
Other, net	<b>(16,938)</b>	(15,448)	<b>(126,848)</b>
Net cash used in investing activities	<b>(147,821)</b>	(165,447)	<b>(1,107,025)</b>

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2022	FY2021	FY2022
	For the years ended March 31, 2023	March 31, 2022	March 31, 2023
<b>Cash Flows from Financing Activities:</b>			
Net increase (decrease) in short-term debt	86,272	134,065	646,087
Increase (decrease) in commercial papers	(1,000)	(6,000)	(7,489)
Proceeds from long-term debt	39,868	77,479	298,570
Redemption of bonds and repayments of long-term debt	(76,073)	(63,945)	(569,707)
Proceeds from issuance of bonds	10,000	—	74,890
Payments for purchase of treasury stock	(3)	(12)	(22)
Cash dividends paid	(39,004)	(31,983)	(292,099)
Dividends paid to non-controlling interests	(8,690)	(11,576)	(65,079)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(91,624)	(53)	(686,168)
Other, net	(18,036)	(15,159)	(135,071)
Net cash used in financing activities	(98,290)	82,816	(736,089)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	4,812	10,578	36,037
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	23,892	3,949	178,926
<b>Cash and Cash Equivalents at Beginning of Year</b>	255,540	251,441	1,913,727
<b>Increase in Cash and Cash Equivalents Resulting from Merger with Unconsolidated Subsidiaries</b>	—	150	—
<b>Cash and Cash Equivalents at End of Year (Note 3)</b>	¥279,432	¥255,540	\$2,092,653

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

## Notes to Consolidated Financial Statements

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2023 and 2022

### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Sumitomo Electric Industries, Ltd. (the "Company") and most of its domestic consolidated subsidiaries maintain their accounts and records in Japanese yen and in accordance with the provisions set forth in the Japanese Corporate Law (the "Law"), the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of overseas consolidated subsidiaries and some domestic consolidated subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS") with adjustments for the following specified five items as applicable.

- a) Goodwill not subject to amortization
- b) Actuarial gains and losses of defined benefit retirement plans recognized outside profit and loss
- c) Capitalized expenditures for research and development activities
- d) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets
- e) Subsequent changes in fair value of equity instruments presented as other comprehensive income

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance in Japan as required by the Japanese Financial Instruments and Exchange Act. Some supplementary information included in the statutory consolidated financial statements prepared in Japanese, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2023, which was ¥133.53 to U.S. \$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Amounts in the consolidated financial statements and notes are rounded to the nearest million yen. For translations into U.S. dollars, amounts are rounded to the nearest thousand dollars. As a result, totals shown in the consolidated financial statements and notes do not necessarily agree with the sum of the individual amounts.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Consolidation

The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries. All significant intercompany transactions and balances have been eliminated. The difference between the cost of investments in consolidated subsidiaries and the underlying equity at dates of acquisition is treated as goodwill.

Investments in unconsolidated subsidiaries and affiliates are, with minor exceptions, accounted for using the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for using the equity method are stated at cost.

All of the overseas consolidated subsidiaries that have a fiscal year ending other than March 31 have processed additional annual financial closings for the March-end date for consolidation purposes, aiming at a more appropriate disclosure.

#### b) Translation of Foreign Currencies

All assets and liabilities of overseas subsidiaries and affiliates are translated into Japanese yen at the respective fiscal year-end exchange rates, revenues and expenses are translated at average exchange rates, and shareholders' equity is translated at historical rates. The resulting foreign currency translation adjustments are shown as a separate component of net assets, net of non-controlling interests.

#### c) Cash and Time Deposits

Cash and time deposits include cash on hand, readily available deposits and deposits with a maturity of one year or less.

#### **d) Securities**

The Company and its domestic consolidated subsidiaries classify and account for securities as follows:

Held-to-maturity debt securities are stated at amortized cost. Investments in unconsolidated subsidiaries and affiliates, excluding those accounted for using the equity method, are stated at cost.

Debt and equity securities not classified as above are classified as available-for-sale securities. Available-for-sale securities other than those without market values are stated at the fair value at the fiscal year end, and unrealized holding gains and losses, net of related taxes and non-controlling interests, are reported as a separate component of net assets. Available-for-sale securities without market values are stated at moving average cost. Realized gains and losses on sales of such securities are computed using moving average cost.

Held-to-maturity debt securities and available-for-sale securities maturing within one year from the fiscal year end and highly liquid investment funds are included in securities in current assets. Other securities are included in investments in unconsolidated subsidiaries and affiliates and investment securities.

#### **e) Derivatives and Hedging Transactions**

The Company and its consolidated subsidiaries utilize hedge accounting for foreign currency forward exchange contracts hedging foreign currency monetary assets and liabilities, foreign currency swap contracts hedging foreign currency debt and others, interest rate swap contracts hedging interest on debt and others and commodity forward contracts, etc., hedging raw materials.

Derivative financial instruments are stated at fair value. If the derivative financial instruments meet certain hedging criteria, the Company and its consolidated subsidiaries defer the recognition of gains and losses until the hedged transactions occur. Certain foreign currency forward exchange contracts and foreign currency swap contracts meeting certain conditions are accounted for as a part of translating foreign currency monetary assets and liabilities in the consolidated balance sheet. In cases in which an interest rate swap contract is used as a hedge and meets certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Company and its consolidated subsidiaries utilize hedging instruments to hedge risks of future changes in foreign exchange rates, interest rates and prices of raw materials in accordance with respective internal policies and procedures on risk control.

The Company and its consolidated subsidiaries assess the effectiveness of each hedge contract by comparing the total cash flow fluctuation of hedging instruments and hedged items, except in cases in which interest rate swap contracts are used as hedges and meet certain hedging criteria.

#### **f) Allowance for Doubtful Receivables**

The allowance for doubtful receivables is provided based upon estimated uncollectible amounts of individually identified doubtful receivables and historical loss experience for other receivables.

#### **g) Inventories**

Inventories are stated mainly at the lower of the cost, using the weighted average method, or net realizable value.

#### **h) Property, Plant and Equipment (excluding leases)**

The straight-line method is applied.

#### **i) Goodwill**

Goodwill is amortized on a straight-line basis over a period within 20 years (mostly 10 years).

#### **j) Revenue Recognition**

The Company and its consolidated subsidiaries recognize the amount expected to be received in exchange for promised goods or services as revenue at the time when the control of the goods or services is transferred to the customer.

The main businesses of the Company and its consolidated subsidiaries are manufacture and sales of products in the following business segments: Automotive, Infocommunications, Electronics, Environment and Energy and Industrial Materials and Others. Revenue for domestic sales transactions is recognized mainly at the time of the acceptance inspection by the customer or arrival at the customer, and revenue for export sales transactions is recognized mainly at the time when risks are transferred to the customer on the basis of trade terms such as incoterms. In the Environment and Energy segment, the Company and its consolidated subsidiaries operate the business of design and construction, such as the installation of products, as well as the manufacture and sales of the products. For construction contracts in which the performance obligation is satisfied over time, revenue is recognized based on the estimated progress towards the satisfaction of the performance obligation. For other contracts, revenue is recognized mainly on the completion of installation as the performance obligation is satisfied at that point in time. Consideration for the transaction is received mainly within one year from the satisfaction of the performance obligation and does not include a significant financing component.

### **k) Research and Development**

Expenses related to research and development activities are charged to expenses as incurred and totaled ¥127,672 million (US\$956,130 thousand) and ¥123,060 million for the years ended March 31, 2023 and 2022, respectively.

### **l) Retirement Benefits**

(1) Method of attributing expected benefits to periods of service

When calculating retirement benefit obligations, a benefit formula basis is used for attributing expected retirement benefits to periods of service.

(2) Method for calculating expenses for actuarial gains and losses and past service cost

The amount of defined benefit liabilities (assets) is based on the benefit obligation and fair value of plan assets at the end of the fiscal year.

Past service cost is amortized on a straight-line basis over certain periods within the average remaining service years of employees (mainly 3 years) from the year in which it arises or accounted for as an expense when it arises at some consolidated subsidiaries.

Actuarial gains and losses are amortized on a straight-line basis over certain periods within the average remaining service years of employees (mainly 14 years) from the year following the year in which they arise. At some consolidated subsidiaries, they are accounted for as an expense when they arise.

### **m) Income Taxes**

Income tax expense comprises current and deferred tax.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is accounted for by the asset-liability method. Deferred tax assets and liabilities are determined based on the financial statements carrying amounts and tax bases of assets and liabilities using the effective tax rates in effect for the year in which the temporary differences are expected to be recovered or settled. Deferred tax assets are also recognized for the estimated future tax effects attributable to operating loss carryforwards.

### **n) Leases**

Leased assets related to finance leases which do not transfer ownership of the lease assets and right-of-use assets in consolidated subsidiaries that apply IFRS 16 "Leases" are depreciated by the straight-line method, assuming the lease period as the useful life and no residual value.

### **o) Consolidated Statement of Cash Flows**

In preparing the consolidated statement of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

### **p) Appropriation of Retained Earnings**

The Company and its domestic consolidated subsidiaries record cash dividends as a charge directly to retained earnings in the fiscal year in which the appropriation of retained earnings is approved at the shareholders' meeting.

### **q) Use of Estimates**

In the preparation of these financial statements in accordance with generally accepted accounting principles, the management has made estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Certain amounts based upon accounting estimates and recorded in the financial statements of the current fiscal year may have a significant effect on the following fiscal year ending March 31, 2024 as follows:

(Large construction projects)

(1) Amount recorded in the consolidated financial statements for the current fiscal year

The amount of sales in the Environment and Energy segment was ¥928,239 million.

(2) Other information that contributes to the understanding of accounting estimates

In the Environment and Energy segment, the Company and its consolidated subsidiaries operate the business of design and construction such as electrical/power supply work, engineering and installation of products as well as the manufacture and sales of the products.

In the recognition of revenue for construction contracts when the performance obligation is satisfied over time, revenue is recognized over time based on the estimated progress towards the satisfaction of that performance obligation. If it is possible to measure the outcome of the performance obligation reasonably, the method used to estimate the progress towards the satisfaction of the performance obligation is the input method based on the ratio of the actual costs to the total estimated costs. If it is not possible to measure the outcome of the performance obligation reasonably, revenue is recognized only to the extent of actual costs incurred.

When estimating the total construction cost, the Company and its consolidated subsidiaries calculate the appropriate cost after considering the entire content of the work to be performed according to the customer's specifications, and review the estimate in a timely manner in response to any change in the situation after receiving the order. However, regarding long-term construction projects, such as projects for the installation of high-voltage direct current cables for interconnections among national and regional power electric utilities or remote island power transmission business and submarine power cables for large commercial offshore wind power generation business, if additional costs that exceed the estimate as of the end of the consolidated fiscal year are incurred because of unexpected circumstances such as an extension of the construction period due to the weather or other unforeseen changes in the content of the work or additional costs due to soaring outsourcing costs and personnel expenses, the profit and loss of the next consolidated fiscal year may be affected.

#### **r) Reclassifications and Restatements**

Certain prior year amounts are reclassified and restated to conform to the current year presentation. These reclassifications and restatements have no effect on previously reported results of operations or retained earnings.

#### **s) Accounting for corporation tax and local corporation tax and tax effect accounting**

The Company and its wholly owned domestic consolidated subsidiaries apply the group tax sharing system. In addition, corporation tax and local corporation tax, as well as their tax effects, are accounted for and disclosed under "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (PITF No.42, August 12, 2021).

#### **t) Standard Issued but Not Yet Adopted**

- Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022)

##### **(1) Summary**

Accounting Standard for Tax Effect Accounting (ASBJ Statement No.28) and the others were revised and published on February, 2018, and the practical guidance for tax effect accounting was transferred from the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan. In the process of the transfer, the following two issues were planned for discussion and consideration again after publication of the standard and the others. The discussion and consideration were closed and the standard and the others were published.

- Categories in which income tax expense should be recorded (taxes on other comprehensive income)
- Tax effects associated with sales of shares of subsidiaries, etc. (i.e., shares of subsidiaries or affiliates) when the group taxation regime is applied

##### **(2) Planned Adoption Date**

The Company and its consolidated subsidiaries will adopt the standards and guidance from the beginning of the fiscal year ending March 31, 2025.

##### **(3) Impact of Adoption**

The impact of the adoption of the standards and guidance on the consolidated financial statements has not yet been determined.



### 3. CASH AND CASH EQUIVALENTS

#### a) Reconciliations

The reconciliations between cash and time deposits in the consolidated balance sheet and cash and cash equivalents in the consolidated statement of cash flows as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2022	FY2021	FY2022
	As of March 31, 2023	March 31, 2022	March 31, 2023
Cash and time deposits	¥283,425	¥259,581	\$2,122,557
Deposits placed with banks with a maturity of over three months	(3,993)	(4,041)	(29,903)
Cash and cash equivalents	¥279,432	¥255,540	\$2,092,653

### 4. FINANCIAL INSTRUMENTS

#### a) Qualitative Information on Financial Instruments

##### (1) Policies for using financial instruments

The Company and its consolidated subsidiaries finance investment in equipment and operating capital for business mainly through borrowings from banks and the issuance of bonds and commercial papers in accordance with their cash flow planning. Temporary excess cash is managed with low risk financial assets. The Company and its consolidated subsidiaries use derivative transactions only to hedge the risk of future changes in cash flows and fair values and not for trading purpose.

##### (2) Details of financial instruments used and the exposures to risk and how they arise

Trade notes and accounts receivable are exposed to the credit risks of customers. The Company and its consolidated subsidiaries try to reduce and manage the risk according to rules for credit control. Operating receivables denominated in foreign currencies are exposed to foreign exchange risks. The Company and its consolidated subsidiaries hedge the risks using forward exchange contracts, etc., for the net position of foreign currency operating receivables and payables. Securities and investment securities are held mainly to build and strengthen long-term and stable customer relationships and to facilitate business and technical customer partnerships and are exposed to market value fluctuation risks. The Company and its consolidated subsidiaries review the circumstances periodically and evaluate the fair value of the securities and investment securities and the financial condition of the issuers, which are generally business counterparties.

Payment terms of operating payables such as trade notes and accounts payable are mostly less than one year. Operating payables denominated in foreign currencies are exposed to foreign exchange risks, but it is consistently less than the accounts receivable balance denominated in the same foreign currencies. The main purpose of holding debt and issuing bonds and commercial papers is to secure financing for capital expenditure and working capital. The derivative transactions entered into comprise forward exchange contracts to hedge exchange risks of foreign currency debts and credits, interest swap contracts to hedge fluctuation risks of interest rates and fair value for debt and bonds and commodity forward transactions to hedge the risk of price fluctuation for raw materials. The Company and its consolidated subsidiaries manage and control these risks according to management's rules for derivative transactions.

#### b) Fair Value of Financial Instruments

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2023 and 2022 are set forth in the table below. Securities without market values are not included in "Investment securities." Cash is omitted. In addition, time deposits, trade notes and accounts receivable, securities, trade notes and accounts payable, short-term debt and commercial papers are also omitted because their carrying amounts approximate the fair value because of the short maturity.

As of	Millions of yen						Thousands of U.S. dollars		
	FY2022			FY2021			FY2022		
	March 31, 2023			March 31, 2022			March 31, 2023		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Investment securities <sup>*1</sup>	¥384,439	¥407,386	¥22,947	¥332,042	¥489,076	¥157,034	\$2,879,046	\$3,050,895	\$171,849
Total assets	384,439	407,386	22,947	332,042	489,076	157,034	2,879,046	3,050,895	171,849
Bonds	94,864	94,342	(522)	94,896	94,603	(293)	710,432	706,523	(3,909)
Long-term debt	195,578	193,963	(1,615)	222,188	222,743	555	1,464,675	1,452,580	(12,095)
Total liabilities	290,442	288,305	(2,137)	317,084	317,346	262	2,175,107	2,159,103	(16,004)
Derivative transactions <sup>*2</sup>	¥ (4,807)	¥ (4,807)	¥ -	¥ (5,666)	¥ (5,666)	¥ -	\$ (35,999)	\$ (35,999)	\$ -

\*1 Securities without market values are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2022 as of March 31, 2023	FY2021 March 31, 2022	FY2022 March 31, 2023
Unlisted securities (available-for-sale securities)	¥ 6,576	¥ 6,242	\$ 49,247
Unlisted investments in unconsolidated subsidiaries and affiliates	112,776	105,612	844,574

These financial instruments are not included in "Investment securities."

\*2 Please refer to Note 6 about Derivative transactions.

### c) Breakdown of fair value of financial instruments by level

The fair values of financial instruments are categorized into three levels on the basis of the observability and the materiality of the valuation inputs used in fair value measurements.

**Fair values of Level 1:** Fair values measured by quoted prices for the assets or liabilities are given in active markets among observable valuation inputs

**Fair values of Level 2:** Fair values measured by inputs other than inputs included within Level 1 among observable valuation inputs

**Fair values of Level 3:** Fair values measured by unobservable valuation inputs

When several inputs that have significant impact on the fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level for fair value measurement among the levels in which each of the inputs belongs.

#### (1) Financial instruments recorded at fair value in the consolidated balance sheet

FY2022	Millions of yen			
	Fair value			Total
	Level 1	Level 2	Level 3	
Investment securities				
Other securities				
Stock	¥222,764	¥ —	¥5,116	¥227,880
Bonds (other)	—	—	—	—
Other	—	—	—	—
Derivative transactions				
Foreign currency forward exchange and currency option contracts	—	255	—	255
Interest rate and currency swap contracts	—	—	—	—
Commodity forward and swap contracts	—	600	—	600
Total assets	222,764	855	5,116	228,735
Derivative transactions				
Foreign currency forward exchange and currency option contracts	—	4,305	—	4,305
Interest rate and currency swap contracts	—	17	—	17
Commodity forward and swap contracts	—	1,340	—	1,340
Total liabilities	¥ —	¥5,662	¥ —	¥ 5,662

FY2021	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥132,413	¥ —	¥5,255	¥137,668
Bonds (other)	—	—	—	—
Other	—	—	—	—
Derivative transactions				
Foreign currency forward exchange and currency option contracts	—	1,415	—	1,415
Interest rate and currency swap contracts	—	—	—	—
Commodity forward and swap contracts	—	1,829	—	1,829
Total assets	132,413	3,244	5,255	140,912
Derivative transactions				
Foreign currency forward exchange and currency option contracts	—	6,651	—	6,651
Interest rate and currency swap contracts	—	31	—	31
Commodity forward and swap contracts	—	2,228	—	2,228
Total liabilities	¥ —	¥8,910	¥ —	¥ 8,910
	Thousands of U.S. dollars			
	Fair value			
FY2022	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	\$1,668,269	\$ —	\$38,313	\$1,706,583
Bonds (other)	—	—	—	—
Other	—	—	—	—
Derivative transactions				
Foreign currency forward exchange and currency option contracts	—	1,910	—	1,910
Interest rate and currency swap contracts	—	—	—	—
Commodity forward and swap contracts	—	4,493	—	4,493
Total assets	1,668,269	6,403	38,313	1,712,986
Derivative transactions				
Foreign currency forward exchange and currency option contracts	—	32,240	—	32,240
Interest rate and currency swap contracts	—	127	—	127
Commodity forward and swap contracts	—	10,035	—	10,035
Total liabilities	\$ —	\$42,402	\$ —	\$ 42,402

## (2) Financial instruments other than those recorded at fair value in the consolidated balance sheet

FY2022	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity debt securities				
Government bonds, Local government bonds	¥ —	¥ —	¥—	¥ —
Bonds (other)	—	—	—	—
Investments in subsidiaries and affiliates				
Investments in affiliates	179,506	—	—	179,506
Total assets	179,506	—	—	179,506
Bonds	—	94,342	—	94,342
Long-term debt	—	193,963	—	193,963
Total liabilities	¥ —	¥288,305	¥—	¥288,305

FY2021	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity debt securities				
Government bonds, Local government bonds	¥ —	¥ —	¥—	¥ —
Bonds (other)	—	—	—	—
Investments in subsidiaries and affiliates				
Investments in affiliates	351,408	—	—	351,408
Total assets	351,408	—	—	351,408
Bonds	—	94,603	—	94,603
Long-term debt	—	222,743	—	222,743
Total liabilities	¥ —	¥317,346	¥—	¥317,346

FY2022	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity debt securities				
Government bonds, Local government bonds	\$ —	\$ —	\$—	\$ —
Bonds (other)	—	—	—	—
Investments in subsidiaries and affiliates				
Investments in affiliates	1,344,312	—	—	1,344,312
Total assets	1,344,312	—	—	1,344,312
Bonds	—	706,523	—	706,523
Long-term debt	—	1,452,580	—	1,452,580
Total liabilities	\$ —	\$2,159,103	\$—	\$2,159,103

(3) Explanation of valuation techniques and valuation inputs used in fair value measurements

**Investment securities:**

The fair value of listed shares is stated at the fair market value in active markets and is categorized as Level 1.

The fair value of unlisted shares is determined using valuation techniques based on market prices of comparable companies and others and is categorized as Level 3. In measuring the fair value of unlisted shares, unobservable inputs, such as valuation multiples, are used.

**Derivative transactions:**

The fair value of derivative transactions is measured by the discounted present value method using interest rates in consideration of future cash flow based on forward exchange rates, etc., and is categorized as Level 2.

**Bonds:**

The fair value of bonds is stated at the fair market value and is categorized as Level 2.

**Long-term debt:**

The fair value of long-term debt is estimated based on the present value of future cash flows using appropriate current discount rates and is categorized as Level 2.

## 5. SECURITIES

The carrying amounts of securities in current assets and investment securities as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	As of	FY2022 March 31, 2023	FY2021 March 31, 2022	FY2022 March 31, 2023
<b>Securities in current assets:</b>				
Available-for-sale securities		¥—	¥—	\$—
Held-to-maturity debt securities		—	—	—
		¥—	¥—	\$—
<b>Investment securities:</b>				
Available-for-sale securities		¥234,456	¥143,910	\$1,755,830
Held-to-maturity debt securities		—	—	—
		¥234,456	¥143,910	\$1,755,830

Available-for-sale securities with fair values or quoted market values included in securities in current assets and investment securities as of March 31, 2023 and 2022 were as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
<b>FY2022</b>				
Equity securities	¥28,455	¥199,696	¥(271)	¥227,880
Other	—	—	—	—
	¥28,455	¥199,696	¥(271)	¥227,880

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
<b>FY2021</b>				
Equity securities	¥21,043	¥116,955	¥(330)	¥137,668
Other	—	—	—	—
	¥21,043	¥116,955	¥(330)	¥137,668

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
<b>FY2022</b>				
Equity securities	\$213,098	\$1,495,514	\$(2,030)	\$1,706,583
Other	—	—	—	—
	\$213,098	\$1,495,514	\$(2,030)	\$1,706,583

Proceeds from sales of available-for-sale securities were ¥18,048 million (US\$135,161 thousand) and ¥11,935 million for the years ended March 31, 2023 and 2022, respectively. The net realized gains were ¥17,255 million (US\$129,222 thousand) and ¥9,713 million, respectively.

Impairment loss on securities during fiscal year 2022 amounted to ¥51 million (US\$382 thousand), which consisted of ¥8 million (US\$60 thousand) for available-for-sale securities and ¥43 million (US\$322 thousand) for investments in unconsolidated subsidiaries. Impairment loss on securities during fiscal year 2021 amounted to ¥367 million, which consisted of ¥7 million for available-for-sale securities, ¥99 million for investments in unconsolidated subsidiaries, and ¥261 million for investments in affiliated companies not accounted for using the equity method.

## 6. DERIVATIVE TRANSACTIONS

The Company and its consolidated subsidiaries have entered into foreign currency forward exchange contracts, foreign currency option contracts and foreign currency swap contracts to hedge risks of exchange rate fluctuations in connection with foreign currency monetary assets and liabilities, interest rate swap contracts to hedge risks of interest rate fluctuations and commodity forward contracts, etc., to hedge risks of fluctuations in the price of raw materials. The Company and its consolidated subsidiaries use derivative transactions for managing market risk related to recorded assets and liabilities as well as for future commitments and not for speculation or dealing purposes. The Company and its consolidated subsidiaries deal only with highly rated international financial institutions and trading concerns as counterparties to these transactions to minimize credit risk exposure. Derivative transactions are entered into by each operational division, and the processing of the transactions is controlled and reviewed by administrative divisions in accordance with established policies that restrict dealing in derivatives, including limits on authority and amounts.

Additional information for derivative transactions as of and for the years ended March 31, 2023 and 2022 is as follows:

	Millions of yen									
	FY2022					FY2021				
	Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted <sup>†</sup>		Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted <sup>†</sup>	
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value
Foreign currency forward exchange and currency option contracts:										
Buy	¥ 42,688	¥ 114	¥ 114	¥ 45,702	¥ 103	¥ 40,633	¥ 1,000	¥ 1,000	¥ 46,983	¥ 410
Sell	105,481	(1,526)	(1,526)	214,039	(2,741)	50,564	(2,085)	(2,085)	248,505	(4,561)
Interest rate and currency swap contracts	—	—	—	3,500	(17)	—	—	—	8,500	(31)
Commodity forward contracts (copper, nickel and aluminum):										
Buy	19,036	54	54	17,080	(190)	26,265	389	389	9,501	1,020
Sell	24,253	(251)	(251)	19,394	(521)	29,344	(828)	(828)	28,395	(1,400)
Commodity swap contracts (copper and silver)	—	—	—	2,311	168	—	—	—	2,232	420
	<b>¥191,458</b>	<b>¥(1,609)</b>	<b>¥(1,609)</b>	<b>¥302,026</b>	<b>¥(3,198)</b>	<b>¥146,806</b>	<b>¥(1,524)</b>	<b>¥(1,524)</b>	<b>¥344,116</b>	<b>¥(4,142)</b>

	Thousands of U.S. dollars				
	FY2022				
	Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted <sup>†</sup>	
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value
Foreign currency forward exchange and currency option contracts:					
Buy	\$ 319,688	\$ 854	\$ 854	\$ 342,260	\$ 771
Sell	789,942	(11,428)	(11,428)	1,602,928	(20,527)
Interest rate and currency swap contracts	—	—	—	26,211	(127)
Commodity forward contracts (copper, nickel and aluminum):					
Buy	142,560	404	404	127,911	(1,423)
Sell	181,630	(1,880)	(1,880)	145,241	(3,902)
Commodity swap contracts (copper and silver)	—	—	—	17,307	1,258
	<b>\$1,433,820</b>	<b>\$(12,050)</b>	<b>\$(12,050)</b>	<b>\$2,261,859</b>	<b>\$(23,950)</b>

\* Certain foreign currency forward exchange contracts meeting certain hedging criteria, except forecasted transactions, are excluded from the fair value of the table above for the years ended March 31, 2023 and 2022. Certain interest rate swap contracts in the amount of ¥20,000 million (US\$149,779 thousand) and ¥43,153 million for the years ended March 31, 2023 and 2022, respectively, meeting certain hedging criteria are excluded from the table above.

## 7. INVENTORIES

Inventories as of March 31, 2023 and 2022 consisted of the following:

As of	Millions of yen		Thousands of U.S. dollars
	<b>FY2022</b>	FY2021	<b>FY2022</b>
	<b>March 31, 2023</b>	March 31, 2022	<b>March 31, 2023</b>
Merchandise and finished goods	<b>¥318,492</b>	¥321,461	<b>\$2,385,172</b>
Work in process	<b>236,989</b>	231,359	<b>1,774,800</b>
Raw materials and supplies	<b>295,743</b>	292,017	<b>2,214,806</b>
	<b>¥851,224</b>	¥844,837	<b>\$6,374,777</b>

## 8. INTEREST-BEARING LIABILITIES

### a) Short-Term Debt and Bonds in Current Liabilities

Short-term debt and bonds in current liabilities at March 31, 2023 and 2022 consisted of the following:

As of	Millions of yen		Thousands of U.S. dollars
	<b>FY2022</b>	FY2021	<b>FY2022</b>
	<b>March 31, 2023</b>	March 31, 2022	<b>March 31, 2023</b>
Short-term debt, principally from banks, with a weighted average interest rate of 2.60% at March 31, 2023	<b>¥532,716</b>	¥418,749	<b>\$3,989,486</b>
Current portion of long-term debt, principally from banks and insurance companies, with a weighted average interest rate of 1.19% at March 31, 2023	<b>68,521</b>	63,463	<b>513,151</b>
Commercial papers, with a weighted average interest rate of 0.05% at March 31, 2023	<b>7,000</b>	8,000	<b>52,423</b>
Current portion of bonds	—	10,000	—
	<b>¥608,237</b>	¥500,212	<b>\$4,555,059</b>

### b) Bonds and Long-Term Debt

Bonds and long-term debt at March 31, 2023 and 2022 consisted of the following:

As of	Millions of yen		Thousands of U.S. dollars
	<b>FY2022</b>	FY2021	<b>FY2022</b>
	<b>March 31, 2023</b>	March 31, 2022	<b>March 31, 2023</b>
Unsecured bonds, due 2025 to 2032, with an interest rate of 0.08%-0.78%	<b>¥94,864</b>	¥ 94,896	<b>\$ 710,432</b>
Long-term debt, principally from banks and insurance companies, due 2023 to 2032, with a weighted average interest rate of 0.69% at March 31, 2023	<b>264,099</b>	285,651	<b>1,977,825</b>
	<b>358,963</b>	380,547	<b>2,688,257</b>
Current portion of bonds and long-term debt	<b>(68,521)</b>	(73,463)	<b>(513,151)</b>
	<b>¥290,442</b>	¥307,084	<b>\$2,175,107</b>



The aggregate annual maturities of bonds and long-term debt at March 31, 2023 were as follows:

(Bonds)

March 31	Millions of yen	Thousands of U.S. dollars
2024 (= current portion)	¥ —	\$ —
2025	10,000	74,890
2026	—	—
2027	45,000	337,003
2028	18,000	134,801
2029 and thereafter	22,000	164,757

(Long-term debt)

March 31	Millions of yen	Thousands of U.S. dollars
2024 (= current portion)	¥68,521	\$513,151
2025	42,037	314,813
2026	39,942	299,124
2027	15,651	117,210
2028	24,017	179,862
2029 and thereafter	73,931	553,666

The following assets were pledged as collateral for short-term debt and long-term debt, including the current portion, at March 31, 2023 and 2022.

	Millions of yen		Thousands of U.S. dollars
	FY2022	FY2021	FY2022
	As of March 31, 2023	March 31, 2022	March 31, 2023
Property, plant and equipment, net of accumulated depreciation	¥1,935	¥1,986	\$14,491

## 9. NET ASSETS

Under the Law, the entire amount of the issue price of shares is required to be accounted for as common stock. However a company may, by a resolution of the Board of Directors, account for an amount not exceeding 50% of the issue price of the new shares as additional paid-in capital, which is included in capital surplus. However, an increase resulting from a share exchange can be included in capital surplus up to the full amount.

The Law provides that the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve, in cases in which a dividend distribution of surplus is made.

Under the Law, additional paid-in capital may be used to eliminate or reduce a deficit or may be capitalized by a resolution of the shareholders' meeting, and legal earnings reserve may be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that a company can distribute as dividends is calculated based on its non-consolidated financial statements in accordance with the Law.

### a) Stock Information

Changes in the number of shares issued and outstanding during the years ended March 31, 2023 and 2022 were as follows:

Common stock outstanding	Thousands of shares	
	<b>FY2022</b>	FY2021
For the years ended	<b>March 31, 2023</b>	March 31, 2022
Balance at beginning of year	<b>793,941</b>	793,941
Balance at end of year	<b>793,941</b>	793,941

  

Treasury stock outstanding	Thousands of shares	
	<b>FY2022</b>	FY2021
For the years ended	<b>March 31, 2023</b>	March 31, 2022
Balance at beginning of year	<b>14,060</b>	14,052
Increase due to purchase of shares of common stocks	—	—
Increase due to purchase of odd-lot stocks	<b>2</b>	2
Other, net	<b>6</b>	5
Balance at end of year	<b>14,068</b>	14,060

## b) Dividend Information

Dividends paid in fiscal year 2022			Total amount	
Resolution	Record date	Effective date	Millions of yen	Thousands of U.S. dollars
Shareholders' meeting on June 24, 2022	March 31, 2022	June 27, 2022	¥19,502	\$146,050
Board of Directors on November 2, 2022	September 30, 2022	December 1, 2022	¥19,502	\$146,050

Dividends paid after March 31, 2023 with respect to fiscal year 2022			Total amount	
Resolution	Record date	Effective date	Millions of yen	Thousands of U.S. dollars
Shareholders' meeting on June 28, 2023	March 31, 2023	June 29, 2023	¥19,502	\$146,050

Dividends paid in fiscal year 2021			Total amount
Resolution	Record date	Effective date	Millions of yen
Shareholders' meeting on June 25, 2021	March 31, 2021	June 28, 2021	¥12,481
Board of Directors on November 2, 2021	September 30, 2021	December 1, 2021	¥19,502

Dividends paid after March 31, 2022 with respect to fiscal year 2021			Total amount
Resolution	Record date	Effective date	Millions of yen
Shareholders' meeting on June 24, 2022	March 31, 2022	June 27, 2022	¥19,502

## 10. AMOUNTS PER SHARE

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted earnings per share is computed based on the weighted average number of shares of common stock outstanding increased by the number of shares which would have been outstanding assuming the conversion of all dilutive bonds and the exercise of all dilutive share warrants at the beginning of the period after giving effect to the dilutive potential of shares. The related interest expense, net of income taxes, has been eliminated for the purpose of this calculation.

In the year ended March 31, 2023 and 2022, there were no potentially dilutive common shares.

Cash dividends per share in the consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the consolidated fiscal year.

## 11. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Reclassification adjustments and tax effects on other comprehensive income (loss) for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>FY2022</b>	FY2021	<b>FY2022</b>
For the years ended	<b>March 31, 2023</b>	March 31, 2022	<b>March 31, 2023</b>
<b>Net Unrealized Holding Gains or Losses on Available-for-Sale</b>			
<b>Securities:</b>			
Increase (decrease) during the year	<b>¥99,995</b>	¥11,568	<b>\$748,858</b>
Reclassification adjustments	<b>(16,922)</b>	(9,713)	<b>(126,728)</b>
Subtotal, before tax	<b>83,073</b>	1,855	<b>622,130</b>
Tax effects	<b>(24,480)</b>	(605)	<b>(183,330)</b>
Subtotal, net of tax	<b>¥58,593</b>	¥ 1,250	<b>\$438,800</b>
<b>Deferred Gains or Losses on Hedges:</b>			
Increase (decrease) during the year	<b>¥ 1,673</b>	¥ (1,929)	<b>\$ 12,529</b>
Reclassification adjustments	<b>(3,126)</b>	1,923	<b>(23,410)</b>
Subtotal, before tax	<b>(1,453)</b>	(6)	<b>(10,881)</b>
Tax effects	<b>405</b>	49	<b>3,033</b>
Subtotal, net of tax	<b>¥ (1,048)</b>	¥ 43	<b>\$ (7,848)</b>
<b>Foreign Currency Translation Adjustments:</b>			
Increase (decrease) during the year	<b>¥30,112</b>	¥65,365	<b>\$225,507</b>
Reclassification adjustments	—	(1,399)	—
Subtotal, before tax	<b>30,112</b>	63,966	<b>225,507</b>
Tax effects	—	—	—
Subtotal, net of tax	<b>¥30,112</b>	¥63,966	<b>\$225,507</b>
<b>Remeasurements of Defined Benefit Plans</b>			
Increase (decrease) during the year	<b>¥ (3,026)</b>	¥24,712	<b>\$ (22,662)</b>
Reclassification adjustments	<b>(6,411)</b>	(8,575)	<b>(48,012)</b>
Subtotal, before tax	<b>(9,437)</b>	16,137	<b>(70,673)</b>
Tax effects	<b>3,376</b>	(4,660)	<b>25,283</b>
Subtotal, net of tax	<b>¥ (6,061)</b>	¥11,477	<b>\$ (45,391)</b>
<b>Share of Other Comprehensive Income (Loss) of Affiliates Accounted for Using Equity Method:</b>			
Increase (decrease) during the year	<b>¥19,956</b>	¥15,010	<b>\$149,450</b>
Reclassification adjustments	<b>(1,889)</b>	154	<b>(14,147)</b>
Subtotal, net of tax	<b>18,067</b>	15,164	<b>135,303</b>
Total other comprehensive income (loss)	<b>¥99,663</b>	¥91,900	<b>\$746,372</b>

\* Reclassification adjustments of the portion of other comprehensive income (loss) of affiliates accounted for using the equity method include adjustments for the acquisition cost of assets.

## 12. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 30.6% for the years ended March 31, 2023 and 2022.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the years ended March 31, 2023 and 2022:

	For the years ended	<b>FY2022</b> March 31, 2023	FY2021 March 31, 2022
Statutory tax rate		<b>30.6%</b>	30.6%
Share of profit of investments accounted for using the equity method		<b>(1.8)</b>	(3.9)
Non-deductible expenses		<b>0.1</b>	0.1
Non-taxable dividend income		<b>(0.2)</b>	(0.2)
Tax credits		<b>(3.2)</b>	(2.3)
Effect of lower tax rates for overseas consolidated subsidiaries		<b>(3.5)</b>	(5.3)
Change in valuation allowance		<b>4.2</b>	7.2
Intercompany profits		<b>0.3</b>	(0.0)
Change in undistributed earnings of consolidated subsidiaries and affiliates		<b>1.0</b>	2.7
Amortization of goodwill		<b>0.0</b>	0.2
Foreign income taxes		<b>2.2</b>	2.5
Gain on sales of shares of affiliates		<b>1.4</b>	(0.9)
Other		<b>1.6</b>	0.7
Effective tax rate		<b>32.7%</b>	31.4%

Deferred tax assets and liabilities included in the consolidated balance sheet at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	As of	<b>FY2022</b> March 31, 2023	FY2021 March 31, 2022
Deferred tax assets		<b>¥ 30,909</b>	¥ 32,329
Deferred tax liabilities		<b>(87,895)</b>	(65,068)
		<b>¥(56,986)</b>	¥(32,739)
			<b>\$ 231,476</b>
			<b>(658,242)</b>
			<b>\$(426,766)</b>

Significant components of deferred tax assets and liabilities at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2022	FY2021	FY2022
	As of March 31, 2023	March 31, 2022	March 31, 2023
<b>Deferred tax assets:</b>			
Net operating loss carryforwards* <sup>1</sup>	¥ 70,724	¥ 74,717	\$ 529,649
Fixed assets	18,934	18,759	141,796
Inventories	16,741	12,997	125,373
Accrued expenses	15,615	14,687	116,940
Net defined benefit liabilities	15,538	14,606	116,363
Intercompany profits	12,401	12,427	92,871
Foreign tax credits	5,422	5,975	40,605
Investment securities	1,631	1,228	12,214
Allowance for doubtful receivables	660	734	4,943
Other	42,073	37,135	315,083
	<b>199,739</b>	<b>193,265</b>	<b>1,495,836</b>
Valuation allowance regarding net operating loss carryforwards* <sup>1</sup>	(65,667)	(67,944)	(491,777)
Valuation allowance regarding deductible temporary differences	(33,656)	(26,496)	(252,048)
Total valuation allowance	<b>(99,323)</b>	<b>(94,440)</b>	<b>(743,825)</b>
Total deferred tax assets	<b>100,416</b>	<b>98,825</b>	<b>752,011</b>
<b>Deferred tax liabilities:</b>			
Net unrealized holding gains or losses on available-for-sale securities	(59,984)	(35,483)	(449,217)
Net defined benefit assets	(49,230)	(49,648)	(368,681)
Undistributed earnings of consolidated subsidiaries and affiliates	(34,630)	(32,016)	(259,342)
Accelerated depreciation of overseas consolidated subsidiaries	(6,440)	(7,027)	(48,229)
Excess of fair value over the book value of assets and liabilities of consolidated subsidiaries at the acquisition dates	(3,906)	(3,988)	(29,252)
Reserve for tax purpose reduction entry of non-current assets	(839)	(836)	(6,283)
Other	(2,373)	(2,566)	(17,771)
Total deferred tax liabilities	<b>(157,402)</b>	<b>(131,564)</b>	<b>(1,178,776)</b>
Net deferred tax assets (liabilities)	<b>¥ (56,986)</b>	<b>¥ (32,739)</b>	<b>\$ (426,766)</b>

\*1 The expiration of net operating loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2023 and 2022 were as follows:

Millions of yen			
FY2022			
March 31	Net operating loss carryforwards <sup>*2</sup>	Valuation allowance	Deferred tax assets
2024	¥ 1,606	¥ (1,455)	¥ 151
2025	1,670	(1,567)	103
2026	1,412	(780)	632
2027	1,935	(680)	1,255
2028	2,360	(1,044)	1,316
2029 and thereafter	61,740	(60,141)	1,599
	<b>¥70,724</b>	<b>¥(65,667)</b>	<b>¥5,057</b>

Millions of yen			
FY2021			
March 31	Net operating loss carryforwards <sup>*2</sup>	Valuation allowance	Deferred tax assets
2023	¥ 1,192	¥ (863)	¥ 329
2024	1,536	(1,301)	235
2025	1,706	(1,380)	326
2026	1,263	(780)	483
2027	2,517	(846)	1,671
2028 and thereafter	66,503	(62,774)	3,729
	<b>¥74,717</b>	<b>¥(67,944)</b>	<b>¥6,773</b>

Thousands of U.S. dollars			
FY2022			
March 31	Net operating loss carryforwards <sup>*2</sup>	Valuation allowance	Deferred tax assets
2024	\$ 12,027	\$ (10,896)	\$ 1,131
2025	12,507	(11,735)	771
2026	10,574	(5,841)	4,733
2027	14,491	(5,092)	9,399
2028	17,674	(7,818)	9,855
2029 and thereafter	462,368	(450,393)	11,975
	<b>\$529,649</b>	<b>\$(491,777)</b>	<b>\$37,872</b>

\*2 This amount is net operating loss carryforwards multiplied by statutory tax rate.

### 13. RETIREMENT BENEFITS

The Company and most of its domestic consolidated subsidiaries have contributory and noncontributory defined benefit plans and lump-sum retirement benefit plans. The Company and some of its subsidiaries have defined contribution plans and prepaid retirement allowance plans. Some overseas subsidiaries have defined benefit plans and defined contribution plans. Some subsidiaries apply the simplified method for the computation of benefit obligations.

#### a) Defined Benefit Plans

(1) Movements in retirement benefit obligations, except for plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
		FY2021	FY2022
	For the years ended	March 31, 2022	March 31, 2023
Balance at beginning of year	<b>¥317,051</b>	¥313,234	<b>\$2,374,380</b>
Service cost	<b>14,099</b>	13,727	<b>105,587</b>
Interest cost	<b>2,859</b>	2,478	<b>21,411</b>
Actuarial gains and losses	<b>(24,904)</b>	(1,761)	<b>(186,505)</b>
Benefits paid	<b>(13,529)</b>	(13,043)	<b>(101,318)</b>
Other	<b>2,154</b>	2,416	<b>16,131</b>
Balance at end of year	<b>¥297,730</b>	¥317,051	<b>\$2,229,686</b>

(2) Movements in plan assets, except for plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
		FY2021	FY2022
	For the years ended	March 31, 2022	March 31, 2023
Balance at beginning of year	<b>¥447,853</b>	¥425,253	<b>\$3,353,950</b>
Expected return on plan assets	<b>8,355</b>	7,633	<b>62,570</b>
Actuarial gains and losses	<b>(24,595)</b>	24,729	<b>(184,191)</b>
Contributions paid by the employer	<b>7,736</b>	11,595	<b>57,935</b>
Benefits paid	<b>(9,659)</b>	(9,638)	<b>(72,336)</b>
Return of assets from retirement benefit trust	—	(15,000)	—
Other	<b>2,067</b>	3,281	<b>15,480</b>
Balance at end of year	<b>¥431,757</b>	¥447,853	<b>\$3,233,408</b>

(3) Movements in net defined benefit liabilities (or assets) for defined benefit plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
		FY2021	FY2022
	For the years ended	March 31, 2022	March 31, 2023
Balance at beginning of year	<b>¥3,405</b>	¥3,161	<b>\$25,500</b>
Retirement benefit costs	<b>452</b>	340	<b>3,385</b>
Benefits paid	<b>(184)</b>	(167)	<b>(1,378)</b>
Contributions paid by the employer	<b>(80)</b>	(110)	<b>(599)</b>
Other	<b>231</b>	181	<b>1,730</b>
Balance at end of year	<b>¥3,824</b>	¥3,405	<b>\$28,638</b>



(4) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liabilities (assets) in the consolidated balance sheet, including the defined benefit plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	As of	FY2022 March 31, 2023	FY2021 March 31, 2022
Funded retirement benefit obligations		¥ 267,486	¥ 288,175
Plan assets		(434,280)	(450,331)
		(166,794)	(162,156)
Unfunded retirement benefit obligations		36,591	34,759
Total net defined benefit liabilities (assets)		¥(130,203)	¥(127,397)
			\$ (975,084)
Net defined benefit liabilities		¥ 45,794	¥ 46,037
Net defined benefit assets		(175,997)	(173,434)
Total net defined benefit liabilities (assets)		¥(130,203)	¥(127,397)
			\$ (975,084)

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	For the years ended	FY2022 March 31, 2023	FY2021 March 31, 2022
Service cost		¥13,612	¥13,265
Interest cost		2,859	2,478
Expected return on plan assets		(8,355)	(7,633)
Amortization:			
Actuarial gains and losses		(8,211)	(3,888)
Past service cost		(209)	58
Retirement benefit costs from plans applying the simplified method		452	340
Gain on return of assets from retirement benefit trust		—	(6,894)
Other		160	248
Total retirement benefit costs		¥ 308	¥ (2,026)
			\$ 2,307

1. Employees' contribution to the corporate pension fund is deducted from "Service cost."

2. In addition to the retirement benefit costs listed above, an extra payment of retirement benefits in the amount of ¥4,138 million (US\$30,989 thousand) and ¥1,045 million were recognized as restructuring expenses in the consolidated statement of income for fiscal years 2022 and 2021, respectively.

(6) Remeasurements of defined benefit plans (before tax)

	Millions of yen		Thousands of U.S. dollars
	For the years ended	FY2022 March 31, 2023	FY2021 March 31, 2022
Past service cost		¥ (197)	¥ 1,052
Actuarial gains and losses		(9,240)	15,085
Total		¥(9,437)	¥16,137
			\$ (70,673)

(7) Accumulated remeasurements of defined benefit plans (before tax)

	Millions of yen		Thousands of U.S. dollars	
	As of	FY2022 March 31, 2023	FY2021 March 31, 2022	FY2022 March 31, 2023
Unrecognized past service cost		¥ 675	¥ 872	\$ 5,055
Unrecognized actuarial gains and losses		71,293	80,533	533,910
Total		¥71,968	¥81,405	\$538,965

(8) Plan assets

1. Plan assets comprise:

	FY2022	FY2021
Equity securities	49.0%	49.3%
Bonds	27.9	28.7
General account	9.0	8.3
Cash and cash equivalents	3.1	2.8
Other	11.0	10.9
Total	100.0%	100.0%

2. Long-term expected rate of return

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions

The principal actuarial assumptions at March 31, 2023 and 2022 (expressed as weighted averages) were as follows:

	FY2022	FY2021
Discount rate	1.5%	0.9%
Long-term expected rate of return	2.0	1.9

The Company and some of its consolidated subsidiaries do not apply expected rates of pay raises to calculate retirement benefit obligations because they have adopted a point basis.

**b) Defined Contribution Plans and Prepaid Retirement Allowance Plans**

The amount of required contributions to the defined contribution plans and the prepaid retirement allowance plans of the Company and its consolidated subsidiaries was ¥8,010 million (US\$59,987 thousand) and ¥7,194 million for FY2022 and FY2021, respectively.

#### 14. CONTINGENT LIABILITIES

Contingent liabilities as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>FY2022</b>	FY2021	<b>FY2022</b>
	As of <b>March 31, 2023</b>	March 31, 2022	<b>March 31, 2023</b>
Notes receivable discounted	<b>¥2,570</b>	¥ —	<b>\$19,247</b>
Notes receivable endorsed	<b>7</b>	47	<b>52</b>

<b>FY2022</b> As of <b>March 31, 2023</b>	Millions of yen	Thousands of U.S. dollars
Guarantees: Debt guarantees and similar agreements		
Jiaxing SEI-Futong Optical Fiber Co., Ltd.	<b>¥866</b>	<b>\$6,485</b>
Daeheung SumiRiko Rubber Material (Yancheng) Co., Ltd.	<b>751</b>	<b>5,624</b>
Sumiden International Trading (Shanghai) Co., Ltd.	<b>725</b>	<b>5,429</b>
SEI-Futong Submarine Power Cables Co., Ltd.	<b>576</b>	<b>4,314</b>
Employees	<b>93</b>	<b>696</b>
Others	<b>573</b>	<b>4,291</b>

<b>FY2021</b> As of <b>March 31, 2022</b>	Millions of yen
Guarantees: Debt guarantees and similar agreements	
Jiaxing SEI-Futong Optical Fiber Co., Ltd.	¥1,000
Daeheung SumiRiko Rubber Material (Yancheng) Co., Ltd.	859
Sumiden International Trading (Shanghai) Co., Ltd.	567
Employees	112
Others	432

#### 15. FIRE INSURANCE RECOVERY GAIN AND COMPENSATION INCOME

In fiscal year 2022, the fire insurance recovery gain and compensation income in extraordinary income were the insurance and compensation income for damages caused by a fire which occurred at a distribution center at which a consolidated subsidiary was outsourcing product storage and other operations.

In fiscal year 2021, the fire insurance recovery gain and compensation income in extraordinary income was the insurance income for damages caused by a fire which occurred at a distribution center at which a consolidated subsidiary was outsourcing product storage and other operations.

#### 16. GAIN ON CHANGE IN EQUITY

In fiscal year 2021, the gain on change in equity in extraordinary income was due to the change in the Company's equity in an overseas affiliate accounted for by the equity method resulting from a business combination in which the overseas affiliate was the combined company.

#### 17. GAIN ON RETURN OF ASSETS FROM RETIREMENT BENEFIT TRUST

In fiscal year 2021, gain on return of assets from retirement benefit trust in extraordinary income resulted from amortization of unrecognized actuarial gains and losses related to the return of a portion of retirement benefit trust of the Company.

## 18. LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Loss on disposal of property, plant and equipment for the years ended March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>FY2022</b>	FY2021	<b>FY2022</b>
	For the years ended <b>March 31, 2023</b>	March 31, 2022	<b>March 31, 2023</b>
Buildings and structures	<b>¥ 658</b>	¥ 570	<b>\$ 4,928</b>
Machinery, equipment and others	<b>2,421</b>	3,141	<b>18,131</b>

## 19. IMPAIRMENT LOSS ON FIXED ASSETS

The Company and its consolidated subsidiaries grouped long-lived assets into asset groups by business segment and conducted impairment tests with the conclusion that the carrying amounts should be reduced to the recoverable amounts by ¥4,774 million (US\$35,752 thousand) and ¥8,832 million in FY2022 and FY2021, respectively. The recoverable amount is mainly the net selling price.

Impairment loss on fixed assets for each reportable segment is disclosed in Note 23 b) (4), for the years ended March 31, 2023 and 2022.

Impairment loss on fixed assets for the years ended March 31, 2023 and 2022 was as follows:

<b>FY2022</b>	Millions of yen	Thousands of U.S. dollars
Machinery, equipment and others	<b>¥2,653</b>	<b>\$19,868</b>
Long-term prepaid expenses	<b>830</b>	<b>6,216</b>
Construction in progress	<b>727</b>	<b>5,444</b>
Other	<b>564</b>	<b>4,224</b>
	<b>¥4,774*</b>	<b>\$35,752*</b>

\* The amount of ¥1,951 million (US\$14,611 thousand) is included in "Restructuring expenses" (Note 20) in the consolidated statement of income for fiscal year 2022.

<b>FY2021</b>	Millions of yen
Machinery, equipment and others	¥5,587
Construction in progress	835
Buildings and structures	808
Intangible assets	803
Other	799
	<b>¥8,832*</b>

\* The amount of ¥2,376 million is included in "Restructuring expenses" (Note 20) in the consolidated statement of income for fiscal year 2021.

## 20. RESTRUCTURING EXPENSES

In fiscal year 2022, restructuring expenses of ¥9,622 million (US\$72,059 thousand) were related to the reorganization of the business locations to strengthen profitability and make the production structure of the sintered powder metal parts business and the wiring harness business, etc., more efficient and the withdrawal of some automakers from Russian business, etc.

In fiscal year 2021, restructuring expenses of ¥5,405 million were related to the partial review of R&D themes and the reorganization of the business locations, etc., to strengthen profitability and make the production structure more efficient.

Major expenses for the years ended March 31, 2023 and 2022 were as follows:

<b>FY2022</b>	Millions of yen	Thousands of U.S. dollars
Extra payment of retirement benefits	<b>¥4,138</b>	<b>\$30,989</b>
Impairment loss on fixed assets (Note 19)	<b>1,951</b>	<b>14,611</b>

<b>FY2021</b>	Millions of yen
Impairment loss on fixed assets (Note 19)	¥2,376
Loss on disposal of fixed assets	1,498

## 21. LOSS DUE TO FIRE

In fiscal year 2022, the loss due to fire in extraordinary losses was due to the loss of products, etc., caused by a fire which occurred at a distribution center to which a consolidated subsidiary outsources product storage and other operations.

In fiscal year 2021, the loss due to fire in extraordinary losses was due to the loss of products, etc., caused by a fire which occurred at a distribution center to which a consolidated subsidiary outsources product storage and other operations.

## 22. BUSINESS COMBINATIONS

(Transactions under common control)

(Acquisition of shares of Nissin Electric Co., Ltd. through a tender offer)

At the Board of Directors meeting held on February 2, 2023, the Company resolved to acquire the common stock of Nissin Electric Co., Ltd. (hereinafter "Nissin Electric"), a consolidated subsidiary of the Company, through a tender offer to make Nissin Electric its wholly owned subsidiary. The tender offer was completed on March 22, 2023.

### a) Overview of the transaction

(1) Name of combined entity and its business outline

Name of combined entity: Nissin Electric Co., Ltd.

Business outline: Business activities such as product development, manufacture, sale and services across three business segments: Power Supply and Environment System segment, Beam and Plasma segment, and Equipment and Parts Solution segment.

(2) Date of the business combination

Acquisition through a tender offer on March 29, 2023 (deemed acquisition date of March 31, 2023)

(3) Legal form of the business combination

Cash acquisition of shares

(4) Name of company after the business combination

No change

(5) Ownership ratio of shares of the subsidiary after additional acquisition

Ownership ratio of shares before business combination: 51.45%

Ownership ratio of shares after tender offer: 93.41%

(6) Outline of the transactions including the purpose

The Company has acquired shares held by non-controlling shareholders to strengthen and accelerate its collaboration with Nissin Electric and increase global presence in a wide range of business areas and enhance comprehensive strength of the Group to achieve further growth in the corporate value of the entire Group by making Nissin Electric a wholly owned subsidiary and integrating management.

### b) Outline of accounting treatment

The transaction was accounted for as a transaction with non-controlling shareholders of transactions under common control pursuant to the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

### c) Acquisition cost of additional shares of the subsidiary and a breakdown by type of consideration

		Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	Cash	¥76,222	\$570,823
Acquisition cost		¥76,222	\$570,823

### d) Change in equity related to transaction with non-controlling shareholders

(1) Main factor for change in capital surplus

Additional acquisition of shares of subsidiary

(2) Amount of decrease in capital surplus due to the transaction with non-controlling shareholders

	Millions of yen	Thousands of U.S. dollars
	¥14,575	\$109,152

(Additional information)

After the tender offer for shares set forth above, the Company made a demand for the sale of shares pursuant to Article 179, Paragraph 1 of the Companies Act and made Nissin Electric its wholly owned subsidiary effective on May 1, 2023.

(Acquisition of shares of TECHNO ASSOCIE Co., Ltd. through a tender offer)

At the Board of Directors meeting held on February 2, 2023, the Company resolved to acquire the common stock of TECHNO ASSOCIE Co., Ltd. (hereinafter "TECHNO ASSOCIE"), a consolidated subsidiary of the Company, through a tender offer to make TECHNO ASSOCIE its wholly owned subsidiary. The tender offer was completed on March 22, 2023.

**a) Overview of the transaction**

(1) Name of combined entity and its business outline

Name of combined entity: TECHNO ASSOCIE Co., Ltd.

Business outline: Fastener products, processed products, metal materials, electronic material products, chemical products, industrial machinery and other sales, and other incidental and related business.

(2) Date of the business combination

Acquisition through a tender offer on March 29, 2023 (deemed acquisition date of March 31, 2023)

(3) Legal form of the business combination

Cash acquisition of shares

(4) Name of company after the business combination

No change

(5) Ownership ratio of shares of the subsidiary after additional acquisition

Ownership ratio of shares before business combination: 50.91%

Ownership ratio of shares after tender offer: 96.20%

(6) Outline of the transactions including the purpose

The Company has acquired shares held by non-controlling shareholders to strengthen and accelerate its collaboration with TECHNO ASSOCIE and increase global presence in a wide range of business areas and enhance comprehensive strength of the Group to achieve further growth in the corporate value of the entire Group by making TECHNO ASSOCIE a wholly owned subsidiary and integrating management.

**b) Outline of accounting treatment**

The transaction was accounted for as a transaction with non-controlling shareholders of transactions under common control pursuant to the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

**c) Acquisition cost of additional shares of the subsidiary and a breakdown by type of consideration**

		Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	Cash	¥14,315	\$107,204
Acquisition cost		¥14,315	\$107,204

**d) Change in equity related to transaction with non-controlling shareholders**

(1) Main factor for change in capital surplus

Additional acquisition of shares of subsidiary

(2) Amount of increase in capital surplus due to the transaction with non-controlling shareholders

	Millions of yen	Thousands of U.S. dollars
	¥10,865	\$81,367

(Additional information)

After the tender offer for shares set forth above, the Company made a demand for the sale of shares pursuant to Article 179, Paragraph 1 of the Companies Act and made TECHNO ASSOCIE its wholly owned subsidiary effective on May 1, 2023.

## 23. REVENUE RECOGNITION

### a) Disaggregation of revenue

The Company and its consolidated subsidiaries derive revenue primarily from contracts with customers. The following table shows the disaggregation of revenue attributable to each reportable segment and its main products. Revenues from other sources are not material.

	Millions of yen		Thousands of U.S. dollars
	FY 2022	FY 2021	FY 2022
	For the year ended March 31, 2023	March 31, 2022	March 31, 2023
<b>Automotive segment</b>			
Wiring harnesses, car electronic components	¥1,642,324	¥1,304,349	\$12,299,289
Sumitomo Riko and others	544,525	449,846	4,077,923
Subtotal	2,186,849	1,754,195	16,377,211
<b>Infocommunications segment</b>			
Optical fiber cables, telecommunication cables and equipment, fusion splicers	112,314	100,334	841,114
Optical and electronic devices	77,616	79,194	581,263
Access network equipment	39,879	39,752	298,652
Others	20,516	19,870	153,643
Subtotal	250,325	239,150	1,874,672
<b>Electronics segment</b>			
Electronic wires	107,811	87,395	807,392
Flexible printed circuits	94,135	61,549	704,973
Electric beam irradiation products, fluorine resin products	26,049	22,802	195,080
Techno Associe	95,263	86,019	713,420
Others	42,755	34,744	320,190
Subtotal	366,013	292,509	2,741,054
<b>Environment and Energy segment</b>			
Electric conductors	160,745	143,989	1,203,812
Power transmission wires, cables, equipment, work and engineering	261,972	213,721	1,961,896
Sumitomo Densetsu	175,121	167,590	1,311,473
Nissin Electric	142,615	132,128	1,068,037
Magnet wires and others	187,786	175,997	1,406,321
Subtotal	928,239	833,425	6,951,539
<b>Industrial Materials and Others segment</b>			
Tensioning materials for prestressed concrete, precision spring steel wires, steel tire cord	110,721	94,557	829,184
Cemented carbide tools, diamond and CBN tools, laser optics	113,111	102,040	847,083
Sintered powder metal parts	75,101	67,475	562,428
A.L.M.T.	47,363	42,617	354,699
Others	17,000	21,194	127,312
Subtotal	363,296	327,883	2,720,707
Adjustments	(89,161)	(79,299)	(667,723)
<b>Total</b>	<b>¥4,005,561</b>	<b>¥3,367,863</b>	<b>\$29,997,461</b>



## b) Contract balances

The following table shows the balances of receivables from contracts with customers, contract assets and contract liabilities.

As of	Millions of yen		Thousands of
	<b>FY 2022</b>	FY 2021	U.S. dollars
	<b>March 31, 2023</b>	March 31, 2022	<b>FY 2022</b>
Receivables from contracts with customers	<b>¥842,794</b>	¥784,647	<b>\$6,311,645</b>
Contract assets	<b>32,838</b>	30,030	<b>245,922</b>
Contract liabilities	<b>50,168</b>	46,355	<b>375,706</b>

The increase in contract assets was caused mainly by revenue recognition and the decrease in contract assets was caused mainly by their transfer to trade receivables.

The increase in contract liabilities was caused mainly by the receipt of advances from customers and the decrease in contract liabilities was caused mainly by revenue recognition.

Of the revenue recognized during the fiscal year ended March 31, 2023, and during the fiscal year ended March 31, 2022, ¥38,086 million (US\$285,224 thousand) and ¥25,619 million were included in contract liabilities at the beginning of the fiscal year. And revenue recognized in relation to performance obligations satisfied or partially satisfied in past periods was not material.

## c) Transaction price allocated to remaining performance obligations

The following table shows the total amounts of transaction price allocated to the remaining performance obligations and the period when the revenues were expected to be recognized in the Environment and Energy segment. There were no significant amounts of consideration arising from contracts with customers that were not included in the transaction price.

Except for those of some consolidated subsidiaries, transactions with initial expected contract terms of less than one year were not included in the amounts below.

In some consolidated subsidiaries, the transaction price in a contract in which the schedule of installation was not determined as of the end of the fiscal year ended March 31, 2023, is classified by the timing for the completion of the installation.

The segments except Environment and Energy, which have contracts in which initial expected terms are mainly one year or less are not included in this disclosure.

As of	Millions of yen		Thousands of
	<b>FY 2022</b>	FY 2021	U.S. dollars
	<b>March 31, 2023</b>	March 31 2022	<b>FY 2022</b>
Environment and Energy segment			
Within 1 year	<b>¥192,497</b>	¥186,656	<b>\$1,441,601</b>
Later than 1 year	<b>148,729</b>	124,124	<b>1,113,825</b>
Total	<b>¥341,226</b>	¥310,780	<b>\$2,555,426</b>

## 24. SEGMENT INFORMATION

### a) Reportable Segments

The reportable segments of the Company are business areas for which separate financial information is available for the President, the supreme decision maker in the Company, to make decisions regarding resource allocation and to evaluate business results.

The Company has adopted a business unit system based upon similarities in each product category, methods for manufacturing, sales markets, etc., and devises comprehensive strategies for the Company and its affiliates by dividing businesses such as product development, manufacturing, sales and supplementary services into the following five classifications: "Automotive," "Infocommunications," "Electronics," "Environment and Energy" and "Industrial Materials and Others." Therefore, the Company considers the above five classifications as reportable segments.

The methods used to account for sales, profit or loss, assets and other items by reportable segment are in accordance with the accounting policies stated in Note 2. Intersegment sales are stated at current market value.

#### Automotive:

Wiring harnesses, anti-vibration rubbers, automotive hoses, and car electronic components

#### Infocommunications:

Optical fiber cables, telecommunication cables and equipment, fusion splicers, optical/wireless devices such as optical transceiver modules/wireless communication devices, and access network equipment (GE-PON/set-top box/CATV-related products, etc.)

#### Electronics:

Electronic wires, electric beam irradiation products, flexible printed circuits, fluorine resin products, fasteners, metal parts, and chemical products

#### Environment and Energy:

Electric conductors, power transmission wires/cables/equipment, magnet wires, air cushions for railroad vehicles, power system equipment such as substation equipment/control systems, charged beam equipment and processing, electrical/power supply work and engineering, and porous metals

#### Industrial Materials and Others:

Tensioning materials for prestressed concrete, precision spring steel wires, steel tire cord, cemented carbide tools, diamond and CBN tools, laser optics, sintered powder metal parts, and semiconductors heat-spreader materials

Reportable segment information for the years ended March 31, 2023 and 2022 was as follows:

	Millions of yen						Consolidated
	Automotive	Infocommunications	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	
<b>FY2022</b>							
Sales to customers	¥2,184,541	¥244,962	¥327,846	¥900,755	¥347,457	¥ —	¥4,005,561
Intersegment sales	2,308	5,363	38,167	27,484	15,839	(89,161)	—
Net sales	¥2,186,849	¥250,325	¥366,013	¥928,239	¥363,296	¥ (89,161)	¥4,005,561
Segment profit or loss	¥ 55,745	¥ 21,926	¥ 38,349	¥ 37,920	¥ 23,978	¥ (475)	¥ 177,443
Segment assets	¥1,959,924	¥296,968	¥279,916	¥918,753	¥895,120	¥(337,673)	¥4,013,008
Depreciation and amortization	¥ 107,821	¥ 18,822	¥ 20,692	¥ 22,530	¥ 26,134	¥ —	¥ 195,999
Amortization of goodwill	66	—	—	1	—	—	67
Investments in equity method affiliates	189,033	5,806	1,235	7,763	52,928	—	256,765
Amount of increase in tangible and intangible fixed assets	121,310	17,390	24,255	36,150	21,904	—	221,009

	Millions of yen						
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Consolidated
<b>FY2021</b>							
Sales to customers	¥1,752,341	¥235,434	¥258,936	¥809,624	¥311,528	¥ —	¥3,367,863
Intersegment sales	1,854	3,716	33,573	23,801	16,355	(79,299)	—
Net sales	¥1,754,195	¥239,150	¥292,509	¥833,425	¥327,883	¥ (79,299)	¥3,367,863
Segment profit or loss	¥ 12,264	¥ 23,398	¥ 19,825	¥ 44,024	¥ 23,024	¥ (340)	¥ 122,195
Segment assets	¥1,760,585	¥299,847	¥265,261	¥913,024	¥868,725	¥(300,052)	¥3,807,390
Depreciation and amortization	¥ 98,687	¥ 19,299	¥ 17,208	¥ 20,375	¥ 24,939	¥ —	¥ 180,508
Amortization of goodwill	66	—	—	2	775	—	843
Investments in equity method affiliates	225,387	5,874	1,027	7,107	48,343	—	287,738
Amount of increase in tangible and intangible fixed assets	113,455	20,880	20,042	29,720	18,174	—	202,271

	Thousands of U.S. dollars						
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Consolidated
<b>FY2022</b>							
Sales to customers	\$16,359,927	\$1,834,509	\$2,455,224	\$6,745,713	\$2,602,089	\$ —	\$29,997,461
Intersegment sales	17,285	40,163	285,831	205,826	118,618	(667,723)	—
Net sales	\$16,377,211	\$1,874,672	\$2,741,054	\$6,951,539	\$2,720,707	\$ (667,723)	\$29,997,461
Segment profit or loss	\$ 417,472	\$ 164,203	\$ 287,194	\$ 283,981	\$ 179,570	\$ (3,557)	\$ 1,328,862
Segment assets	\$14,677,780	\$2,223,980	\$2,096,278	\$6,880,499	\$6,703,512	\$(2,528,817)	\$30,053,231
Depreciation and amortization	\$ 807,466	\$ 140,957	\$ 154,961	\$ 168,726	\$ 195,716	\$ —	\$ 1,467,827
Amortization of goodwill	494	—	—	7	—	—	502
Investments in equity method affiliates	1,415,659	43,481	9,249	58,137	396,375	—	1,922,901
Amount of increase in tangible and intangible fixed assets	908,485	130,233	181,645	270,726	164,038	—	1,655,126

1. Segment profit or loss included in Adjustments of ¥(475) million or US\$(3,557) thousand and ¥(340) million for FY2022 and FY2021, respectively, consists mainly of unrealized profits caused by intersegment transactions.
2. Segment assets included in Adjustments of ¥(337,673) million or US\$(2,528,817) thousand and ¥(300,052) million as of March 31, 2023 and 2022, respectively, consist mainly of elimination of receivables caused by intersegment transactions, cash and time deposits and investment securities owned by the Company.
3. Segment profit or loss is reconciled with operating income in the consolidated statement of income.

## b) Related Information

### (1) Information about products and services

	Millions of yen		
	Wiring harnesses	Others	Total
<b>FY2022</b>			
Sales to customers	¥1,642,324	¥2,363,237	¥4,005,561

	Millions of yen		
	Wiring harnesses	Others	Total
<b>FY2021</b>			
Sales to customers	¥1,304,349	¥2,063,514	¥3,367,863

	Thousands of U.S. dollars		
	Wiring harnesses	Others	Total
<b>FY2022</b>			
Sales to customers	\$12,299,289	\$17,698,173	\$29,997,461

(2) Information about geographical areas

Sales to customers

FY2022	Millions of yen						Consolidated
	Japan	Asia		Americas		Europe and Others	
		China	Others	U.S.	Others		
Sales to customers	<b>¥1,497,291</b>	<b>¥630,293</b>	<b>¥625,994</b>	<b>¥587,289</b>	<b>¥201,644</b>	<b>¥463,050</b>	<b>¥4,005,561</b>

FY2021	Millions of yen						Consolidated
	Japan	Asia		Americas		Europe and Others	
		China	Others	U.S.	Others		
Sales to customers	¥1,403,325	¥598,278	¥456,004	¥423,051	¥139,162	¥348,043	¥3,367,863

FY2022	Thousands of U.S. dollars						Consolidated
	Japan	Asia		Americas		Europe and Others	
		China	Others	U.S.	Others		
Sales to customers	<b>\$11,213,143</b>	<b>\$4,720,235</b>	<b>\$4,688,040</b>	<b>\$4,398,180</b>	<b>\$1,510,103</b>	<b>\$3,467,760</b>	<b>\$29,997,461</b>

Net property, plant and equipment

FY2022	Millions of yen						Consolidated
	Japan	Asia		Americas	Europe and Others		
		China	Others				
Net property, plant and equipment	<b>¥492,801</b>	<b>¥117,596</b>	<b>¥223,082</b>	<b>¥110,945</b>	<b>¥118,355</b>	<b>¥1,062,779</b>	

FY2021	Millions of yen						Consolidated
	Japan	Asia		Americas	Europe and Others		
		China	Others				
Net property, plant and equipment	¥493,210	¥117,653	¥204,163	¥104,586	¥107,172	¥1,026,784	

FY2022	Thousands of U.S. dollars						Consolidated
	Japan	Asia		Americas	Europe and Others		
		China	Others				
Net property, plant and equipment	<b>\$3,690,564</b>	<b>\$880,671</b>	<b>\$1,670,651</b>	<b>\$830,862</b>	<b>\$886,355</b>	<b>\$7,959,103</b>	

(3) Information about major customers

This information is omitted because the Company does not have any major customers that account for 10% or more of net sales in the consolidated statement of income for FY2022 or FY2021.

## (4) Information about impairment loss on fixed assets by reportable segment

	Millions of yen						
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Total
<b>FY2022</b>							
Impairment loss on fixed assets	¥456	¥1,541	¥577	¥186	¥2,014	¥—	¥4,774

	Millions of yen						
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Total
<b>FY2021</b>							
Impairment loss on fixed assets	¥4,858	¥48	¥378	¥248	¥3,300	¥—	¥8,832

	Thousands of U.S. dollars						
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Total
<b>FY2022</b>							
Impairment loss on fixed assets	\$3,415	\$11,540	\$4,321	\$1,393	\$15,083	\$—	\$35,752

## (5) Information about goodwill by reportable segment

	Millions of yen					
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Total
<b>FY2022</b>						
Amortization	¥66	¥—	¥—	¥1	¥—	¥67
Balance at end	¥ 2	¥—	¥—	¥4	¥—	¥ 6

	Millions of yen					
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Total
<b>FY2021</b>						
Amortization	¥66	¥—	¥—	¥2	¥775	¥843
Balance at end	¥68	¥—	¥—	¥6	¥ —	¥ 74

	Thousands of U.S. dollars					
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Total
<b>FY2022</b>						
Amortization	\$494	\$—	\$—	\$ 7	\$—	\$502
Balance at end	\$ 15	\$—	\$—	\$30	\$—	\$ 45

## 25. RELATED PARTY INFORMATION

### a) Related party transactions

Transactions with the corporate pension for employees

FY2021

(Millions of yen)

Relationship	Name of company	Location	Paid-in-Capital or Advance	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions	Financial statement line item	Amount outstanding at end of year
Corporate pension	Employee pension trust	—	—	—	—	Pension assets of retirement benefit accounting	Return of assets from retirement benefit trust	15,000	—	—

### b) Notes on Significant Affiliates

Condensed financial information for a significant affiliate, Sumitomo Rubber Industries, Ltd., that has a fiscal year ending December 31, at the end of FY2022 is as follows:

	Millions of yen	Thousands of U.S. dollars
<b>FY2022</b>		
Total current assets	<b>¥623,899</b>	<b>\$4,672,351</b>
Total non-current assets	<b>601,303</b>	<b>4,503,130</b>
Total current liabilities	<b>352,908</b>	<b>2,642,912</b>
Total non-current liabilities	<b>308,431</b>	<b>2,309,826</b>
Total equity	<b>563,863</b>	<b>4,222,744</b>
Sales revenue	<b>1,098,664</b>	<b>8,227,844</b>
Profit before tax	<b>22,539</b>	<b>168,794</b>
Profit for the year attributable to: Owners of the parent company	<b>9,415</b>	<b>70,508</b>

Condensed financial information for a significant affiliate, Sumitomo Rubber Industries, Ltd., that has a fiscal year ending December 31, at the end of FY2021 is as follows:

	Millions of yen
<b>FY2021</b>	
Total current assets	¥533,081
Total non-current assets	553,088
Total current liabilities	296,585
Total non-current liabilities	276,041
Total equity	513,543
Sales revenue	936,039
Profit before tax	44,765
Profit for the year attributable to: Owners of the parent company	29,470

## 26. ADDITIONAL INFORMATION

(Hyperinflation adjustment)

From the fiscal year ended March 31, 2023, the consolidated subsidiary and the affiliate accounted for by the equity method, both of which have consolidated subsidiaries in Turkey, have made adjustments pursuant to IAS 29 "Financial Reporting in Hyperinflationary Economies", and consolidated the financial statements of the Turkish subsidiaries.

As a result of the restatement pursuant to the accounting standard, retained earnings increased by ¥48 million, foreign currency translation adjustments increased by ¥2,268 million and non-controlling interests decreased by ¥33 million at the beginning of the fiscal year ended March 31, 2023. These changes are presented as "Hyperinflation adjustment" in the Consolidated Statement of Changes in Net Assets.

## 27. OTHER

The Company is in negotiations with some automakers for damages regarding violation of competition law in the Automotive segment.



# Independent auditor's report

To the Board of Directors of Sumitomo Electric Industries, Ltd.:

## Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Electric Industries, Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheet as at March 31, 2023, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

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

## Key Audit Matters

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

### Appropriateness of the estimate of total construction costs for large-scale contracts

The key audit matter	How the matter was addressed in our audit
As described in Note 2 – q), “Use of Estimate” to the consolidated financial statements, Sumitomo Electric Industries, Ltd. (the “Company”) and its consolidated subsidiaries recognized revenue in the consolidated financial statements for the current fiscal year from performance obligations as they are	With respect to the Company’s estimate of total construction costs used to calculate the progress towards completion of large-scale contracts for power cable installation for revenue recognition in the Environment & Energy segment, we performed the following audit procedures with direct

satisfied over time, mainly for construction contracts in the Environment & Energy segment, based on the estimated progress towards complete satisfaction of those performance obligations. The progress towards the completion of construction is estimated based on the proportion of construction costs incurred to the total construction costs in the project budgets. The order backlog in the Environment & Energy segment amounted to ¥420,287 million at the end of the current fiscal year.

Construction of the installation of high-voltage direct current cables for interconnections among national and regional power electric utilities, remote island power transmission business and submarine power cables for large commercial offshore wind power generation business within the Environment & Energy segment are characterized by (1) long construction periods and individually unique conditions; (2) frequent changes in construction periods and tasks subsequent to accepting orders due to changes in circumstances; and (3) the resulting revisions to the total construction costs at multiple times throughout the construction period until completion. If additional costs to be incurred as a result of rising subcontract costs and labor costs cannot be recovered, it may adversely affect the construction profits. Accordingly, it is important that the estimates of total construction costs are revised in a timely manner in response to changes in circumstances and that all costs required to complete constructions are reflected in the project budgets. In addition, the estimates of total construction costs include the following estimates involving uncertainties:

- additional costs to be incurred as a result of changes in construction tasks during construction.
- additional costs to be incurred as a result of rising subcontract costs and labor costs

We, therefore, determined that our assessment of the appropriateness of the Company's

involvement of the senior members of the engagement team:

(1) We tested the design and operating effectiveness of certain of the Company's internal controls related to the project budgets for construction contracts. In this assessment, we focused our testing on the following internal controls:

- controls relevant to risk assessment at the order acceptance;
- controls relevant to approvals of the project budgets; and
- controls relevant to monitoring of the project budgets.

(2) In order to assess whether the project budgets for construction contracts used to estimate the progress towards the completion of construction were appropriately prepared, we primarily:

- inspected the construction contracts to understand important terms and conditions;
- inspected the materials for the project progress meetings in which revisions to the project budgets were discussed on a quarterly basis, inquired of the construction project managers, the personnel responsible for the Planning & Administrative Department and the personnel responsible for the Accounting Department, among others, regarding their judgment as to whether the Company properly reviewed the project budgets in cases of changes in construction tasks during construction, inspected the documents supporting their responses, and assessed whether their responses were consistent thoroughly by exercising our professional skepticism;
- inquired of the construction project managers, the personnel responsible for the Planning & Administrative Department and the personnel responsible for the Accounting Department, among others, as to whether the Company properly reviewed the project budgets in situations involving an increase in subcontract costs and labor costs and inspected the related documents;



estimate of total construction costs used to calculate the progress towards the completion of large-scale contracts for revenue recognition was of most significance in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.

- assessed the precision of the project budgets by comparing planned costs for the current fiscal year included in the project budget with actual costs incurred, and evaluated whether any differences were properly reflected in the revisions to the project budgets.

## Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

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

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a

guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

Daisuke Harada

Designated Engagement Partner

Certified Public Accountant

Toshiyuki Maeda

Designated Engagement Partner

Certified Public Accountant

Mitsuhiro Matsumoto

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

June 28, 2023

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

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