

## Financial Section

### Consolidated Balance Sheets

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
As of March 31, 2019 and 2018

	Millions of yen		Thousands of
	2019	2018	U.S. dollars (Note 1)
<b>Assets</b>			<b>2019</b>
<b>Current assets:</b>			
Cash, time and notice deposits (Notes 3, 5 and 6)	¥ 172,192	¥ 263,210	\$ 1,551,279
Notes and accounts receivable—trade (Note 6)	21,567	23,773	194,297
Allowance for doubtful accounts	(73)	(66)	(658)
Inventories (Note 4)	679,903	783,308	6,125,252
Other current assets	59,422	55,893	535,334
Total current assets	933,011	1,126,118	8,405,504
<b>Investments:</b>			
Investments in unconsolidated subsidiaries and affiliates (Note 6)	61,544	68,083	554,450
Investments in securities and other (Notes 6 and 7)	433,301	435,615	3,903,613
Allowance for doubtful accounts	(9,154)	(9,469)	(82,468)
Total investments	485,691	494,229	4,375,595
<b>Property and equipment:</b>			
Land (Notes 4, 5 and 19)	2,523,937	2,464,161	22,738,171
Buildings and structures (Notes 4, 5 and 19)	1,378,337	1,287,335	12,417,450
Machinery and equipment (Notes 4, 5 and 19)	35,518	33,576	319,982
Leased assets	2,150	1,778	19,369
Construction in progress (Notes 4, 5 and 19)	139,451	94,397	1,256,316
	4,079,393	3,881,247	36,751,288
Accumulated depreciation and accumulated impairment losses	(548,382)	(510,894)	(4,940,378)
Net property and equipment	3,531,011	3,370,353	31,810,910
<b>Other assets:</b>			
Guarantee and lease deposits paid to lessors (Note 6)	70,299	71,064	633,324
Leasehold rights and other intangible assets	56,752	54,753	511,279
Deferred income taxes (Note 12)	14,809	14,295	133,414
Other	35,892	36,387	323,352
Total other assets	177,752	176,499	1,601,369
Total assets	¥5,127,465	¥5,167,199	\$46,193,378

See accompanying notes.

	Millions of yen		Thousands of
	2019	2018	U.S. dollars (Note 1)
<b>Liabilities and Net Assets</b>			<b>2019</b>
<b>Current liabilities:</b>			
Short-term debt (Notes 6 and 8)	¥ 25,643	¥ 61,416	\$ 231,018
Long-term debt due within one year (Notes 6 and 8)	169,619	275,752	1,528,099
Long-term non-recourse debt due within one year (Notes 5, 6 and 8)	102,298	49,410	921,604
Notes and accounts payable—trade (Note 6)	54,939	28,751	494,946
Accrued income taxes	29,260	34,198	263,604
Accrued bonuses	5,573	5,283	50,207
Deposits received (Note 13)	61,582	60,382	554,793
Other current liabilities (Note 13)	128,458	153,388	1,157,279
Total current liabilities	577,372	668,580	5,201,550
<b>Long-term liabilities:</b>			
Long-term debt due after one year (Notes 6 and 8)	2,744,327	2,725,646	24,723,667
Long-term non-recourse debt due after one year (Notes 5, 6 and 8)	300,900	361,289	2,710,811
Guarantee and deposits received (Notes 6 and 13)	278,766	267,215	2,511,405
Net defined benefit liability (Note 9)	6,019	5,965	54,225
Other long-term liabilities (Notes 12 and 13)	11,964	23,529	107,784
Total long-term liabilities	3,341,976	3,383,644	30,107,892
<b>Contingent liabilities (Note 20)</b>			
<b>Net assets (Note 14):</b>			
Shareholders' equity			
Common stock:			
Authorized —1,900,000 thousand shares			
Issued —476,086 thousand shares	122,805	122,805	1,106,351
Capital surplus	104,154	104,154	938,324
Retained earnings	882,816	765,326	7,953,297
Treasury stock	(4,470)	(4,443)	(40,270)
Total shareholders' equity	1,105,305	987,842	9,957,702
Accumulated other comprehensive income (loss)			
Net unrealized holding gains on securities	109,210	131,115	983,874
Net deferred losses on hedges	(3,972)	(2,049)	(35,784)
Foreign currency translation adjustments	(2,352)	(2,093)	(21,189)
Remeasurements of defined benefit plans	(74)	160	(667)
Total accumulated other comprehensive income	102,812	127,133	926,234
Total net assets	1,208,117	1,114,975	10,883,936
Total liabilities and net assets	¥5,127,465	¥5,167,199	\$46,193,378

## Financial Section

### Consolidated Statements of Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2019	2018	2017	2019
<b>Revenue from operations</b>	<b>¥1,013,230</b>	¥948,402	¥925,151	<b>\$9,128,198</b>
<b>Costs and expenses:</b>				
Cost of revenue from operations	711,052	664,015	664,184	6,405,874
Selling, general and administrative expenses	81,759	78,750	72,796	736,567
	<b>792,811</b>	742,765	736,980	<b>7,142,441</b>
<b>Operating income</b>	<b>220,419</b>	205,637	188,171	<b>1,985,757</b>
<b>Other income (expenses):</b>				
Interest expense, net	(19,589)	(20,096)	(21,469)	(176,477)
Dividend income	9,472	8,229	6,588	85,333
Gain on sale of property and equipment	75	38	15	676
Loss on sale of property and equipment	(3,724)	(217)	(3)	(33,550)
Loss on impairment of fixed assets (Note 10)	(8,576)	(10,635)	(15,538)	(77,261)
Loss on disposal of property and equipment	(1,280)	(601)	(1,522)	(11,532)
Gain on sale of investments in securities	12	1,010	43	108
Loss on sale of investments in securities	—	(47)	—	—
Loss on devaluation of investments in securities	(1,105)	—	—	(9,955)
Other, net	(6,115)	(6,874)	(5,662)	(55,090)
	<b>(30,830)</b>	(29,193)	(37,548)	<b>(277,748)</b>
<b>Income before income taxes</b>	<b>189,589</b>	176,444	150,623	<b>1,708,009</b>
<b>Income taxes (Note 12):</b>				
Current	62,823	62,098	53,161	565,973
Deferred	(4,051)	(6,180)	(9,533)	(36,496)
Total	<b>58,772</b>	55,918	43,628	<b>529,477</b>
<b>Profit</b>	<b>130,817</b>	120,526	106,995	<b>1,178,532</b>
<b>Profit attributable to non-controlling interests</b>	<b>—</b>	795	3,506	<b>—</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 130,817</b>	¥119,731	¥103,489	<b>\$1,178,532</b>
	Yen			Thousands of U.S. dollars (Note 1)
	2019	2018	2017	2019
<b>Amounts per share of common stock:</b>				
Profit attributable to owners of parent:				
—Basic	¥276.02	¥252.62	¥218.34	\$2.49
—Diluted	—	—	—	—
Cash dividend applicable to the year	30.00	27.00	24.00	0.27

See accompanying notes.

### Consolidated Statements of Comprehensive Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2019	2018	2017	2019
<b>Profit</b>	<b>¥130,817</b>	¥120,526	¥106,995	<b>\$1,178,532</b>
<b>Other comprehensive income (loss) (Note 18)</b>				
Net unrealized holding gains (losses) on securities	(21,905)	33,935	24,930	(197,342)
Net deferred gains (losses) on hedges	(1,923)	538	1,705	(17,325)
Foreign currency translation adjustments	(259)	(1,098)	(927)	(2,333)
Remeasurements of defined benefit plans	(234)	188	442	(2,108)
Total other comprehensive income (loss)	<b>(24,321)</b>	33,563	26,150	<b>(219,108)</b>
<b>Comprehensive income</b>	<b>¥106,496</b>	¥154,089	¥133,145	<b>\$ 959,424</b>
<b>Comprehensive income attributable to:</b>				
Owners of the parent	¥106,496	¥153,493	¥129,719	\$ 959,424
Non-controlling interests	—	596	3,426	—

See accompanying notes.

### Consolidated Statements of Changes in Net Assets

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2019, 2018 and 2017

	Thousands						Millions of yen						
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
<b>Balance at April 1, 2016</b>	476,086	¥122,805	¥132,748	¥569,740	¥(4,335)	¥ 820,958	¥ 72,262	¥(4,247)	¥ (510)	¥(364)	¥ 67,141	¥ 29,178	¥917,277
Profit attributable to owners of parent	—	—	—	103,489	—	103,489	—	—	—	—	—	—	103,489
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(755)	—	(755)	—	(755)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	24,930	—	—	—	24,930	—	24,930
Acquisition of treasury stock	—	—	—	—	(47)	(47)	—	—	—	—	—	—	(47)
Disposal of treasury stock	—	—	2	—	3	5	—	—	—	—	—	—	5
Cash dividends paid:													
Final for prior year (¥11 per share)	—	—	—	(5,214)	—	(5,214)	—	—	—	—	—	—	(5,214)
Interim for current year (¥11 per share)	—	—	—	(5,213)	—	(5,213)	—	—	—	—	—	—	(5,213)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(2)	—	—	(2)	—	—	—	—	—	—	(2)
Profit attributable to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	2,578	2,578
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	1,718	—	—	1,718	—	1,718
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	337	337	—	337
<b>Balance at April 1, 2017</b>	476,086	¥122,805	¥132,748	¥662,802	¥(4,379)	¥ 913,976	¥ 97,192	¥(2,529)	¥(1,265)	¥ (27)	¥ 93,371	¥ 31,756	¥1,039,103
Profit attributable to owners of parent	—	—	—	119,731	—	119,731	—	—	—	—	—	—	119,731
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(828)	—	(828)	—	(828)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	33,923	—	—	—	33,923	—	33,923
Acquisition of treasury stock	—	—	—	—	(64)	(64)	—	—	—	—	—	—	(64)
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	(4,885)	—	(4,885)	—	—	—	—	—	—	(4,885)
Cash dividends paid:													
Final for prior year (¥13 per share)	—	—	—	(6,161)	—	(6,161)	—	—	—	—	—	—	(6,161)
Interim for current year (¥13 per share)	—	—	—	(6,161)	—	(6,161)	—	—	—	—	—	—	(6,161)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(28,594)	—	—	(28,594)	—	—	—	—	—	—	(28,594)
Profit attributable to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(31,756)	(31,756)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	480	—	—	480	—	480
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	187	187	—	187
<b>Balance at April 1, 2018</b>	476,086	¥122,805	¥104,154	¥765,326	¥(4,443)	¥ 987,842	¥131,115	¥(2,049)	¥(2,093)	¥ 160	¥127,133	¥ —	¥1,114,975
Profit attributable to owners of parent	—	—	—	130,817	—	130,817	—	—	—	—	—	—	130,817
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(259)	—	(259)	—	(259)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	(21,905)	—	—	—	(21,905)	—	(21,905)
Acquisition of treasury stock	—	—	—	—	(27)	(27)	—	—	—	—	—	—	(27)
Disposal of treasury stock	—	—	0	—	0	0	—	—	—	—	—	—	0
Change in scope of consolidation	—	—	—	(57)	—	(57)	—	—	—	—	—	—	(57)
Cash dividends paid:													
Final for prior year (¥14 per share)	—	—	—	(6,635)	—	(6,635)	—	—	—	—	—	—	(6,635)
Interim for current year (¥14 per share)	—	—	—	(6,635)	—	(6,635)	—	—	—	—	—	—	(6,635)
Profit attributable to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	(1,923)	—	—	(1,923)	—	(1,923)
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	(234)	(234)	—	(234)
<b>Balance at March 31, 2019</b>	476,086	¥122,805	¥104,154	¥882,816	¥(4,470)	¥1,105,305	¥109,210	¥(3,972)	¥(2,352)	¥ (74)	¥102,812	¥ —	¥1,208,117

	Thousands of U.S. dollars (Note 1)											
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
<b>Balance at April 1, 2018</b>	\$1,106,351	\$938,324	\$6,894,829	\$(40,027)	\$8,899,477	\$1,181,216	\$(18,459)	\$(18,856)	\$1,441	\$1,145,342	\$—	\$10,044,819
Profit attributable to owners of parent	—	—	1,178,532	—	1,178,532	—	—	—	—	—	—	1,178,532
Foreign currency translation adjustments	—	—	—	—	—	—	—	(2,333)	—	(2,333)	—	(2,333)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	(197,342)	—	—	—	(197,342)	—	(197,342)
Acquisition of treasury stock	—	—	—	(243)	(243)	—	—	—	—	—	—	(243)
Disposal of treasury stock	—	—	0	0	0	—	—	—	—	—	—	0
Change in scope of consolidation	—	—	(514)	—	(514)	—	—	—	—	—	—	(514)
Cash dividends paid:												
Final for prior year (\$0.13 per share)	—	—	(59,775)	—	(59,775)	—	—	—	—	—	—	(59,775)
Interim for current year (\$0.13 per share)	—	—	(59,775)	—	(59,775)	—	—	—	—	—	—	(59,775)
Profit attributable to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—
Net deferred gains (losses) on hedges	—	—	—	—	—	—	(17,325)	—	—	(17,325)	—	(17,325)
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	(2,108)	(2,108)	—	(2,108)
<b>Balance at March 31, 2019</b>	\$1,106,351	\$938,324	\$7,953,297	\$(40,270)	\$9,957,702	\$ 983,874	\$(35,784)	\$(21,189)	\$( 667)	\$ 926,234	\$—	\$10,883,936

See accompanying notes.

## Financial Section

### Consolidated Statements of Cash Flows

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2019	2018	2017	2019
<b>Cash flows from operating activities:</b>				
Income before income taxes	¥ 189,589	¥ 176,444	¥ 150,623	\$ 1,708,009
Depreciation and amortization	46,313	41,628	39,446	417,234
Loss on impairment of fixed assets (Note 10)	8,576	10,635	15,538	77,261
Provision for (Reversal of) allowance for doubtful accounts	(309)	(525)	411	(2,784)
Increase (Decrease) in net defined benefit liability	(242)	91	702	(2,180)
Loss (Gain) on sale of property and equipment, net	3,649	179	(12)	32,874
Loss on disposal of property and equipment	1,280	601	1,522	11,532
Loss (Gain) on sale of investments in securities, net	(12)	(963)	(43)	(108)
Loss (Gain) on devaluation of investments in securities	1,105	—	—	9,955
Interest and dividend income	(10,067)	(8,484)	(6,707)	(90,694)
Interest expense	20,184	20,352	21,588	181,838
Decrease (Increase) in notes and accounts receivable—trade	2,233	(5,669)	1,090	20,117
Decrease (Increase) in inventories	65,981	25,915	5,574	594,423
Increase (Decrease) in notes and accounts payable—trade	26,190	(12,536)	(12,936)	235,946
Increase (Decrease) in advances received	(13,104)	17,076	7,816	(118,054)
Other, net	(1,800)	(6,648)	5,029	(16,216)
Total	339,566	258,096	229,641	3,059,153
Proceeds from interest and dividend income	10,066	8,484	6,707	90,685
Payments for interest	(20,147)	(20,395)	(22,295)	(181,505)
Payments for income tax and other taxes	(69,427)	(56,252)	(55,545)	(625,468)
Net cash provided by operating activities	260,058	189,933	158,508	2,342,865
<b>Cash flows from investing activities:</b>				
Payments for purchases of property and equipment	(188,573)	(220,017)	(254,931)	(1,698,856)
Proceeds from sale of property and equipment	6,617	357	125	59,613
Payments for purchases of investments in securities	(31,281)	(28,835)	(21,249)	(281,811)
Proceeds from sale and redemption of investments in securities	334	2,197	1,858	3,009
Payments for guarantee and lease deposits paid to lessors	(738)	(1,317)	(1,720)	(6,649)
Proceeds from guarantee and lease deposits paid to lessors	4,475	28,462	8,361	40,315
Payments for guarantee and lease deposits received	(14,324)	(11,276)	(11,260)	(129,045)
Proceeds from guarantee and lease deposits received	35,664	25,271	22,974	321,297
Receipts of deposits from partnership investors	1,004	2,420	2,757	9,045
Restitution of deposits from partnership investors	(10,442)	(11,544)	(13,626)	(94,072)
Other, net	(11,949)	(6,252)	(7,451)	(107,648)
Net cash used in investing activities	(209,213)	(220,534)	(274,162)	(1,884,802)
<b>Cash flows from financing activities:</b>				
Increase (Decrease) in short-term debt, net	(35,773)	(2,892)	(12,610)	(322,279)
Proceeds from issuance of bonds	—	30,000	20,000	—
Redemption of bonds	(60,000)	(80,000)	(20,000)	(540,541)
Proceeds from non-recourse bonds	4,900	1,700	14,500	44,144
Redemption of non-recourse bonds	(4,900)	(1,700)	(16,460)	(44,144)
Proceeds from long-term loans payable	198,300	376,000	520,200	1,786,486
Repayment of long-term loans payable	(225,752)	(209,622)	(296,737)	(2,033,802)
Proceeds from long-term non-recourse loans	37,110	12,610	109,500	334,324
Repayment of long-term non-recourse loans	(44,611)	(21,258)	(106,820)	(401,901)
Decrease (Increase) in treasury stocks, net	(27)	(64)	(43)	(243)
Cash dividends paid	(13,269)	(12,337)	(11,276)	(119,541)
Payments for purchases of investments in subsidiaries not resulting in change in scope of consolidation	—	(60,910)	—	—
Other, net	(2,036)	(5,066)	(2,257)	(18,341)
Net cash provided by (used in) financing activities	(146,058)	26,461	197,997	(1,315,838)
Effect of exchange rate changes on cash and cash equivalents	243	(124)	(388)	2,189
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(94,970)</b>	<b>(4,264)</b>	<b>81,955</b>	<b>(855,586)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>262,046</b>	<b>267,944</b>	<b>185,989</b>	<b>2,360,775</b>
<b>Increase in cash and cash equivalents of a newly consolidated subsidiary</b>	<b>3,631</b>	<b>—</b>	<b>—</b>	<b>32,712</b>
<b>Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation</b>	<b>—</b>	<b>(1,634)</b>	<b>—</b>	<b>—</b>
<b>Cash and cash equivalents at end of year (Note 3)</b>	<b>¥ 170,707</b>	<b>¥ 262,046</b>	<b>¥ 267,944</b>	<b>\$ 1,537,901</b>

See accompanying notes.

### Notes to Consolidated Financial Statements

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
As of and for the years ended March 31, 2019, 2018 and 2017

#### 1 Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Sumitomo Realty & Development Co., Ltd. (“the Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the 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 (“IFRS”).

The accounts of the Company’s overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure) 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 as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese-language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019, which was ¥111.00 to U.S. \$1. The translation 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.

#### 2 Accounting policies

##### (1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

All significant intercompany balances, transactions and profits have been eliminated in consolidation.

##### (2) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rate.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate, except for shareholders’ equity accounts, which are translated at historical rates, and income statement items resulting from transactions with the Company, which are translated at the rates used by the Company.

Differences arising from translation are presented as “Foreign currency translation adjustments” in net assets.

##### (3) Cash and cash equivalents

In preparing the consolidated statements 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.

##### (4) Recognition of revenue

Revenues from sales operations of condominiums, detached houses and land lots are recognized when the units are delivered and customers accepted the delivery. Revenues from leasing operations of office buildings, residences and other properties are recognized as rent accrues over the lease term.

##### (5) Inventories

Inventories are stated at cost, determined by the specific identification method principally. The carrying amount of inventories is written down when the profitability declines.

##### (6) Securities

Held-to-maturity securities are stated at amortized cost. Investments in subsidiaries and affiliates that are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving-average cost.

Preferred equity securities are stated at cost determined by the specific identification method, and securities with no available fair value are stated at moving-average cost.

Investments in limited partnerships, which are regarded as securities under the Financial Instruments and Exchange Act, are accounted for in a manner similar to the equity method based on the recent financial statements.

If the market value of held-to-maturity securities, investments in subsidiaries and affiliates and available-for-sale securities declines significantly, such securities are stated at fair value and the difference between fair value and the carrying amount is recognized as a loss in the period of the decline. If the fair value of investments in unconsolidated subsidiaries and affiliated companies not accounted for using the equity method is not readily available, such securities should be written down to the net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair value or the net asset value will be the carrying amount of the securities at the beginning of the next fiscal year.

##### (7) Property and equipment

The Company and its consolidated domestic subsidiaries depreciate buildings using the straight-line method, and other property and equipment (excluding facilities attached to buildings and structures acquired on or after April 1, 2016) using the declining-balance method over their estimated useful lives. The consolidated overseas subsidiaries depreciate property and equipment using primarily the straight-line method in accordance with the accounting principles in the respective countries.

In addition, the Company and its consolidated domestic subsidiaries depreciate facilities attached to buildings and structures acquired on or after April 1, 2016 using the straight-line method.

Leased assets related to finance lease transactions without title transfer are depreciated using the straight-line method over the lease periods as their useful lives with no residual value.

Estimated useful lives used in the computation of depreciation are generally as follows:

Buildings and structures	6 to 60 years
Machinery and equipment	2 to 20 years
Leased assets	Lease periods

## Financial Section

### (8) Software costs

Software costs are amortized using the straight-line method over the estimated useful lives (five years).

### (9) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide for doubtful accounts at an estimated uncollectable amount based on the evaluation of certain identified doubtful and bankrupt receivables plus an amount calculated using the percentage of actual collection losses in certain reference periods with respect to remaining receivables.

### (10) Lease transactions

Leased assets related to finance lease transactions without title transfer are depreciated using the straight-line method over the lease periods as their useful lives with no residual value.

### (11) Income taxes

Income taxes are provided for on the basis of income for financial statement purposes. The tax effects of temporary differences between the carrying amounts of assets and liabilities for financial statements and income tax purposes are recognized as deferred income taxes.

### (12) Employees' severance and retirement benefits

The Company and its certain consolidated subsidiaries provide two types of post-employment benefit plans, lump-sum payment plans and defined benefit corporate pension plans, under which all eligible employees are entitled to benefits based on their current rate of pay, length of service and the conditions under which termination occurs.

For the calculation of retirement benefit obligations, the estimated amount of retirement benefits is allocated to the respective fiscal years by the straight-line method.

Some of the Company's consolidated subsidiaries calculate net defined benefit liability and retirement benefit expenses by using a simplified method in which retirement benefit obligations are equal to the amount that would be paid if all employees resigned voluntarily at the end of the fiscal year.

Prior service costs are recognized as expenses in the period in which they are incurred, and actuarial gains and losses are recognized as expenses in the following period.

### (13) Construction contracts

The construction projects for which the outcome of the portion completed by the end of the fiscal year under review can be reliably estimated are accounted for by the percentage-of-completion method (the degree of completion of each construction project is estimated using the cost-comparison method), while other construction projects are accounted for by the completed-contract method.

### (14) Derivative transactions and hedge accounting

The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes and qualify for hedge accounting.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of the derivative financial instruments until the related gains or losses on the hedged items are recognized.

However, in cases where foreign exchange forward contracts are used as hedges and meet certain hedging criteria (regarding foreign exchange contracts), the foreign exchange forward contracts and hedged items are accounted for in the following manner:

- If a foreign exchange forward contract is executed to hedge an existing foreign currency receivable or payable,
  - the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the carrying amount of the receivable or payable is recognized in the income statement in the period which includes the inception date; and
  - the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
- If a foreign exchange forward contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the foreign exchange forward contract are recognized. Also, if interest rate swap contracts are used as a hedge and meet certain hedging criteria (regarding interest rate swap contracts), the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interest on the assets or liabilities relative to which the swap contract was executed as a hedge.

### (15) Amounts per share of common stock

The computation of earnings per share is based on the weighted-average number of shares of common stock outstanding during each year.

Diluted earnings per share is computed based on the amount of profit attributable to owners of parent on common stock and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options.

Diluted earnings per share is not presented as there are no potential shares.

Cash dividends per share represent actual amounts applicable to the respective year.

### (16) New accounting pronouncements (Accounting standards and guidance issued but not yet effective)

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

#### (1) Overview

The standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following 5 steps:

Step 1: Identify contract(s) with customers

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

#### (2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022

#### (3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

### (17) Changes in presentation methods

(Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

Effective from the beginning of the year ended March 31, 2019, the Company and its consolidated subsidiaries adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of "Other assets" and "Long-term liabilities", respectively.

As a result, "Deferred income taxes" in "Current assets" decreased by ¥21,793 million and "Deferred income taxes" in "Other assets" increased by ¥2,090 million in the consolidated balance sheet as of March 31, 2018. In addition, "Other current liabilities" and "Other long-term liabilities" decreased by ¥59 million and ¥19,644 million as of March 31, 2018, respectively.

Total assets decreased by ¥19,703 million as of March 31, 2018 as a result of offsetting deferred tax assets and deferred tax liabilities relating to the same taxable entity.

## 3 Cash and cash equivalents

Cash and cash equivalents at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash, time and notice deposits	¥172,192	¥263,210	\$1,551,279
Time deposits	(1,485)	(1,164)	(13,378)
Cash and cash equivalents	¥170,707	¥262,046	\$1,537,901

## 4 Inventories

Inventories at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Real estate for sale	¥390,026	¥380,736	\$3,513,748
Real estate for sale in process	282,595	395,730	2,545,901
Costs on uncompleted construction contracts	5,827	5,015	52,495
Other	1,455	1,827	13,108
Total	¥679,903	¥783,308	\$6,125,252

The Company transferred amounts between inventories and property and equipment. Such transfers at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Inventories:			
Transferred to property and equipment	¥(23,162)	¥(38,047)	\$(208,666)
Transferred from property and equipment	4,822	2,490	43,441
Net decrease	¥(18,340)	¥(35,557)	\$(165,225)

## Financial Section

### 5 Pledged assets

Assets pledged as collateral at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash, time and notice deposits	¥ 2,068	¥ 2,081	\$ 18,631
Buildings and structures	103,708	108,319	934,306
Land	393,316	393,316	3,543,387
Construction in progress	85	99	766
Machinery and equipment	210	268	1,892
Total	¥499,387	¥504,083	\$4,498,982

Secured liabilities at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Long-term non-recourse debt due within one year	¥102,298	¥ 49,410	\$ 921,604
Long-term non-recourse debt due after one year	300,900	361,289	2,710,811
Total	¥403,198	¥410,699	\$3,632,415

Specified assets for non-recourse debts at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash, time and notice deposits	¥ 11,345	¥ 10,652	\$ 102,207
Buildings and structures	103,708	108,319	934,306
Land	393,316	393,316	3,543,387
Construction in progress	85	99	766
Machinery and equipment	210	268	1,893
Total	¥508,664	¥512,654	\$4,582,559

(Note) "Specified assets for non-recourse debts" includes a portion of the amount of "Assets pledged as collateral" for the years ended March 31, 2019 and 2018.

### 6 Financial instruments

#### 1. Policy for financial instruments

The Company and its consolidated subsidiaries ("the Group") have the policy to limit its fund management to short-term deposits with funds through loans from banks and the issuance of corporate bonds and commercial paper.

The Group utilizes derivative financial instruments only for the purpose of hedging the foreign exchange risk associated with foreign currency-denominated transactions or hedging the interest rate risk associated with the Group's loans payable, and does not utilize derivative financial instruments for any speculative purposes.

#### 2. Details of financial instruments, risks, and policies and systems of risk management

Operating receivables such as notes and accounts receivable—trade are exposed to customers' credit risk, but this risk is generally avoided through the receipt of deposits.

Investments in securities are business-related equities and are exposed to market price fluctuation risk. The Group regularly checks the market value of the securities and the financial condition of the issuers, and continuously reviews whether it continues to hold securities with consideration for its relationships with the issuers.

Guarantee and lease deposits are mostly deposits related to leasing properties, and are exposed to the counterparty credit risk.

In addition, the Group accommodates counterparties with loans and consequently is exposed to the borrowers' credit risk. However, the Group constantly checks the financial condition of principal borrowers and their performance using the funds lent to those borrowers even after accommodation.

The majority of due dates of operating debt, such as notes and accounts payable, are within one year.

Interest rate swap contracts are used to hedge risks arising from fluctuations in interest rates on certain loans and corporate bonds.

In regard to derivative transactions, the Group utilizes interest rate swaps for bank loans and deposits, and utilizes foreign exchange forward contracts and cross currency swap contracts for foreign currency-denominated transactions. Interest rate swap contracts are exposed to the risks of interest rate changes, and foreign exchange forward contracts and cross currency swap contracts are exposed to the risks of foreign exchange rate changes. The derivative financial instruments are executed with creditworthy financial institutions, and the Group's management believes there is insignificant risk of default by counterparties. Derivative transactions are executed by the Group's Finance Department in accordance with the decisions of a committee whose chairman is the director of the Finance Department. The Finance Department prepares reports on derivative transactions that are provided to the director of the Finance Department periodically.

### 3. Supplemental information on fair values of financial instruments

The fair values of financial instruments are based on their market prices, and if the market price is not available, other rational valuation techniques are used instead. The rational valuation techniques incorporate variable factors, and as a result the values may change due to using different assumptions.

The amounts of derivative transactions shown in Note 16 "Derivative

transactions" are not representing the market risks related to derivative transactions.

The carrying amounts of financial instruments on the consolidated balance sheets, their fair values and the differences between them as of March 31, 2019 and 2018 are as follows. (Financial instruments whose fair value is extremely difficult to estimate are not included; please see (Note 2).)

#### For 2019

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets:						
(1) Cash, time and notice deposits	¥ 172,192	¥ 172,192	¥ —	\$ 1,551,279	\$ 1,551,279	\$ —
(2) Notes and accounts receivable—trade	21,567	21,567	—	194,297	194,297	—
(3) Investments in securities						
Available-for-sale securities	414,743	414,743	—	3,736,423	3,736,423	—
(4) Guarantee and lease deposits						
Held-to-maturity securities	3,169	3,167	(2)	28,550	28,532	(18)
Available-for-sale securities	1,170	1,170	—	10,541	10,541	—
Total assets	¥ 612,841	¥ 612,839	¥ (2)	\$ 5,521,090	\$ 5,521,072	\$ (18)
Liabilities:						
(1) Notes and accounts payable—trade	¥ 54,939	¥ 54,939	¥ —	\$ 494,946	\$ 494,946	\$ —
(2) Short-term debt	25,643	25,643	—	231,018	231,018	—
(3) Long-term debt (including due within one year)	2,913,946	2,964,782	50,836	26,251,766	26,709,747	457,981
(4) Long-term non-recourse debt (including due within one year)	403,198	410,218	7,020	3,632,414	3,695,658	63,244
Total liabilities	¥3,397,726	¥3,455,582	¥57,856	\$30,610,144	\$31,131,369	\$521,225
Derivative transactions*:						
Hedge accounting	¥ (5,733)	¥ (5,733)	¥ —	\$ (51,649)	\$ (51,649)	\$ —
Total derivative transactions	¥ (5,733)	¥ (5,733)	¥ —	\$ (51,649)	\$ (51,649)	\$ —

#### For 2018

	Millions of yen		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash, time and notice deposits	¥ 263,210	¥ 263,210	¥ —
(2) Notes and accounts receivable—trade	23,773	23,773	—
(3) Investments in securities			
Available-for-sale securities	417,841	417,841	—
(4) Guarantee and lease deposits			
Held-to-maturity securities	789	791	2
Available-for-sale securities	1,180	1,180	—
Total assets	¥ 706,793	¥ 706,795	¥ 2
Liabilities:			
(1) Notes and accounts payable—trade	¥ 28,751	¥ 28,751	¥ —
(2) Short-term debt	61,416	61,416	—
(3) Long-term debt (including due within one year)	3,001,398	3,032,800	31,402
(4) Long-term non-recourse debt (including due within one year)	410,699	415,716	5,017
Total liabilities	¥3,502,264	¥3,538,683	¥36,419
Derivative transactions*:			
Hedge accounting	¥ (2,983)	¥ (2,983)	¥ —
Total derivative transactions	¥ (2,983)	¥ (2,983)	¥ —

\* Derivative transactions are stated at net of assets and liabilities. Figures in parentheses indicate net liabilities.

## Financial Section

(Note 1) The calculation methods of fair value for financial instruments

### Assets:

#### (1) Cash, time and notice deposits

The fair value of cash, time and notice deposits approximates their carrying amounts because of their short-term maturities.

#### (2) Notes and accounts receivable—trade

The fair value of notes and accounts receivable—trade approximates their carrying amounts unless the credit standing of debtors has changed significantly since the loan origination.

The allowance for doubtful receivables is estimated based on expected recoverable amounts, considering the possibility of individual collections. Therefore the fair value of doubtful receivables approximates the carrying amount deducted by the estimated allowance for doubtful accounts on the consolidated balance sheets as of the end of the fiscal year.

#### (3) Investments in securities

The fair value of listed shares is based on the exchange prices at market. For floating rate notes, the carrying amount is presented as the fair value, as the fair value approximates the carrying amount because the market interest rate is reflected in such notes within a short time period. The fair value of the fixed-coupon debt is determined based on the present value discounted at the interest rate which reflects the period remaining to maturity and the credit risk.

For notes on securities classified by purpose of holding, please see Note 7 “Securities.”

#### (4) Guarantee and lease deposits

The fair value of guarantee and lease deposits are based on the value offered by correspondent financial institutions.

For notes on securities classified by purpose of holding, please see Note 7 “Securities.”

### Derivative transactions:

Please see Note 16 “Derivative transactions.”

(Note 2) Financial instruments whose fair value is extremely difficult to estimate

	Carrying amount		Thousands of U.S. dollars
	Millions of yen	2018	
	2019	2018	2019
Investments in subsidiaries and affiliates* <sup>1</sup>	¥ 35,856	¥ 42,745	\$ 323,027
Unlisted equity securities* <sup>1</sup>	2,327	1,297	20,964
Preferred equity securities, etc.* <sup>1</sup>	25,688	25,338	231,423
Investments in limited partnerships, etc.* <sup>1</sup>	352	352	3,171
Guarantee and lease deposits (excluding held-to-maturity securities and available-for-sale securities)* <sup>2</sup>	65,960	69,095	594,234
Guarantee and deposits received* <sup>3</sup>	228,959	207,824	2,062,694

\*1. The fair value of these items are not disclosed since their market price is unavailable and the assessment of their fair value is deemed extremely difficult.

\*2. Guarantee and lease deposits (excluding held-to-maturity securities and available-for-sale securities) are not included in “Assets (4) Guarantee and lease deposits” because their remaining terms cannot be determined and the assessment of their fair value is deemed extremely difficult.

\*3. The fair value of guarantee and deposits received (mainly consisting of lease deposits) are not disclosed because their remaining terms cannot be determined and the assessment of their fair value is deemed extremely difficult.

### Liabilities:

#### (1) Notes and accounts payable—trade and (2) Short-term debt

The fair value of these items approximates their carrying amounts because of their short-term maturities.

#### (3) Long-term debt (including due within one year)

For floating rate notes, the carrying amount is used as the fair value because the market interest rate is reflected in such notes within a short time period and because the credit standing of the Company is the same after borrowing. The fixed-coupon debt is calculated by discounting the combined total of principal and interest at an interest rate assumed for similar new borrowings.

The specific matching criteria of interest rate swaps and cross currency interest rate swaps are applicable to some long-term debts with floating interest rates (please see Note 16 “Derivative transactions”). The fair value of these items is calculated by discounting the combined total of interest and principal, with which the interest rate swap and cross currency interest rate swap have been accounted for, at an interest rate rationally estimated for similar borrowings.

The fair value of corporate bonds issued by the Company (included in (3) Long-term debt (including due within one year)) is based on the market price.

#### (4) Long-term non-recourse debt (including due within one year)

For floating rate notes, the carrying amount is used as the fair value because the market interest rate is reflected in such notes within a short time period and the value of its non-exempt properties has not been changed.

The fixed-coupon debt is calculated by discounting the combined total of principal and interest at an interest rate assumed for similar new borrowings or bonds.

The specific matching criteria of interest rate swaps are applicable to some long-term non-recourse debts with floating interest rates (please see Note 16 “Derivative transactions”). The fair value of these items is calculated by discounting the combined total of interest and principal, with which the interest rate swap has been accounted for, at an interest rate rationally estimated for similar borrowings or bonds.

(Note 3) Redemption schedule of pecuniary claims and securities with maturities

### For 2019

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	¥172,192	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	21,567	—	—	—
Guarantee and lease deposits:				
Held-to-maturity securities (National government bonds)	2,969	200	—	—
Available-for-sale securities with maturities (National government bonds)	407	561	171	—
Total	¥197,135	¥761	¥171	¥ —

### For 2018

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	¥263,210	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	23,773	—	—	—
Guarantee and lease deposits:				
Held-to-maturity securities (National government bonds)	328	462	—	—
Available-for-sale securities with maturities (National government bonds)	—	842	298	—
Total	¥287,311	¥1,304	¥298	¥ —

### For 2019

	Thousands of U.S. dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	\$1,551,279	\$ —	\$ —	\$ —
Notes and accounts receivable—trade	194,297	—	—	—
Guarantee and lease deposits:				
Held-to-maturity securities (National government bonds)	26,748	1,802	—	—
Available-for-sale securities with maturities (National government bonds)	3,667	5,054	1,541	—
Total	\$1,775,991	\$6,856	\$1,541	\$ —

(Note 4) Repayment schedule of corporate bonds, long-term debt, long-term non-recourse debt and other interest-bearing debt

### For 2019

Year ending March 31	Millions of yen					
	2020	2021	2022	2023	2024	2025 and thereafter
Short-term debt	¥ 25,643	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt (including due within one year)	169,619	131,281	211,256	237,196	289,282	1,875,312
Long-term non-recourse debt (including due within one year)	102,298	69,913	14,944	3,386	3,240	209,417
Total	¥297,560	¥201,194	¥226,200	¥240,582	¥292,522	¥2,084,729

### For 2018

Year ending March 31	Millions of yen					
	2019	2020	2021	2022	2023	2024 and thereafter
Short-term debt	¥ 61,416	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt (including due within one year)	275,752	169,619	131,281	221,256	237,196	1,966,294
Long-term non-recourse debt (including due within one year)	49,410	101,514	69,129	14,160	2,716	173,770
Total	¥386,578	¥271,133	¥200,410	¥235,416	¥239,912	¥2,140,064

### For 2019

Year ending March 31	Thousands of U.S. dollars					
	2020	2021	2022	2023	2024	2025 and thereafter
Short-term debt	\$ 231,018	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt (including due within one year)	1,528,099	1,182,712	1,903,207	2,136,901	2,606,144	16,894,703
Long-term non-recourse debt (including due within one year)	921,604	629,847	134,631	30,504	29,189	1,886,639
Total	\$2,680,721	\$1,812,559	\$2,037,838	\$2,167,405	\$2,635,333	\$18,781,342

## Financial Section

### 7 Securities

For 2019

A. The following tables summarize the acquisition costs, carrying amounts and fair values of securities with available fair values as of March 31, 2019:

(a) Held-to-maturity securities:

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Securities whose fair value exceeds carrying amount:						
National and local government bonds, etc.	¥ 461	¥ 462	¥ 1	\$ 4,153	\$ 4,162	\$ 9
Securities whose fair value does not exceed carrying amount:						
National and local government bonds, etc.	2,708	2,705	(3)	24,397	24,370	(27)
Total	¥3,169	¥3,167	¥(2)	\$28,550	\$28,532	\$(18)

(b) Available-for-sale securities:

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds acquisition cost:						
Equity securities	¥348,562	¥180,791	¥167,771	\$3,140,198	\$1,628,748	\$1,511,450
Debt securities*	1,171	1,140	31	10,550	10,270	280
Other	—	—	—	—	—	—
Subtotal	349,733	181,931	167,802	3,150,748	1,639,018	1,511,730
Securities whose carrying amount does not exceed acquisition cost:						
Equity securities	65,517	75,824	(10,307)	590,243	683,099	(92,856)
Debt securities	—	—	—	—	—	—
Other	664	664	—	5,982	5,982	—
Subtotal	66,181	76,448	(10,307)	596,225	689,081	(92,856)
Total	¥415,914	¥258,419	¥157,495	\$3,746,973	\$2,328,099	\$1,418,874

\* Debt securities in securities whose carrying amount exceeds acquisition cost are included in "Guarantee and lease deposits paid to lessors" on the consolidated balance sheets.  
(Note) The Company recognized impairment loss on investments in securities of ¥1,105 million (\$9,955 thousand) related to equity securities in available-for-sale securities.

B. Total sales of available-for-sale securities sold in the year ended March 31, 2019 amounted to ¥264 million (\$2,378 thousand) and the related gains amounted to ¥12 million (\$108 thousand).

For 2018

A. The following tables summarize the acquisition costs, carrying amounts and fair values of securities with available fair values as of March 31, 2018:

(a) Held-to-maturity securities:

	Millions of yen		
	Carrying amount	Fair value	Difference
Securities whose fair value exceeds carrying amount:			
National and local government bonds, etc.	¥789	¥791	¥ 2
Securities whose fair value does not exceed carrying amount:			
National and local government bonds, etc.	—	—	—
Total	¥789	¥791	¥ 2

(b) Available-for-sale securities:

	Millions of yen		
	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds acquisition cost:			
Equity securities	¥394,231	¥202,083	¥192,148
Debt securities*	1,180	1,140	40
Other	—	—	—
Subtotal	395,411	203,223	192,188
Securities whose carrying amount does not exceed acquisition cost:			
Equity securities	23,281	26,368	(3,087)
Debt securities	—	—	—
Other	329	329	—
Subtotal	23,610	26,697	(3,087)
Total	¥419,021	¥229,920	¥189,101

\* Debt securities in securities whose carrying amount exceeds acquisition cost are included in "Guarantee and lease deposits paid to lessors" on the consolidated balance sheets.

B. Total sales of available-for-sale securities sold in the year ended March 31, 2018 amounted to ¥1,663 million and the related gains and losses amounted to ¥1,010 million and ¥47 million, respectively.

### 8 Short-term debt and long-term debt

Short-term debt at March 31, 2019 and 2018 consisted of the following:

	Millions of yen				Thousands of U.S. dollars
	2019	Average interest rate (%)	2018	Average interest rate (%)	
Loans, principally from banks	¥25,643	0.27	¥61,416	0.25	\$231,018
Commercial paper	—	—	—	—	—
Total	¥25,643		¥61,416		\$231,018

The interest rates represent weighted-average rates in effect at March 31, 2019 and 2018, regardless of borrowing currencies, though the range of the interest rate varies by borrowing currency.

Long-term debt at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	
2.50% domestic straight bonds, due 2019	¥ 10,000	¥ 10,000	\$ 90,090
0.329% domestic straight bonds, due 2018	—	10,000	—
0.563% domestic straight bonds, due 2020	10,000	10,000	90,090
0.877% domestic straight bonds, due 2020	20,000	20,000	180,180
0.462% domestic straight bonds, due 2018	—	10,000	—
1.098% domestic straight bonds, due 2023	10,000	10,000	90,090
0.426% domestic straight bonds, due 2018	—	20,000	—
0.355% domestic straight bonds, due 2018	—	10,000	—
0.950% domestic straight bonds, due 2023	10,000	10,000	90,090
0.344% domestic straight bonds, due 2018	—	10,000	—
0.968% domestic straight bonds, due 2023	10,000	10,000	90,090
0.987% domestic straight bonds, due 2024	20,000	20,000	180,180
0.914% domestic straight bonds, due 2024	20,000	20,000	180,180
0.904% domestic straight bonds, due 2024	20,000	20,000	180,180
0.884% domestic straight bonds, due 2024	20,000	20,000	180,180
0.836% domestic straight bonds, due 2024	20,000	20,000	180,180
0.809% domestic straight bonds, due 2024	20,000	20,000	180,180
0.429% domestic straight bonds, due 2021	10,000	10,000	90,090
0.392% domestic straight bonds, due 2022	10,000	10,000	90,090
0.670% domestic straight bonds, due 2025	10,000	10,000	90,090
0.826% domestic straight bonds, due 2025	20,000	20,000	180,180
0.992% domestic straight bonds, due 2025	20,000	20,000	180,180
0.400% domestic straight bonds, due 2026	10,000	10,000	90,090
0.230% domestic straight bonds, due 2026	10,000	10,000	90,090
0.400% domestic straight bonds, due 2027	30,000	30,000	270,271

Loans, principally from banks and insurance companies, with interest at weighted-average rates of 0.31% in 2019 and 0.32% in 2018:

	2019	2018	2019
Secured	—	—	—
Unsecured	2,603,946	2,631,398	23,458,975
Subtotal	2,913,946	3,001,398	26,251,766
Amount due within one year	(169,619)	(275,752)	(1,528,099)
Total	¥2,744,327	¥2,725,646	\$24,723,667

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Non-recourse debt at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Non-recourse bonds, with interest at weighted-average rates of 0.07% in 2019 and 0.11% in 2018:			
Due within one year	¥ 2,000	¥ 4,900	\$ 18,018
Due after one year	37,100	34,200	334,234
Subtotal	39,100	39,100	352,252
Non-recourse loans, with interest at weighted-average rates of 0.11% in 2019 and 0.15% in 2018:			
Due within one year	100,298	44,510	903,586
Due after one year	263,800	327,089	2,376,576
Subtotal	364,098	371,599	3,280,162
Total	¥403,198	¥410,699	\$3,632,414
Secured	¥403,198	¥410,699	\$3,632,414
Unsecured	—	—	—
Total	¥403,198	¥410,699	\$3,632,414

The aggregate annual maturities of long-term debt at March 31, 2019 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2020	¥ 169,619	\$ 1,528,099
2021	131,281	1,182,712
2022	211,256	1,903,207
2023	237,196	2,136,901
2024	289,282	2,606,144
2025 and thereafter	1,875,312	16,894,703
Total	¥2,913,946	\$26,251,766

The aggregate annual maturities of non-recourse debt at March 31, 2019 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2020	¥102,298	\$ 921,604
2021	69,913	629,847
2022	14,944	134,631
2023	3,386	30,504
2024	3,240	29,189
2025 and thereafter	209,417	1,886,639
Total	¥403,198	\$3,632,414

It is customary in Japan that security must be given if requested by lending banks under certain circumstances, and generally banks have the right to offset cash deposited with them against any debt or obligations payable to the bank that becomes due in the case of default and certain other specified events. The Company and its consolidated subsidiaries have never received such a request.

## 9 Employees' severance and retirement benefits

As explained in Note 2 (12), the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations except for the cases using the simplified method.

For 2019 and 2018

### 1. Defined benefit plan

(1) Adjustment table of retirement benefit obligations between the beginning and the end of the fiscal year

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Retirement benefit obligations at beginning of year	¥11,615	¥11,316	\$104,640
Service costs	714	717	6,432
Interest costs	48	47	432
Actuarial differences	(1)	(53)	(9)
Retirement benefits paid	(500)	(412)	(4,504)
Retirement benefit obligations at end of year	¥11,876	¥11,615	\$106,991

(2) Adjustment table of plan assets between the beginning and the end of the fiscal year

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Plan assets at beginning of year	¥5,650	¥5,172	\$50,901
Expected return on plan assets	113	103	1,018
Actuarial differences	(67)	176	(604)
Employer contributions	388	398	3,496
Retirement benefits paid	(227)	(199)	(2,045)
Plan assets at end of year	¥5,857	¥5,650	\$52,766

(3) Adjustment table of retirement benefit obligations and plan assets at the end of the fiscal year and net defined benefit liability on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Obligations under retirement benefit plans (funded)	¥ 6,295	¥ 6,241	\$ 56,712
Fair value of plan assets	(5,857)	(5,650)	(52,766)
	438	591	3,946
Obligations under retirement benefit plans (unfunded)	5,581	5,374	50,279
Net amount of liabilities on the consolidated balance sheets	¥ 6,019	¥ 5,965	\$ 54,225
Net defined benefit liability	¥ 6,019	¥ 5,965	\$ 54,225
Net amount of liabilities on the consolidated balance sheets	¥ 6,019	¥ 5,965	\$ 54,225

(4) Components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service costs	¥ 714	¥ 717	\$ 6,432
Interest costs	48	47	432
Expected return on plan assets	(113)	(103)	(1,018)
Actuarial differences	(229)	41	(2,063)
Retirement benefit expenses	¥ 420	¥ 702	\$ 3,783

(5) Remeasurements of defined benefit plans (before deducting tax effect)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Actuarial differences	¥295	¥(270)	\$2,658
Total	¥295	¥(270)	\$2,658

## Financial Section

(6) Components of remeasurements of defined benefit plans (before deducting tax effect)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized actuarial differences	¥66	¥(229)	\$595
Total	¥66	¥(229)	\$595

(7) Major breakdown of plan assets

	2019	2018
Debt securities	25.6%	26.8%
Equity securities	34.9	34.4
General life insurance accounts	37.8	37.7
Other	1.7	1.1
Total	100.0%	100.0%

(8) Actuarial assumptions

	2019	2018
Discount rate	0.4%	0.4%
Rate of expected return on plan assets	2.0	2.0

### 2. Defined contribution plan

The required contribution amount for a defined contribution plan that one of the Company's consolidated subsidiaries adopted is ¥389 million (\$3,505 thousand) and ¥380 million for the years ended March 31, 2019 and 2018, respectively.

### 10 Loss on impairment of fixed assets

The Company and its consolidated domestic subsidiaries recognized impairment losses on the following assets for the years ended March 31, 2019, 2018 and 2017, respectively.

#### For 2019

Use	Location	Number of properties
Asset leased to others	Tokyo	1

#### For 2018

Use	Location	Number of properties
Asset leased to others	Tokyo	1

#### For 2017

Use	Location	Number of properties
Land for development	Tokyo, etc.	5

The Company and its consolidated domestic subsidiaries recognized losses on the impairment of certain properties, which are generally assessed individually for impairment. The Company's houses are treated as common assets.

Loss on sales of property and equipment of ¥8,576 million (\$77,261 thousand) was recognized by a consolidated subsidiary by restructuring of assets within the Group for the year ended March 31, 2019. The selling price of the asset, based on evaluation by a real estate appraiser, was determined as its recoverable amount, and loss on sales of property and equipment of the asset was recognized as impairment losses in other expenses for the year ended March 31, 2019.

The carrying value of the asset has been reduced to its recoverable amount by ¥10,635 million since the total amount of its future cash flow

is estimated to be less than the carrying value for the year ended March 31, 2018. The recoverable amount is calculated by discounting the future cash flow at 4.0%.

The carrying values of the land holdings summarized above have been reduced to their recoverable amounts by ¥15,538 million as a result of mainly the determination of reviewing their business plans for the year ended March 31, 2017. The recoverable amounts of the assets for the years ended March 31, 2017 were determined as the net disposal value. The net disposal value for land for leased buildings and land for development are based on the amount equivalent to the publicly notified land price.

These write-downs were recognized as impairment losses in other expenses for the years ended March 31, 2018 and 2017, respectively.

### 11 Asset retirement obligations

Even though removing asbestos is required for some buildings the Company and its consolidated subsidiaries ("the Group") operate at the time of demolishing, it is difficult to estimate the fair value of obligations associated with such assets reasonably since the timing and/or method of settlement for the retirement obligations are not clear enough. Therefore, for the years ended March 31, 2019 and 2018, asset retirement obligations related to such a case are not recorded (except for the asset retirement obligations recorded on the financial statements).

In addition, under the partial lease contracts, the Group has obligations for restoring office spaces when they move out. For the asset retirement obligations associated with such a case, the duration of use of the assets is not clear enough and these assets do not have any relocation plans. Therefore, the Group is unable to estimate the asset retirement obligations since it is difficult to estimate the timing of fulfillment of the obligations. Consequently, for the years ended March 31, 2019 and 2018, asset retirement obligations related to such a case are not recorded (except for the asset retirement obligations recorded on the financial statements).

### 12 Income taxes

The normal effective statutory income tax rate in Japan arising out of the aggregation of corporate, enterprise and inhabitants' taxes was approximately 30.62% for the years ended March 31, 2019, and 30.86% for the years ended March 31, 2018 and 2017.

Details of deferred tax assets and liabilities at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Loss on impairment of fixed assets	¥ 17,077	¥ 17,146	\$ 153,847
Loss on devaluation of real estate for sale	14,415	10,885	129,865
Depreciation and amortization of consolidated adjustment	7,258	7,977	65,387
Loss on adjustment of profit and loss on transfer	4,254	—	38,324
Allowance for doubtful accounts	3,439	3,521	30,982
Accrued bonuses	1,875	1,739	16,892
Accrued enterprise tax and business office tax	1,834	2,165	16,523
Net defined benefit liability	1,759	1,873	15,847
Net deferred losses on hedges	1,752	951	15,784
Net operating loss carryforwards	1,593	1,939	14,351
Loss on devaluation of investments in SPEs' holding properties for sale	1,413	1,413	12,730
Elimination of unrealized profit	926	943	8,342
Loss on devaluation of investments in securities	797	844	7,180
Other	13,113	12,851	118,135
Subtotal of deferred tax assets	71,505	64,247	644,189
Valuation allowance	(9,247)	(6,824)	(83,306)
Total deferred tax assets	¥ 62,258	¥ 57,423	\$ 560,883
Deferred tax liabilities:			
Net unrealized holding gains on securities	¥(48,241)	¥(57,916)	\$(434,604)
Retained earnings appropriated for tax allowable reserves	(3,731)	(3,731)	(33,613)
Other	(637)	(738)	(5,738)
Total deferred tax liabilities	¥(52,609)	¥(62,385)	\$(473,955)
Net deferred tax assets	¥ 9,649	¥ (4,962)	\$ 86,928

(Note) Valuation allowance increased by ¥2,423 million (\$21,829 thousand) as a result of mainly the recognition of loss on adjustment of profit and loss on transfer.

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The difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2019 and 2018 was insignificant and not presented.

The difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2017 is as follows:

	2017
Statutory tax rate	30.86%
Adjustment:	
Tax credit	(1.89)
Dividends and other income not taxable permanently	(0.70)
Elimination of dividend income	0.41
Inhabitant tax on per capita basis	0.21
Other	0.07
Effective tax rate	28.96%

### 13 Deposits received and accounts payable with interest rate

Guarantee and deposits received at March 31, 2019 and 2018 are as follows:

	Millions of yen				Thousands of U.S. dollars
	2019	Average interest rate (%)	2018	Average interest rate (%)	2019
Short-term deposits and long-term deposits due within one year:					
Non-interest-bearing	¥ 61,582		¥ 60,382		\$ 554,793
Interest-bearing	—		—		—
	<b>61,582</b>		<b>60,382</b>		<b>554,793</b>
Guarantee and lease deposits from tenants:					
Non-interest-bearing	228,959		207,824		2,062,693
Interest-bearing	—		—		—
Long-term deposits:					
Non-interest-bearing	49,807		59,391		448,712
Interest-bearing	—		—		—
	<b>278,766</b>		<b>267,215</b>		<b>2,511,405</b>
Total	<b>¥340,348</b>		<b>¥327,597</b>		<b>\$3,066,198</b>

Accounts payable with interest rate at March 31, 2019 and 2018 are as follows:

	Millions of yen				Thousands of U.S. dollars
	2019	Average interest rate (%)	2018	Average interest rate (%)	2019
Due within one year	¥—		¥1,543	0.98	\$—
Due after one year	—		—		—
Total	<b>¥—</b>		<b>¥1,543</b>		<b>\$—</b>

(Note) Accounts payable due within one year are included in "Other current liabilities" and accounts payable due after one year are included in "Other long-term liabilities" on the consolidated balance sheets.

### 14 Net assets

Under the Japanese Corporate Law ("the Law") and its regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, 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. Legal earnings reserve is included in retained earnings on the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit and capitalized by a resolution of the shareholders' meeting.

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 the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law and its regulations.

### 15 Information for certain lease transactions

Future lease payments and receipts under such non-cancelable operating leases at March 31, 2019, 2018 and 2017 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
Operating leases:				
Future lease payments:				
Due within one year	¥ 1,526	¥ 1,401	¥ 1,387	\$ 13,748
Due after one year	42,211	38,241	39,053	380,279
Total	<b>¥ 43,737</b>	<b>¥ 39,642</b>	<b>¥ 40,440</b>	<b>\$ 394,027</b>
Future lease receipts:				
Due within one year	¥ 95,607	¥ 83,254	¥ 86,294	\$ 861,324
Due after one year	142,321	153,777	138,086	1,282,171
Total	<b>¥237,928</b>	<b>¥237,031</b>	<b>¥224,380</b>	<b>\$2,143,495</b>

### 16 Derivative transactions

Hedge accounting was applied to all derivative transactions for the years ended March 31, 2019 and 2018.

The summary of these transactions is as follows:

#### (1) Foreign currency-related derivatives

For 2018

Hedging accounting	Types of derivative transactions	Hedged items	Millions of yen		
			Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Foreign exchange forward contracts Receipts in U.S. dollars / Payments in yen	Foreign currency-denominated transactions	¥15,105	¥—	¥133

(Note) Fair value is determined based on the quoted price obtained from relevant financial institutions.

#### (2) Interest-related derivatives

For 2019

Hedging accounting	Types of derivative transactions	Hedged items	Millions of yen		
			Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans	¥ 248,600	¥ 208,600	¥(5,733)
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	1,507,198	1,415,693	— (*)

Hedging accounting	Types of derivative transactions	Hedged items	Thousands of U.S. dollars		
			Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans	\$ 2,239,640	\$ 1,879,279	\$(51,649)
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	13,578,360	12,753,991	— (*)

For 2018

Hedging accounting	Types of derivative transactions	Hedged items	Millions of yen		
			Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans	¥ 243,800	¥ 233,800	¥(3,116)
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	1,577,137	1,454,966	— (*)
Exceptional accounting for interest rate and currency swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts Receipts in U.S. dollars / Payments in yen	Foreign currency-denominated loans	3,000	—	— (*)

(Note) Fair value is determined based on the quoted price obtained from relevant financial institutions.

(\*) Interest rate swap contracts and cross currency interest rate swap contracts which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income of the long-term debt or the long-term non-recourse debt as hedged items. Thus, the fair value of such interest rate swap contracts is included in the fair value of the long-term debt.

## Financial Section

### 17 Segment information

The Company and its consolidated subsidiaries mainly operate their business in five segments: (1) Leasing business consists of leasing of office buildings, residences and other properties, and management of these properties; (2) Sales business consists of sale of condominiums,

detached houses and land lots; (3) Construction business consists of construction of housing, condominiums and buildings; (4) Brokerage business; and (5) Other businesses including fitness business and restaurant business.

Information by business segment for the years ended March 31, 2019, 2018 and 2017 is summarized as follows:

For 2019	Millions of yen							Adjustments	Consolidated financial statements amounts
	Reportable segments					Total			
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses				
Revenue from operations:									
Customers	¥ 378,091	¥331,516	¥219,776	¥72,522	¥11,325	¥1,013,230	¥ —	¥1,013,230	
Intersegment	3,673	236	1,917	377	1,419	7,622	(7,622)	—	
Total	381,764	331,752	221,693	72,899	12,744	1,020,852	(7,622)	1,013,230	
Segment profit	¥ 149,933	¥ 47,115	¥ 20,407	¥22,008	¥ 1,528	¥ 240,991	¥ (20,572)	¥ 220,419	
Segment assets	¥3,737,136	¥713,300	¥ 30,057	¥14,074	¥32,545	¥4,527,112	¥600,353	¥5,127,465	
Other:									
Depreciation and amortization	¥ 43,201	¥ 145	¥ 1,182	¥ 458	¥ 227	¥ 45,213	¥ 1,100	¥ 46,313	
Loss on impairment of fixed assets	8,576	—	—	—	—	8,576	—	8,576	
Increase in property and equipment, and intangible assets	179,872	590	2,015	920	1,001	184,398	397	184,795	

For 2018	Millions of yen							Adjustments	Consolidated financial statements amounts
	Reportable segments					Total			
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses				
Revenue from operations:									
Customers	¥ 350,211	¥310,914	¥206,839	¥68,858	¥11,580	¥ 948,402	¥ —	¥ 948,402	
Intersegment	3,670	279	2,517	311	1,297	8,074	(8,074)	—	
Total	353,881	311,193	209,356	69,169	12,877	956,476	(8,074)	948,402	
Segment profit	¥ 139,368	¥ 46,839	¥ 16,109	¥21,457	¥ 1,628	¥ 225,401	¥ (19,764)	¥ 205,637	
Segment assets	¥3,565,088	¥826,574	¥ 27,946	¥12,200	¥25,203	¥4,457,011	¥710,187	¥5,167,199	
Other:									
Depreciation and amortization	¥ 38,981	¥ 174	¥ 1,022	¥ 471	¥ 217	¥ 40,865	¥ 763	¥ 41,628	
Loss on impairment of fixed assets	10,635	—	—	—	—	10,635	—	10,635	
Increase in property and equipment, and intangible assets	220,785	672	1,027	859	428	223,771	4,523	228,294	

For 2017	Millions of yen							Adjustments	Consolidated financial statements amounts
	Reportable segments					Total			
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses				
Revenue from operations:									
Customers	¥ 333,605	¥313,992	¥200,565	¥65,616	¥11,373	¥ 925,151	¥ —	¥ 925,151	
Intersegment	3,861	307	3,058	1,098	843	9,167	(9,167)	—	
Total	337,466	314,299	203,623	66,714	12,216	934,318	(9,167)	925,151	
Segment profit	¥ 126,214	¥ 46,190	¥ 13,933	¥19,148	¥ 1,491	¥ 206,976	¥ (18,805)	¥ 188,171	
Segment assets	¥3,359,262	¥890,869	¥ 27,424	¥18,506	¥17,271	¥4,313,332	¥666,708	¥4,980,040	
Other:									
Depreciation and amortization	¥ 36,949	¥ 207	¥ 970	¥ 516	¥ 177	¥ 38,819	¥ 627	¥ 39,446	
Loss on impairment of fixed assets	14,035	1,502	—	—	—	15,537	1	15,538	
Increase in property and equipment, and intangible assets	219,606	3,244	1,765	1,096	294	226,005	811	226,816	

### For 2019

	Thousands of U.S. dollars						Adjustments	Consolidated financial statements amounts
	Reportable segments					Total		
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses			
Revenue from operations:								
Customers	\$ 3,406,225	\$2,986,631	\$1,979,964	\$653,351	\$102,027	\$ 9,128,198	\$ —	\$ 9,128,198
Intersegment	33,090	2,126	17,270	3,397	12,784	68,667	(68,667)	—
Total	3,439,315	2,988,757	1,997,234	656,748	114,811	9,196,865	(68,667)	9,128,198
Segment profit	\$ 1,350,748	\$ 424,459	\$ 183,847	\$198,270	\$ 13,766	\$ 2,171,090	\$ (185,333)	\$ 1,985,757
Segment assets	\$33,667,892	\$6,426,126	\$ 270,784	\$126,793	\$293,198	\$40,784,793	\$5,408,585	\$46,193,378
Other:								
Depreciation and amortization	\$ 389,198	\$ 1,306	\$ 10,649	\$ 4,126	\$ 2,045	\$ 407,324	\$ 9,910	\$ 417,234
Loss on impairment of fixed assets	77,261	—	—	—	—	77,261	—	77,261
Increase in property and equipment, and intangible assets	1,620,468	5,315	18,153	8,288	9,019	1,661,243	3,577	1,664,820

(Note) Information for the year ended March 31, 2018 has been adjusted retroactively reflecting the adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the year ended March 31, 2019.

Intercompany eliminations between the Company and its consolidated subsidiaries and undistributed corporate expenses to each segment are included in adjustments of segment profit, and the Company classified expenses of the general administrative division in the Company and its certain consolidated subsidiaries to corporate expenses for the years ended March 31, 2019, 2018 and 2017.

Intercompany eliminations between the Company and its consolidated subsidiaries and undistributed corporate assets to each segment are included in adjustments of segment assets, and the Company classified cash, time and notice deposits, investments in securities and assets of the general administrative division in the Company and its certain consolidated subsidiaries to corporate assets for the years ended March 31, 2019, 2018 and 2017.

### 18 Comprehensive income

Amounts reclassified to profit in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income (loss) for the years ended March 31, 2019, 2018 and 2017 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	
Unrealized holding gains (losses) on securities:				
Increase (Decrease) during the fiscal year	¥(32,668)	¥ 50,290	¥ 36,067	\$ (294,306)
Reclassification adjustments	1,088	(1,373)	(128)	9,802
Amounts before tax effects	(31,580)	48,917	35,939	(284,504)
Tax effects	9,675	(14,982)	(11,009)	87,162
Total	¥(21,905)	¥ 33,935	¥ 24,930	\$ (197,342)
Deferred gains (losses) on hedges:				
Increase (Decrease) during the fiscal year	¥ (3,628)	¥ (453)	¥ 482	\$ (32,685)
Reclassification adjustments	876	1,208	1,978	7,892
Amounts before tax effects	(2,752)	755	2,460	(24,793)
Tax effects	829	(217)	(755)	7,468
Total	¥ (1,923)	¥ 538	¥ 1,705	\$ (17,325)
Foreign currency translation adjustments:				
Increase (Decrease) during the fiscal year	¥ (259)	¥ (1,098)	¥ (927)	\$ (2,333)
Remeasurements of defined benefit plans:				
Increase (Decrease) during the fiscal year	¥ (66)	¥ 229	¥ (41)	\$ (595)
Reclassification adjustments	(229)	41	681	(2,063)
Amounts before tax effects	(295)	270	640	(2,658)
Tax effects	61	(82)	(198)	550
Total	¥ (234)	¥ 188	¥ 442	\$ (2,108)
Total other comprehensive income (loss)	¥(24,321)	¥ 33,563	¥ 26,150	\$ (219,108)

## Financial Section

### 19 Investment and rental properties

The Company and its certain consolidated subsidiaries own some rental properties such as office buildings and residences in Tokyo and other areas. Certain domestic office buildings are not recognized as rental properties but as a portion used as investment and rental properties since the Company or its certain consolidated subsidiaries use some of the floor space of these properties.

The carrying amounts of these properties on the consolidated balance sheets, their changes during the fiscal year and their fair values at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Investment and rental properties	Balance at beginning of fiscal year	¥3,208,325	¥3,001,274	\$28,903,829
	Changes during the fiscal year	165,124	207,051	1,487,603
	Balance at end of fiscal year	3,373,449	3,208,325	30,391,432
	Fair value at end of fiscal year	5,838,717	5,316,335	52,601,054
A portion used as investment and rental properties	Balance at beginning of fiscal year	¥ 141,950	¥ 143,906	\$ 1,278,829
	Changes during the fiscal year	(61)	(1,956)	(550)
	Balance at end of fiscal year	141,889	141,950	1,278,279
	Fair value at end of fiscal year	379,883	362,081	3,422,369

(Notes)

\* Carrying amounts on the consolidated balance sheets are the amounts determined by deducting accumulated depreciation and accumulated impairment losses from the acquisition costs.

\* Fair values as of March 31, 2019 and 2018 are calculated by the Company primarily based on their fair values according to Real Estate Appraisal Standards.

Significant changes during the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Increase:			
Acquired real estate	¥173,144	¥214,777	\$1,559,856
Transferred from real estate for sale in process, etc.	23,162	38,047	208,666
Decrease:			
Depreciation and amortization	¥ (42,374)	¥ (37,177)	\$ (381,748)
Transferred to real estate for sale	(4,822)	—	(43,441)
Transferred to real estate for sale in process	—	(2,490)	—
Loss on impairment of fixed assets	(8,576)	(10,635)	(77,261)

Income and expenses for investment and rental properties for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	
Investment and rental properties	Income	¥269,493	¥236,446	\$2,427,865
	Expenses	137,784	121,736	1,241,297
	Balance	131,709	114,710	1,186,568
	Other income (expenses)	(9,193)	(10,938)	(82,820)
A portion used as investment and rental properties	Income	¥ 18,413	¥ 21,475	\$ 165,883
	Expenses	9,176	11,926	82,667
	Balance	9,237	9,549	83,216
	Other income (expenses)	(4)	(3)	(36)

(Notes)

\* As a portion used as investment and rental properties includes a portion used by the Company or its certain consolidated subsidiaries for providing services as well as management and administration, income for these are not recorded above. The expenses primarily consist of rent, depreciation, taxes and dues, and others.

\* Other income (expenses) for investment and rental properties is mostly the loss on impairment of fixed assets, and Other income (expenses) for a portion used as investment and rental properties is mostly the loss from prior period adjustment.

### 20 Contingent liabilities

The Company and its consolidated subsidiaries were contingently liable as guarantors of borrowings by customers and others in an amount aggregating to ¥7,316 million (\$65,910 thousand) and ¥6,298 million at March 31, 2019 and 2018, respectively.

### 21 Subsequent events

On June 28, 2019, the shareholders of the Company approved payments of a year-end cash dividend of ¥16 (\$0.14) per share or a total of ¥7,583 million (\$68,315 thousand) to shareholders of record at March 31, 2019. Such appropriations are recognized in the period in which they are approved by the shareholders.

## Independent Auditor's Report



To the Board of Directors of Sumitomo Realty & Development Co., Ltd.:

We have audited the accompanying consolidated financial statements of Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for each of the years in the three-year period ended March 31, 2019, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for each of the years in the three-year period ended March 31, 2019, in accordance with accounting principles generally accepted in Japan.

#### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 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.

KPMG AZSA LLC

July 31, 2019  
Tokyo, Japan