

# Consolidated Financial Report for FY2024

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Ended March 31, 2025

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Eleven-year Financial Summary

	Millions of yen										
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
For the Year											
Revenue from operations	806,835	854,964	925,151	948,402	1,012,198	1,013,513	917,473	939,431	939,905	967,692	1,014,240
Leasing	289,117	313,340	337,466	353,881	381,764	395,592	398,238	425,082	425,369	444,406	472,572
Sales	264,207	274,761	314,299	311,193	331,752	324,928	263,395	233,788	222,077	241,207	246,402
Construction	188,995	199,115	203,623	209,356	221,693	218,931	188,708	204,362	213,584	205,059	215,828
Brokerage	58,486	61,496	66,714	69,169	71,867	71,199	65,793	73,484	75,107	72,308	73,174
Cost of revenue from operations	579,964	614,191	664,184	664,015	711,050	691,832	629,565	636,988	625,452	635,343	662,961
SG&A expenses	60,976	66,532	72,796	78,750	81,759	87,349	68,664	68,560	73,179	77,682	79,762
% of revenue from operations	7.6%	7.8%	7.9%	8.3%	8.1%	8.6%	7.5%	7.3%	7.8%	8.0%	7.9%
Operating income	165,895	174,241	188,171	205,637	219,389	234,332	219,244	233,883	241,274	254,667	271,517
% of revenue from operations	20.6%	20.4%	20.3%	21.7%	21.7%	23.1%	23.9%	24.9%	25.7%	26.3%	26.8%
Ordinary profit*1	139,055	148,424	167,697	186,871	203,227	220,521	209,950	225,115	236,651	253,112	268,324
Profit attributable to owners of parent	80,567	87,798	103,489	119,731	130,103	140,997	141,389	150,452	161,926	177,171	191,682
Depreciation and amortization	33,519	34,574	39,446	41,628	46,313	48,974	57,813	60,645	64,635	73,119	74,882
At Year-end											
Total assets	4,523,804	4,675,915	4,980,040	5,167,199	5,130,120	5,317,623	5,673,666	5,806,040	6,365,436	6,678,390	6,722,422
Equity*2	832,462	888,100	1,007,347	1,114,975	1,202,104	1,295,000	1,503,021	1,634,049	1,799,372	2,050,582	2,168,107
Net interest-bearing debt	2,875,660	2,971,667	3,101,162	3,210,302	3,170,595	3,245,547	3,372,953	3,408,600	3,752,902	3,857,653	3,792,905
Unrealized gains on investment and rental properties	1,290,145	1,697,562	1,996,441	2,328,140	2,703,263	3,176,151	3,432,632	3,494,974	3,736,711	3,994,873	4,194,834
Per Share Amounts (Yen)											
Profit attributable to owners of parent	169.97	185.23	218.34	252.62	274.51	297.5	298.33	317.45	341.66	373.83	405.11
Net assets	1,756.25	1,873.71	2,125.36	2,352.53	2,536.40	2,732.41	3,171.34	3,447.81	3,796.64	4,326.69	4,606.43
Cash dividend applicable to the year	21.00	22.00	24.00	27.00	30.00	35.00	40.00	45.00	52.00	60.00	70.00
Key Ratios											
Equity ratio (%)	18.4	19.0	20.2	21.6	23.4	24.4	26.5	28.1	28.3	30.7	32.3
ROE (%)	10.5	10.2	10.9	11.3	11.2	11.3	10.1	9.6	9.4	9.2	9.1
ROA (%)	3.9	3.9	4.0	4.2	4.5	4.7	4.2	4.3	4.2	4.2	4.4
Return on leasing business*3 (%)	4.7	4.8	5.3	5.5	5.6	6.0	5.5	5.5	5.4	5.6	6.0
Long-term debt ratio (%)	97	98	98	98	99	96	96	98	95	97	97
Fixed-interest rate debt ratio (%)	87	94	95	94	96	95	94	96	86	84	87
ND/E ratio*4 (Times)	3.5	3.3	3.1	2.9	2.6	2.5	2.2	2.1	2.1	1.9	1.7
Interest coverage ratio*5 (Times)	6.5	7.3	9.0	10.5	11.4	12.8	12.6	13.7	14.6	15.3	14.3

\*1. Ordinary profit, which equals operating income after adjustment for non-operating income/expenses, is a management index that is widely used in Japan.  
Ordinary profit is not referred to in the consolidated financial statements but is included here because it plays an important role in the calculation of compensation for directors.

\*2. Equity = Shareholders' equity + Accumulated other comprehensive income (loss)

\*3. Return on leasing business = Cash flows from leasing business / Net investments of leasing business

\*4. ND/E ratio = Net interest-bearing debt / Equity

\*5. Interest coverage ratio = (Operating income + Interest and dividend income) / Interest expense

Notes: 1. The Company changed its accounting policy (revenue recognition standards of Sumitomo Real Estate Sales) from the beginning of FY2019. The figures provided for FY2018 are those after retroactive application.

2. From the beginning of FY2020, the business segments for revenue and income from Sumitomo Real Estate Sales have been changed, from the allocation to "Sales," "Brokerage" and "Adjustments (not presented in the document)," to be consolidated into "Brokerage." Financial results for FY2019 have been adjusted retroactively.

Management’s Discussion and Analysis for FY2024 (Fiscal year ended March 31, 2025)

Overview

The financial results were as follows: revenue from operations recorded ¥1,014.2 billion (¥46.5 billion increase year on year), operating income ¥271.5 billion (¥16.8 billion increase year on year), ordinary profit ¥268.3 billion (¥15.2 billion increase year on year), and profit attributable to owners of parent ¥191.7 billion (¥14.5 billion increase year on year). Revenue from operations, operating income, ordinary profit and profit all achieved record highs.

Revenue from operations and operating income

The leasing business, mainly focusing on office buildings in Tokyo where supply and demand continue to tighten, achieved significant profit growth and led overall performance. In addition to the sales business, where condominium sales have steadily progressed, the construction (housing) business, which saw an increase in revenue, primarily driven by products with high environmental performance, also achieved record-high profits.

Including the brokerage business, which saw an increase in customer acquisition due to efforts such as strengthening web advertising, all segments achieved increased revenue and profit.

Other income (expenses)

Non-operating income recorded ¥21.1 billion (¥0.5 billion increase year on year), mainly due to an increase in dividend income.

Non-operating expenses increased to ¥24.3 billion (¥2.2 billion increase year on year). As a result, non-operating loss recorded ¥3.2 billion (a deterioration of ¥1.6 billion year on year).

Extraordinary income recorded ¥38.5 billion (¥25.6 billion increase year on year), mainly owing to gain on sale of investment securities, while extraordinary loss recorded ¥33.0 billion (¥20.2 billion increase year on year), mainly due to loss on impairment of fixed assets and loss on disposal of property and equipment. As a result, extraordinary income/loss recorded profit of ¥5.5 billion, an improvement of ¥5.4 billion from the previous fiscal year.

Notes: 1. Non-operating income and expenses = Operating income – Ordinary profit. They refer to Other income and expenses except for Extraordinary income and loss.  
2. Extraordinary income and loss = Ordinary profit – Income before income taxes. They refer to the part of Other income and expenses that are occasional and the company deems them as extraordinary items.

Cash flows

Cash flows were as follows:

- Cash flows from operating activities: ¥253.2 billion (¥21.1 billion increase year on year)
- Cash flows from investing activities: ¥(143.6) billion (¥167.1 billion increase year on year)
- Cash flows from financing activities: ¥(116.8) billion (¥113.2 billion decrease year on year)
- Cash and cash equivalents decreased to ¥98.2 billion (¥4.9 billion decrease year on year).

<Cash flows from operating activities>

Ordinary profit recorded ¥268.3 billion, while depreciation and amortization recorded ¥74.9 billion. After deducting payments for income tax and other taxes, net cash provided by operating activities amounted to ¥253.2 billion.

<Cash flows from investing activities>

As the result of investments in property and equipment totaling ¥165.5 billion mainly for the purpose of augmenting the leasing business, while proceeds from sale of investment securities recorded ¥45.5 billion, net cash used in investing activities amounted to ¥143.6 billion.

<Cash flows from financing activities>

As investments in property and equipment for augmenting the leasing business were able to be covered by operating cash flow, long-term loans of ¥337.2 billion were obtained to meet repayments of long-term loans (including non-recourse debt) of ¥293.7 billion due at maturity, redemption of bonds of ¥90.0 billion, and redemption of commercial paper (net) of ¥26.0 billion. Consequently, financial cash flow resulted in an expenditure of ¥116.8 billion.

Financial resources for capital and liquidity of funds

Assets

Total assets as of the end of the fiscal year under review amounted to ¥6,722.4 billion (¥44.0 billion increase year on year). Real estate for sale in process and property and equipment, mainly consisting of buildings for leasing, increased.

Liabilities

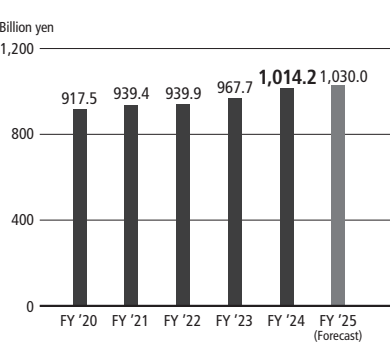
Total liabilities amounted to ¥4,554.3 billion (¥73.5 billion decrease year on year). Consolidated interest-bearing debt decreased to ¥3,891.9 billion (¥69.6 billion decrease year on year). ND/E ratio improved from 1.9 times at the previous year to 1.7 times.

Net assets

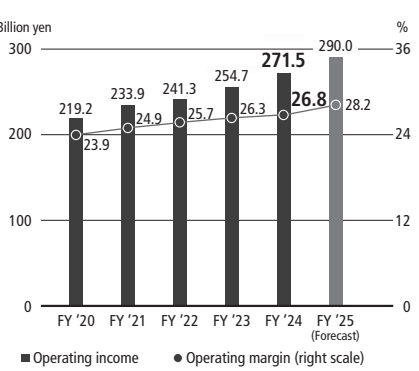
Total net assets amounted to ¥2,168.1 billion (¥117.5 billion increase year on year). Profit attributable to owners of parent as of the end of the fiscal year under review stood at ¥191.7 billion, and retained earnings increased. As a result, the equity ratio improved from 30.7% at the end of the previous fiscal year to 32.3%, and ROE was 9.1% (9.2% at the end of the previous fiscal year).

As of the end of the fiscal year under review, long-term debt accounted for 97% of consolidated interest-bearing debt, and fixed-interest rate debt for 87% (those numbers were 97% and 84%, respectively, at the end of the previous fiscal year).

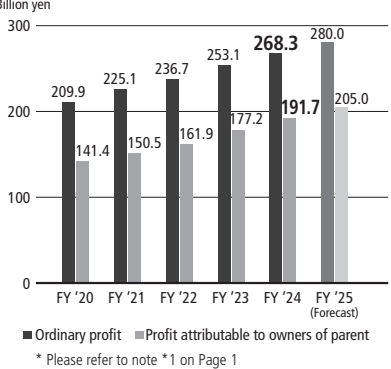
Revenue from Operations



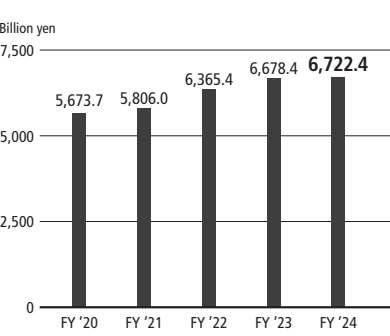
Operating Income and Operating Margin



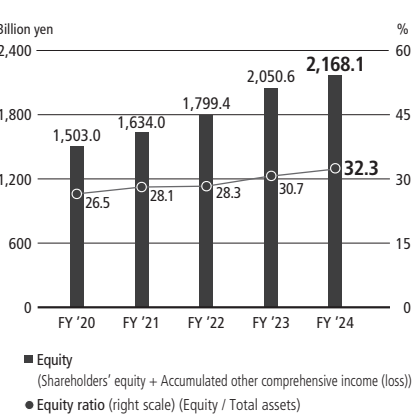
Ordinary Profit\* and Profit Attributable to Owners of Parent



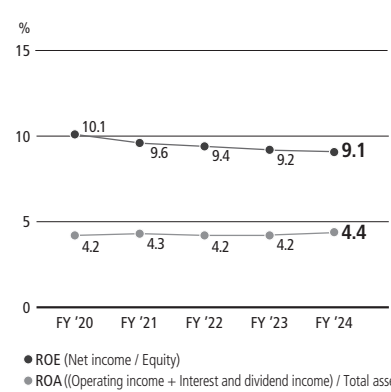
Total Assets



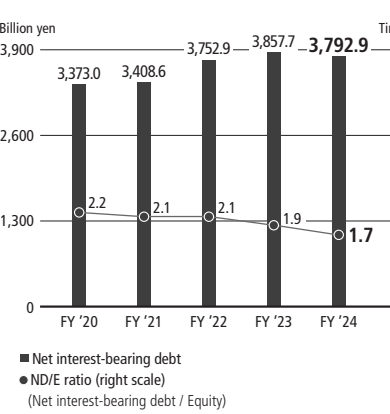
Equity and Equity Ratio



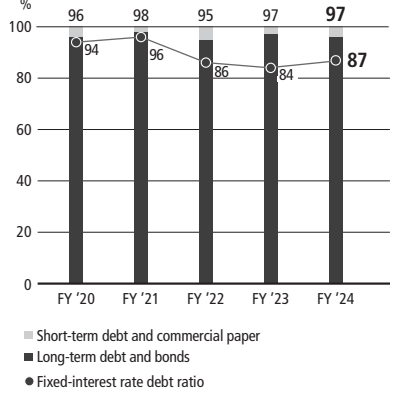
ROE and ROA



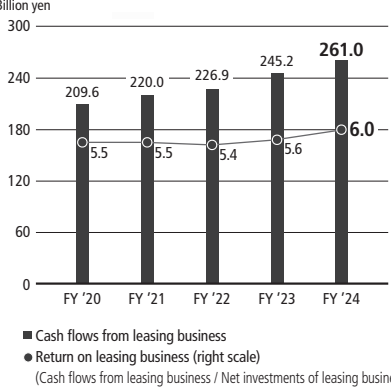
Net Interest-bearing Debt and ND/E Ratio



Long-term Debt Ratio and Fixed-interest Rate Debt Ratio



Cash Flows from Leasing Business and Return on Leasing Business



Consolidated Balance Sheets

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
As of March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits (Notes 6, 8 and 9)	¥ 99,020	¥ 103,911	\$ 662,208
Accounts receivable—trade (Note 19)	22,333	31,548	149,355
Allowance for doubtful accounts	(28)	(25)	(187)
Inventories (Notes 3, 7 and 22)	924,962	876,679	6,185,795
Other current assets	71,428	58,765	477,683
Total current assets	1,117,715	1,070,878	7,474,854
<b>Property and equipment</b> (Notes 3, 7, 20 and 22):			
Land (Note 8)	3,183,277	3,148,573	21,288,551
Buildings and structures (Note 8)	2,062,534	2,042,774	13,793,446
Construction in progress (Note 8)	98,169	81,152	656,517
Other property and equipment (Note 8)	57,784	58,786	386,438
Subtotal of property and equipment	5,401,764	5,331,285	36,124,952
Accumulated depreciation	(850,311)	(804,834)	(5,686,558)
Total property and equipment	4,551,453	4,526,451	30,438,394
<b>Intangibles</b> (Note 20):			
Leasehold rights (Notes 3 and 22)	68,897	65,539	460,757
Other intangibles	3,358	3,288	22,457
Total intangibles	72,255	68,827	483,214
<b>Investments and other assets:</b>			
Investments in unconsolidated subsidiaries and affiliates (Note 9)	239,677	226,142	1,602,869
Investment securities (Notes 9 and 10)	602,448	659,385	4,028,944
Guarantee and lease deposits (Notes 9 and 10)	71,450	64,452	477,831
Net defined benefit asset (Note 12)	1,132	1,310	7,570
Deferred income taxes (Note 15)	18,501	17,660	123,728
Other investments and other assets (Notes 9 and 18)	48,259	44,334	322,738
Allowance for doubtful accounts	(468)	(1,049)	(3,130)
Total investments and other assets	980,999	1,012,234	6,560,550
Total assets	¥6,722,422	¥6,678,390	\$44,957,012

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
<b>Liabilities and Net Assets</b>			
<b>Current liabilities:</b>			
Short-term debt (Notes 9 and 11)	¥ 114,615	¥ 137,665	\$ 766,502
Long-term debt due within one year (Notes 8, 9 and 11)	293,855	379,415	1,965,191
Long-term non-recourse debt due within one year (Notes 8, 9 and 11)	52,007	4,374	347,803
Notes and accounts payable—trade	29,064	35,217	194,369
Accrued income taxes	58,971	44,729	394,376
Provison for bonuses	4,525	4,140	30,261
Other current liabilities (Notes 14 and 19)	237,030	243,023	1,585,167
Total current liabilities	790,067	848,563	5,283,669
<b>Long-term liabilities:</b>			
Long-term debt due after one year (Notes 8, 9 and 11)	3,200,583	3,157,238	21,404,287
Long-term non-recourse debt due after one year (Notes 8, 9 and 11)	230,866	282,873	1,543,944
Guarantee and lease deposits received (Note 9)	270,953	258,494	1,812,031
Net defined benefit liability (Note 12)	4,069	5,179	27,212
Other long-term liabilities (Notes 9, 14, 15 and 18)	57,777	75,461	386,391
Total long-term liabilities	3,764,248	3,779,245	25,173,865
<b>Contingent liabilities</b> (Note 23)			
<b>Net assets</b> (Note 16):			
Shareholders' equity			
Common stock:			
Authorized —1,900,000 thousand shares			
Issued —476,086 thousand shares	122,805	122,805	821,273
Capital surplus	104,154	104,154	696,542
Retained earnings (Note 24)	1,706,319	1,546,550	11,411,215
Treasury stock	(20,226)	(4,479)	(135,263)
Total shareholders' equity	1,913,052	1,769,030	12,793,767
Accumulated other comprehensive income (loss)			
Net unrealized holding gains on securities (Note 10)	230,151	268,967	1,539,163
Net deferred gains (losses) on hedges (Note 18)	16,239	7,182	108,600
Foreign currency translation adjustments	8,261	4,697	55,246
Remeasurements of defined benefit plans (Note 12)	404	706	2,702
Total accumulated other comprehensive income	255,055	281,552	1,705,711
Total net assets	2,168,107	2,050,582	14,499,478
Total liabilities and net assets	¥6,722,422	¥6,678,390	\$44,957,012

Consolidated Statements of Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2025, 2024 and 2023

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
Revenue from operations (Notes 17, 19, 20 and 22)	¥1,014,240	¥967,692	¥939,905	\$6,782,853
Costs and expenses (Note 17):				
Cost of revenue from operations (Note 22)	662,961	635,343	625,452	4,433,632
Selling, general and administrative expenses (Note 12)	79,762	77,682	73,179	533,418
	742,723	713,025	698,631	4,967,050
Operating income (Note 20)	271,517	254,667	241,274	1,815,803
Other income (expenses) (Note 22):				
Interest income	1,121	1,302	454	7,497
Interest expense (Notes 11 and 18)	(20,400)	(17,962)	(17,577)	(136,427)
Dividend income	19,295	18,935	15,625	129,038
Gain on sale of property and equipment	116	2,532	15	776
Loss on sale of property and equipment	(70)	(15)	—	(468)
Loss on impairment of fixed assets (Notes 13, 20 and 22)	(18,738)	(6,999)	(8,100)	(125,313)
Loss on disposal of property and equipment (Note 22)	(2,895)	(2,357)	(1,742)	(19,361)
Loss on reduction of property and equipment	—	(425)	—	—
Gain on sale of investment securities (Note 10)	38,374	10,339	4,713	256,631
Loss on sale of investment securities (Note 10)	(72)	(1,608)	(7)	(482)
Amortization of long-term prepaid expenses	(8,639)	—	—	(57,774)
Loss on devaluation of investment securities (Note 10)	—	—	(214)	—
Other, net	(5,769)	(5,146)	(4,105)	(38,582)
	2,323	(1,404)	(10,938)	15,535
Income before income taxes	273,840	253,263	230,336	1,831,338
Income taxes (Note 13):				
Current	93,696	76,135	69,675	626,603
Deferred	(11,538)	(43)	(1,265)	(77,162)
Total	82,158	76,092	68,410	549,441
Profit	191,682	177,171	161,926	1,281,897
Profit attributable to non-controlling interests	—	—	—	—
Profit attributable to owners of parent	¥ 191,682	¥177,171	¥161,926	\$1,281,897

	Yen			U.S. dollars (Note 1)
	2025	2024	2023	2025
Amounts per share of common stock:				
Profit attributable to owners of parent:				
—Basic	¥405.11	¥373.83	¥341.66	\$2.71
—Diluted	—	—	—	—
Cash dividend applicable to the year (Note 24)	70.00	60.00	52.00	0.47

See accompanying notes.

Consolidated Statements of Comprehensive Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2025, 2024 and 2023

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
Profit	¥191,682	¥177,171	¥161,926	\$1,281,897
Other comprehensive income (loss) (Note 21)				
Net unrealized holding gains (losses) on securities	(38,816)	97,140	15,964	(259,587)
Net deferred gains (losses) on hedges	9,057	1,203	5,274	60,570
Foreign currency translation adjustments	3,564	2,037	4,110	23,835
Remeasurements of defined benefit plans	(302)	675	326	(2,020)
Total other comprehensive income (loss)	(26,497)	101,055	25,674	(177,202)
Comprehensive income	¥165,185	¥278,226	¥187,600	\$1,104,695
Comprehensive income attributable to:				
Owners of the parent	¥165,185	¥278,226	¥187,600	\$1,104,695
Non-controlling interests	—	—	—	—

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, 2025, 2024 and 2023

	Thousands	Millions of yen									
	Number of shares of common stock	Shareholders' equity					Accumulated other comprehensive income (loss)				
		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	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income (loss)
Balance at April 1, 2022	476,086	¥122,805	¥104,154	¥1,256,742	¥(4,475)	¥1,479,226	¥155,863	¥705	¥(1,450)	¥(295)	¥154,823
Profit attributable to owners of parent	—	—	—	161,926	—	161,926	—	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	4,110	—	4,110
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	15,964	—	—	—	15,964
Acquisition of treasury stock	—	—	—	—	(2)	(2)	—	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid:											
Final for prior year (¥23 per share)	—	—	—	(10,900)	—	(10,900)	—	—	—	—	(10,900)
Interim for current year (¥24 per share)	—	—	—	(11,375)	—	(11,375)	—	—	—	—	(11,375)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	5,274	—	—	5,274
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	326	326
Balance at April 1, 2023	476,086	¥122,805	¥104,154	¥1,396,393	¥(4,477)	¥1,618,875	¥171,827	¥5,979	¥2,660	¥31	¥180,497
Profit attributable to owners of parent	—	—	—	177,171	—	177,171	—	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	2,037	—	2,037
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	97,140	—	—	—	97,140
Acquisition of treasury stock	—	—	—	—	(2)	(2)	—	—	—	—	—
Disposal of treasury stock	—	—	0	—	0	0	—	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid:											
Final for prior year (¥28 per share)	—	—	—	(13,270)	—	(13,270)	—	—	—	—	(13,270)
Interim for current year (¥29 per share)	—	—	—	(13,744)	—	(13,744)	—	—	—	—	(13,744)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	1,203	—	—	1,203
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	675	675
Balance at April 1, 2024	476,086	¥122,805	¥104,154	¥1,546,550	¥(4,479)	¥1,769,030	¥268,967	¥7,182	¥4,697	¥706	¥281,552
Profit attributable to owners of parent	—	—	—	191,682	—	191,682	—	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	3,564	—	3,564
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	(38,816)	—	—	—	(38,816)
Acquisition of treasury stock	—	—	—	—	(15,747)	(15,747)	—	—	—	—	—
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	(639)	—	(639)	—	—	—	—	—
Cash dividends paid:											
Final for prior year (¥31 per share)	—	—	—	(14,693)	—	(14,693)	—	—	—	—	(14,693)
Interim for current year (¥35 per share)	—	—	—	(16,581)	—	(16,581)	—	—	—	—	(16,581)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	9,057	—	—	9,057
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	(302)	(302)
Balance at March 31, 2025	476,086	¥122,805	¥104,154	¥1,706,319	¥(20,226)	¥1,913,052	¥230,151	¥16,239	¥8,261	¥404	¥255,055

	Thousands of U.S. dollars (Note 1)									
	Shareholders' equity					Accumulated other comprehensive income (loss)				
	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	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income (loss)
Balance at April 1, 2024	\$821,273	\$696,542	\$10,342,741	\$ (29,953)	\$11,830,603	\$1,798,750	\$ 48,030	\$31,411	\$ 4,722	\$1,882,913
Profit attributable to owners of parent	—	—	1,281,897	—	1,281,897	—	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	—	23,835	—	23,835
Net unrealized holding gains (losses) on securities	—	—	—	—	—	(259,587)	—	—	—	(259,587)
Acquisition of treasury stock	—	—	—	(105,310)	(105,310)	—	—	—	—	(105,310)
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	(4,273)	—	(4,273)	—	—	—	—	(4,273)
Cash dividends paid:										
Final for prior year (\$0.17 per share)	—	—	(98,262)	—	(98,262)	—	—	—	—	(98,262)
Interim for current year (\$0.17 per share)	—	—	(110,888)	—	(110,888)	—	—	—	—	(110,888)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	60,570	—	—	60,570
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	(2,020)	(2,020)
Balance at March 31, 2025	\$821,273	\$696,542	\$11,411,215	\$(135,263)	\$12,793,767	\$1,539,163	\$108,600	\$55,246	\$ 2,702	\$1,705,711

See accompanying notes.



Consolidated Statements of Cash Flows

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2025, 2024 and 2023

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
Cash flows from operating activities:				
Income before income taxes	¥ 273,840	¥ 253,263	¥ 230,336	\$ 1,831,338
Depreciation and amortization (Notes 20 and 22)	74,882	73,119	64,635	500,782
Loss on impairment of fixed assets	18,738	6,999	8,100	125,313
Provision for (Reversal of) allowance for doubtful accounts	(692)	144	226	(4,628)
Increase (Decrease) in net defined benefit liability	(1,110)	(355)	(328)	(7,423)
Loss (Gain) on sale of property and equipment, net	(46)	(2,517)	(15)	(308)
Loss on disposal of property and equipment	2,895	2,357	1,742	19,361
Loss on reduction of property and equipment	—	425	—	—
Loss (Gain) on sale of investment securities, net	(38,302)	(8,731)	(4,705)	(256,149)
Loss (Gain) on devaluation of investment securities	—	—	214	—
Interest and dividend income	(20,417)	(20,237)	(16,080)	(136,541)
Interest expense	20,400	17,962	17,577	136,427
Decrease (Increase) in accounts receivable—trade	9,271	6,500	(14,761)	62,001
Decrease (Increase) in inventories	(18,516)	(73,331)	(55,461)	(123,828)
Increase (Decrease) in notes and accounts payable—trade	(6,190)	6,129	(13,283)	(41,396)
Increase (Decrease) in advances received	4,286	28,111	7,189	28,663
Other, net	14,063	736	19,959	94,048
Total	333,102	290,574	245,345	2,227,660
Proceeds from interest and dividend income	20,417	20,237	16,080	136,541
Payments for interest	(20,307)	(17,729)	(17,602)	(135,806)
Payments for income tax and other taxes	(80,040)	(61,048)	(78,711)	(535,277)
Net cash provided by operating activities	253,172	232,034	165,112	1,693,118
Cash flows from investing activities:				
Payments for purchases of property and equipment	(165,517)	(188,398)	(449,345)	(1,106,915)
Proceeds from sale of property and equipment	4,467	9,207	597	29,874
Payments for purchases of investment securities	(15,751)	(126,380)	(39,603)	(105,337)
Proceeds from sale and redemption of investment securities	45,517	17,822	12,088	304,400
Payments for guarantee and lease deposits	(8,146)	(686)	(2,631)	(54,477)
Proceeds from guarantee and lease deposits	1,155	3,108	2,435	7,724
Repayments for guarantee and lease deposits received	(12,520)	(24,207)	(20,541)	(83,729)
Proceeds from guarantee and lease deposits received	25,215	29,992	27,072	168,628
Other, net	(18,036)	(31,153)	(19,871)	(120,617)
Net cash used in investing activities	(143,616)	(310,695)	(489,799)	(960,449)
Cash flows from financing activities:				
Increase (Decrease) in short-term debt, net	(23,050)	(70,945)	140,000	(154,150)
Proceeds from issuance of bonds	—	110,000	30,000	—
Redemption of bonds	(90,000)	(70,000)	—	(601,886)
Redemption of non-recourse bonds	—	—	—	—
Proceeds from long-term loans payable	337,200	278,600	450,200	2,255,066
Repayments of long-term loans payable	(289,415)	(219,472)	(237,386)	(1,935,498)
Proceeds from long-term non-recourse loans	—	—	2,420	—
Repayments of long-term non-recourse loans	(4,374)	(4,640)	(7,206)	(29,252)
Decrease (Increase) in treasury stocks, net	(15,747)	(2)	(1)	(105,310)
Cash dividends paid	(31,276)	(27,004)	(22,271)	(209,162)
Other, net	(186)	(193)	(200)	(1,243)
Net cash provided by (used in) financing activities	(116,848)	(3,656)	355,556	(781,435)
Effect of exchange rate changes on cash and cash equivalents	2,376	1,389	2,874	15,890
Net increase (decrease) in cash and cash equivalents	(4,916)	(80,928)	33,743	(32,876)
Cash and cash equivalents at beginning of year	103,125	184,053	150,310	689,661
Increase (Decrease) in cash and cash equivalents resulting from change in scope of consolidation	25	—	—	167
Cash and cash equivalents at end of year (Note 3)	¥ 98,234	¥ 103,125	¥ 184,053	\$ 656,952

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
As of March 31, 2025 and 2024, and for the years ended March 31, 2025, 2024 and 2023

1 Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Sumitomo Realty & Development Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively referred to as the “Group”) 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 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. In addition, the notes to the consolidated financial statements include information which may not be required under Japanese GAAP but is presented herein as additional information.

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, 2025, which was ¥149.53 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. Non-consolidated subsidiaries are excluded from the scope of consolidation because they are small and their combined total assets, revenues from operations, profit (amount corresponding to the Company's equity interest), retained earnings (amount corresponding to the Company's equity interest), and any other figures do not have a material impact on the consolidated financial statements.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, 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) Cash and cash equivalents in the consolidated statements of cash flows

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. Reconciliation between cash and deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2025 and 2024 is presented in Note 6 “Cash and cash equivalents.”

(3) Recognition of significant revenue

In relation to recognition of revenue from contracts with customers, the nature of principal performance obligations for major businesses of the Group and typical timing of the satisfaction of these performance obligations (typical timing of revenue recognition) are as follows:

(Leasing Business)

Leasing business mainly consists of leasing of office buildings and high-grade rental apartments. The Group recognizes revenue in accordance with “Accounting Standard for Lease Transactions” (ASBJ Statement No.13) based on lease contracts with customers.

(Sales Business)

Sales business mainly consists of sales of condominium units and detached houses. The Group recognizes revenue at the time the buyer (the customer) acquires control of the real estate by fulfilling the delivery obligations stipulated in the sales contract.

(Construction Business)

Construction business mainly consists of construction and renovation of custom homes and “Shinchiku Sokkurisan” remodeling. The Group recognizes revenue at the time the owner (the customer) acquires control of the real estate by fulfilling delivery obligations stipulated in the construction contract.

(Brokerage Business)

Brokerage business mainly consists of brokerage of real estate sales. The Group recognizes revenue at the time the delivery of the real estate from the seller to the buyer is completed by fulfilling the brokerage obligations for the sale and purchase of real estate stipulated in the brokerage contract.

(4) 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.

(5) Securities

Investments in unconsolidated subsidiaries and affiliates are stated at moving-average cost. Available-for-sale securities except for equity securities without market prices are stated at fair value, and equity securities without market prices are mainly stated at moving-average cost. Investments in investment limited partnerships, regarded as securities under Article 2-2 of the Financial Investment and Exchange Act, are stated at the net amount of equities based on the most recent financial statements available as of the financial reporting date stipulated in the respective partnership agreements.

(6) Property and equipment (except for leased assets)

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.

(7) Intangibles (except for leased assets)

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

(8) Allowance for doubtful accounts

The Group provides 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.

(9) Leased assets

Leased assets are recognized as other property and equipment or other intangibles. 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.

(10) 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.

(11) Net defined benefit asset and liability

For the calculation of defined benefit obligations, the estimated amount of defined 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 defined benefit obligations are equal to the amount that would be paid if all employees resigned voluntarily at the end of the fiscal year.

Actuarial gains and losses are wholly recognized in the next fiscal year.

3 Significant accounting estimates  
(Evaluation of real estate for sale including that in process)

(1) Carrying amounts in the consolidated financial statements for the years ended March 31, 2025 and 2024:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Inventories:			
Real estate for sale	¥401,947	¥396,807	\$2,688,069
Real estate for sale in process	517,610	474,633	3,461,580

(2) Information on the nature of significant accounting estimates for identified items

Real estate for sale including that in process is recognized as inventories in the consolidated balance sheets and stated at cost. In case the net realizable value is lower than the book value, the profitability is regarded to have declined, and the net realizable value is used as the carrying amount. The difference between the book value and the net realizable value (loss on devaluation of real estate for sale including that in process) is recognized as cost of revenue from operations for the current fiscal year.

(Loss on impairment of fixed assets)

(1) Carrying amounts in the consolidated financial statements for the years ended March 31, 2025 and 2024:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Property and equipment	¥4,551,453	¥4,526,451	\$30,438,394
Leasehold rights	68,897	65,539	460,757

(12) Derivatives

The Group states derivatives at fair value. If derivatives are used as hedges and meet certain hedging criteria, the Group defers 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.

The assessment of hedge effectiveness is performed by comparing the accumulated cash flows of the hedged item to those of the hedging instrument over the term of the relationship. Interest rate swap contracts adopting exceptional accounting are excluded from the effectiveness assessment. Foreign exchange forward contracts are also excluded from the effectiveness assessment, as the terms of the transaction are the same as those of the hedged items.

(13) 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 not presented as there are no potential shares.

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

(2) Information on the nature of significant accounting estimates for identified items

The amounts of property and equipment are determined by deducting accumulated depreciation from the acquisition costs, and used as the carrying amount. When a property's profitability has declined and an impairment indicator exists, the Group is required to determine whether an impairment loss should be recognized. Impairment indicators include recurring operating losses, changes that significantly reduce the recoverable amount in the extent to which, or manner in which, a property is used or is expected to be used, a significant deterioration of business environment and a significant decrease in the market prices. Such market prices are calculated by the Company using income approach, and future cash flow and discount rate is estimated based on current rent per unit, rent level in the market, occupancy rate, discount rate and other assumptions.

4 Changes in accounting policies

(Application of the Accounting Standard for Current Income Taxes)

Effective from the beginning of the year ended March 31, 2025, the Group adopted “Accounting Standard for Current Income Taxes” (ASBJ Statement No.27, October 28, 2022) (hereinafter referred to as “Revised Accounting Standard 2022”)

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the

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

“Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)

“Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024)

and other revisions to relevant accounting standard statements, implementation guidance, practical solutions and transferred guidance.

(1) Overview

The standards and guidance are set for lessees to recognize assets and liabilities for all leases in a manner consistent with international accounting standards.

6 Cash and cash equivalents

Cash and cash equivalents at March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cash and deposits	¥99,020	¥103,911	\$662,208
Restricted deposits in trust	(500)	(500)	(3,344)
Time deposits with maturities exceeding three months	(286)	(286)	(1,912)
Cash and cash equivalents	¥98,234	¥103,125	\$656,952

7 Inventories

Inventories at March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Real estate for sale	¥401,947	¥396,807	\$2,688,069
Real estate for sale in process	517,610	474,633	3,461,580
Costs on uncompleted construction contracts	4,153	4,368	27,773
Other	1,252	871	8,373
Total	¥924,962	¥876,679	\$6,185,795

For fixed assets of which the impairment indicator exists, the impairment loss is recognized if the total amount of their future cash flow before discount is lower than the book value.

The carrying amount of fixed assets of which the impairment loss is to be recognized, have been reduced to the recoverable amounts, and the amount of the reduction is recognized as impairment loss for the current fiscal year. The recoverable amounts are measured by amounts such as the amounts calculated based on assessed value of fixed assets for tax purposes or the productive value, and the amounts calculated by discounting the future cash flow.

In case the impairment indicator exists, and an impairment loss is to be recognized due to the change of the above-mentioned assumption, the impact on the consolidated financial statements may be significant.

transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022) (hereinafter referred to as “Revised Implementation Guidance 2022”.) There is no impact on the consolidated financial statements as a result of this change in accounting policy.

(2) Effective date

Effective from the beginning of the year ending March 31, 2028

(3) Effects of the application of the standards and the guidance

The Group is currently in the process of evaluating the effects of the application of the new standards and the guidance on the consolidated financial statements.

(Change in purpose of holding inventories)

As a result of review of holding purposes, the Company transferred amounts to inventories from property and equipment and intangibles. Such transfers at March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Inventories:			
Transferred to property and equipment	¥ —	¥24,681	\$ —
Transferred from property and equipment	36,734	44,610	245,663
Transferred from intangibles	291	—	1,946

8 Pledged assets

Assets pledged as collateral at March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cash and deposits	¥ 2,012	¥ 2,036	\$ 13,455
Buildings and structures	108,570	120,379	726,075
Land	374,681	396,008	2,505,725
Construction in progress	—	710	—
Other property and equipment	423	522	2,829
Total	¥485,686	¥519,655	\$3,248,084

Secured liabilities at March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Long-term debt due within one year	¥ 190	¥ 190	\$ 1,271
Long-term non-recourse debt due within one year	52,007	4,374	347,803
Long-term debt due after one year	133,860	134,050	895,205
Long-term non-recourse debt due after one year	230,866	282,873	1,543,944
Total	¥416,923	¥421,487	\$2,788,223

Specified assets for non-recourse debts at March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cash and deposits	¥ 2,058	¥ 2,233	\$ 13,763
Buildings and structures	53,906	63,658	360,503
Land	229,034	250,361	1,531,693
Other property and equipment	79	80	528
Total	¥285,077	¥316,332	\$1,906,487

(Note) “Specified assets for non-recourse debts” is included in “Assets pledged as collateral” for the years ended March 31, 2025 and 2024 except for cash and deposits.

9 Financial instruments

1. Overview

(1) Policy for financial instruments

The Group has the policy to limit its fund management to short-term deposits, and also raise funds through loans from banks, the issuance of corporate bonds and commercial paper.

The Group utilizes interest rate swap contracts within the amount of fundraising and foreign exchange forward contracts within the amount of foreign currency transaction, and does not utilize derivatives for any speculative purposes.

(2) Details of financial instruments, these risks, and risk management systems

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

Floating rate debt are exposed to interest rate fluctuation risk, so the Group utilizes derivatives (interest swap contracts) to hedge these risks for certain loans and corporate bonds interest.

For derivative transactions, the Group utilizes interest rate swap contracts for interests on fundraising, and foreign exchange forward contracts for foreign currency denominated transactions. Interest rate swap contracts are exposed to risks of interest rate fluctuation, and foreign exchange forward contracts are exposed to risks of exchange rate fluctuations. The derivative transactions are executed with creditworthy financial institutions, so the Group management believes there are few risks of default by counterparties. Derivative transactions are executed by the Company’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 derivatives that are provided to the director of the Finance Department periodically.

Guarantee and lease deposits received is mainly for avoiding customers’ credit risk.

(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.

Contract amounts of derivatives shown in Note 18 “Derivative transactions” itself are not representing the market risks related to derivatives.

2. Matters concerning fair values and breakdown by level of fair value of financial instruments

The carrying amounts of financial instruments on the consolidated balance sheets, their fair values and the differences between them as of March 31, 2025 and 2024 are as follows. (Equity securities with no market price are not included; please see (Note 3).)

The fair value of financial instruments is classified into the following three levels based on observability and significance of the inputs used to measure the fair value.

- Level 1: Fair value measured based on unadjusted quoted prices in an active market for identical assets or liabilities
- Level 2: Fair value measured based on direct or indirect observable inputs for the assets or liabilities other than level 1 inputs
- Level 3: Fair value measured based on significant unobservable inputs for the assets or liabilities

In cases where multiple inputs are used that have a significant impact on fair value, the fair value level is classified into the lowest priority level among the levels to which those inputs respectively belong.



(1) Financial instruments whose fair values are regarded as their carrying amounts on the consolidated balance sheets  
For 2025

	Millions of yen			
	Fair value			Total
	Level 1	Level 2	Level 3	
Investment securities				
Available-for-sale securities				
Equity securities	¥597,477	¥ —	¥—	¥597,477
Debt securities*	—	230	—	230
Derivative transactions				
(1) Non-hedge accounting	—	—	—	—
(2) Hedge accounting				
Interest-related derivatives	—	24,356	—	24,356
Foreign currency related derivatives	—	216	—	216
Total assets	¥597,477	¥24,802	¥—	¥622,279
Derivative transactions				
(1) Non-hedge accounting	¥ —	¥ —	¥—	¥ —
(2) Hedge accounting				
Interest-related derivatives	—	868	—	868
Total derivative transactions	¥ —	¥ 868	¥—	¥ 868

\* Debt securities account as guarantee and lease deposits in the consolidated balance sheets.

For 2024

	Millions of yen			
	Fair value			Total
	Level 1	Level 2	Level 3	
Investment securities				
Available-for-sale securities				
Equity securities	¥654,932	¥ —	¥—	¥654,932
Debt securities*	—	291	—	291
Derivative transactions				
(1) Non-hedge accounting	—	—	—	—
(2) Hedge accounting				
Interest-related derivatives	—	10,622	—	10,622
Foreign currency related derivatives	—	—	—	—
Total assets	¥654,932	¥10,913	¥—	¥665,845
Derivative transactions				
(1) Non-hedge accounting	¥ —	¥ —	¥—	¥ —
(2) Hedge accounting				
Interest-related derivatives	—	270	—	270
Total derivative transactions	¥ —	¥ 270	¥—	¥ 270

\* Debt securities account as guarantee and lease deposits in the consolidated balance sheets.

For 2025

	Thousands of U.S. dollars			
	Fair value			Total
	Level 1	Level 2	Level 3	
Investment securities				
Available-for-sale securities				
Equity securities	\$3,995,700	\$ —	\$—	\$3,995,700
Debt securities*	—	1,538	—	1,538
Derivative transactions				
(1) Non-hedge accounting	—	—	—	—
(2) Hedge accounting				
Interest-related derivatives	—	162,884	—	162,884
Foreign currency related derivatives	—	1,444	—	1,444
Total assets	\$3,995,700	\$165,866	\$—	\$4,161,566
Derivative transactions				
(1) Non-hedge accounting	\$ —	\$ —	\$—	\$ —
(2) Hedge accounting				
Interest-related derivatives	—	5,805	—	5,805
Total derivative transactions	\$ —	\$ 5,805	\$—	\$ 5,805

\* Debt securities account as guarantee and lease deposits in the consolidated balance sheets.

(2) Financial instruments whose fair values are not regarded as their carrying amounts on the consolidated balance sheets

Cash and deposits and short-term debt are not presented below tables because their fair values approximate their carrying amounts due to their short-term maturities.

For 2025

	Millions of yen					Difference
	Carrying amount	Fair value			Total	
		Level 1	Level 2	Level 3		
(1) Long-term debt (including due within one year)	¥3,494,438	¥—	¥3,418,495	¥—	¥3,418,495	¥(75,943)
(2) Long-term non-recourse debt (including due within one year)	282,873	—	277,756	—	277,756	(5,117)
(3) Guarantee and lease deposits received	270,953	—	268,079	—	268,079	(2,874)
Total liabilities	¥4,048,264	¥—	¥3,964,330	¥—	¥3,964,330	¥(83,934)

For 2024

	Millions of yen					Difference
	Carrying amount	Fair value			Total	
		Level 1	Level 2	Level 3		
(4) Long-term debt (including due within one year)	¥3,536,652	¥—	¥3,498,871	¥—	¥3,498,871	¥(37,781)
(5) Long-term non-recourse debt (including due within one year)	287,247	—	283,093	—	283,093	(4,154)
(6) Guarantee and lease deposits received	258,494	—	256,958	—	256,958	(1,536)
Total liabilities	¥4,082,393	¥—	¥4,038,922	¥—	¥4,038,922	¥(43,471)

For 2025

	Thousands of U.S. dollars					
	Carrying amount	Fair value			Difference	
		Level 1	Level 2	Level 3		Total
(1) Long-term debt (including due within one year)	\$23,369,478	\$—	\$22,861,600	\$—	\$22,861,600	\$(507,878)
(2) Long-term non-recourse debt (including due within one year)	1,891,747	—	1,857,527	—	1,857,527	(34,220)
(3) Guarantee and lease deposits received	1,812,031	—	1,792,810	—	1,792,810	(19,221)
Total liabilities	\$27,073,256	\$—	\$26,511,937	\$—	\$26,511,937	\$(561,319)

(Note 1) Explanation of valuation techniques and inputs used in the measurement of fair value

(1) Investment securities and Derivative transactions

The fair values of listed equity securities are measured using quoted market price and are classified as level 1.

The fair values of debt securities are measured mainly based on reference bond trading statistics published by the Japan Securities Dealers Association and the fair values of interest rate swap contracts and foreign exchange forward contracts are calculated by discounting the future cash flows using observable inputs including interest rates and foreign exchange rates. Their fair values are classified as level 2.

(2) Long-term debt (including due within one year) and Long-term non-recourse debt (including due within one year)

The fair value of floating rate debt (excluding hedged item subject to the exceptional accounting for interest rate swaps\*) are measured based on their carrying amounts because the market interest rate is reflected in such debt within a short time period, and the credit standing of the Company and status of specified assets for non-recourse debts have not changed significantly from the time when these transactions occurred.

The fair value of floating rate debt which is hedged item subject to the exceptional accounting for interest rate swaps, and the fixed-coupon debt are calculated by discounting the combined total of principal and interest including interest rate swap receipts and payments using interest rates expected to be currently available. They are classified as level 2.

\* If interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interest on hedged item.

(3) Guarantee and lease deposits received

The fair values of the guarantee and lease deposits received are calculated based on the deposit period expected to be returned and discounting its future cash flows using the credit risk-adjusted discount rate over the remaining deposit period, and they are classified as level 2.

(Note 2) Financial instruments whose fair values are regarded as their carrying amounts on the consolidated balance sheets and are classified as level 3

Not applicable

(Note 3) Equity securities with no market price are not included in investment securities. The carrying amounts of such financial instruments are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Investments in unconsolidated subsidiaries and affiliates	¥239,677	¥226,142	\$1,602,869
Unlisted equity securities	4,971	4,453	33,244
Total	¥244,648	¥230,595	\$1,636,113

(Note 4) Redemption schedule of pecuniary claims and securities with maturities  
For 2025

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	¥99,020	¥—	¥ —	¥—
Investment securities*				
Available-for-sale securities with maturities (National government bonds)	43	—	187	—
Total	¥99,063	¥—	¥187	¥—

\* Investment securities account as guarantee and lease deposits in the consolidated balance sheets.

For 2024

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	¥103,911	¥—	¥ —	¥—
Investment securities*				
Available-for-sale securities with maturities (National government bonds)	128	43	123	—
Total	¥104,039	¥43	¥123	¥—

\* Investment securities account as guarantee and lease deposits in the consolidated balance sheets.

For 2025

	Thousands of U.S. dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	\$662,208	\$—	\$ —	\$—
Investment securities*				
Available-for-sale securities with maturities (National government bonds)	288	—	1,251	—
Total	\$662,496	\$—	\$1,251	\$—

\* Investment securities account as guarantee and lease deposits in the consolidated balance sheets.

(Note 5) Repayment schedule of short-term debt, long-term debt and long-term non-recourse debt  
For 2025

Year ending March 31	Millions of yen					
	2026	2027	2028	2029	2030	2031 and thereafter
Short-term debt	¥114,615	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt (including due within one year)	293,855	333,063	300,715	298,880	203,925	2,064,000
Long-term non-recourse debt (including due within one year)	52,007	107,502	1,656	25,259	17,177	79,272
Total	¥460,477	¥440,565	¥302,371	¥324,139	¥221,102	¥2,143,272

For 2024

Year ending March 31	Millions of yen					
	2025	2026	2027	2028	2029	2030 and thereafter
Short-term debt	¥137,665	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt (including due within one year)	379,415	293,855	333,063	300,715	298,880	1,930,725
Long-term non-recourse debt (including due within one year)	4,374	52,007	107,502	1,656	25,259	96,449
Total	¥521,454	¥345,862	¥440,565	¥302,371	¥324,139	¥2,027,174

For 2025

Year ending March 31	Thousands of U.S. dollars					
	2026	2027	2028	2029	2030	2031 and thereafter
Short-term debt	\$ 766,502	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt (including due within one year)	1,965,191	2,227,399	2,011,068	1,998,796	1,363,773	13,803,250
Long-term non-recourse debt (including due within one year)	347,803	718,933	11,075	168,923	114,873	530,141
Total	\$3,079,496	\$2,946,332	\$2,022,143	\$2,167,719	\$1,478,646	\$14,333,391

10 Securities

For 2025

1. The following tables summarize the book value, carrying amounts and fair values of securities with available fair values as of March 31, 2025:

(1) Available-for-sale securities:

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Book value	Difference	Carrying amount	Book value	Difference
Securities whose carrying amount exceeds book value:						
Equity securities	¥579,948	¥240,147	¥339,801	\$3,878,472	\$1,606,012	\$2,272,460
Debt securities*	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	579,948	240,147	339,801	3,878,472	1,606,012	2,272,460
Securities whose carrying amount does not exceed book value:						
Equity securities	17,528	21,275	(3,747)	117,221	142,279	(25,058)
Debt securities*	230	239	(9)	1,538	1,598	(60)
Other	—	—	—	—	—	—
Subtotal	17,758	21,514	(3,756)	118,759	143,887	(25,118)
Total	¥597,706	¥261,661	¥336,045	\$3,997,231	\$1,749,889	\$2,247,342

\* Debt securities account as guarantee and lease deposits in the consolidated balance sheets.

2. Total sales of available-for-sale securities sold in the year ended March 31, 2025 amounted to ¥45,490 million (\$304,220 thousand) and the related gains and losses amounted to ¥38,374 million (\$256,631 thousand) and ¥72 million (\$482 thousand), respectively.

For 2024

1. The following tables summarize the book value, carrying amounts and fair values of securities with available fair values as of March 31, 2024:

(1) Available-for-sale securities:

	Millions of yen		
	Carrying amount	Book value	Difference
Securities whose carrying amount exceeds book value:			
Equity securities	¥640,180	¥250,158	¥390,022
Debt securities*	172	171	1
Other	—	—	—
Subtotal	640,352	250,329	390,023
Securities whose carrying amount does not exceed book value:			
Equity securities	14,752	17,015	(2,263)
Debt securities*	120	123	(3)
Other	—	—	—
Subtotal	14,872	17,138	(2,266)
Total	¥655,224	¥267,467	¥387,757

\* Debt securities account as guarantee and lease deposits in the consolidated balance sheets.

2. Total sales of available-for-sale securities sold in the year ended March 31, 2024 amounted to ¥17,811 million and the related gains and losses amounted to ¥10,339 million and ¥1,608 million, respectively.

11 Short-term debt and long-term debt

Short-term debt at March 31, 2025 and 2024 consisted of the following:

	Millions of yen				Thousands of U.S. dollars
	2025	Average interest rate (%)	2024	Average interest rate (%)	
Loans, principally from banks	¥ 27,615	0.92	¥ 24,665	0.38	\$184,679
Commercial paper	87,000	0.51	113,000	0.04	581,823
Total	¥114,615		¥137,665		\$766,502

All of short-term debts are raised in yen, and the interest rates represent weighted-average rates in effect balance at March 31, 2025 and 2024.

Long-term debt at March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	
0.904% domestic straight bonds, due 2024	¥ —	¥ 20,000*	\$ —
0.884% domestic straight bonds, due 2024	—	20,000*	—
0.836% domestic straight bonds, due 2024	—	20,000*	—
0.809% domestic straight bonds, due 2024	—	20,000*	—
0.670% domestic straight bonds, due 2025	—	10,000*	—
0.826% domestic straight bonds, due 2025	20,000*	20,000	133,752*
0.992% domestic straight bonds, due 2025	20,000*	20,000	133,752*
0.400% domestic straight bonds, due 2026	10,000	10,000	66,876
0.230% domestic straight bonds, due 2026	10,000	10,000	66,876
0.400% domestic straight bonds, due 2027	30,000	30,000	200,630
0.310% domestic straight bonds, due 2031	30,000	30,000	200,630
0.260% domestic straight bonds, due 2031	10,000	10,000	66,876
0.520% domestic straight bonds, due 2028 (Green bonds)	30,000	30,000	200,630
0.490% domestic straight bonds, due 2028 (Green bonds)	40,000	40,000	267,505
0.500% domestic straight bonds, due 2030 (Green bonds)	10,000	10,000	66,876
0.790% domestic straight bonds, due 2033 (Green bonds)	20,000	20,000	133,752
0.628% domestic straight bonds, due 2028 (Green bonds)	30,000	30,000	200,630
0.980% domestic straight bonds, due 2034 (Green bonds)	10,000	10,000	66,876
Loans from banks and insurance companies, with interest at weighted-average rates of 0.72% in 2025 and 0.42% in 2024, respectively:			
Secured	134,050	134,240	896,476
Unsecured	3,090,388	3,042,413	20,667,341
Subtotal	3,494,438	3,536,653	23,369,478
Amount due within one year	(293,855)	(379,415)	(1,965,191)
Total	¥3,200,583	¥3,157,238	\$21,404,287

\* Due within one year

All of long-term debts are raised in yen, and the interest rates represent weighted-average rates in effect balance at March 31, 2025 and 2024.

Non-recourse debt at March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	
Non-recourse bonds, with interest at weighted-average rates of 0.55% in 2025 and 0.15% in 2024, respectively:			
Due within one year	¥ 6,500	¥ —	\$ 43,469
Due after one year	29,100	35,600	194,610
Subtotal	35,600	35,600	238,079
Non-recourse loans, with interest at weighted-average rates of 0.60% in 2025 and 0.18% in 2024, respectively:			
Due within one year	45,507	4,374	304,333
Due after one year	201,766	247,273	1,349,335
Subtotal	247,273	251,647	1,653,668
Total	¥282,873	¥287,247	\$1,891,747
Secured	¥282,873	¥287,247	\$1,891,747
Unsecured	—	—	—
Total	¥282,873	¥287,247	\$1,891,747

All of non-recourse debts are raised in yen, and the interest rates represent weighted-average rates in effect balance at March 31, 2025 and 2024.

The aggregate annual maturities of long-term debt and long-term non-recourse debt are presented in Note 9 “Financial instruments.”

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.

As explained in Note 2 (11), “Net defined benefit asset and liability” 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 2025 and 2024

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
	2025	2024	
Retirement benefit obligations at beginning of year	¥12,596	¥12,730	\$84,237
Service costs	641	678	4,287
Interest costs	57	56	381
Actuarial differences	(769)	(15)	(5,143)
Retirement benefits paid	(805)	(853)	(5,383)
Retirement benefit obligations at end of year	¥11,720	¥12,596	\$78,379

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	
Plan assets at beginning of year	¥8,727	¥7,489	\$58,362
Expected return on plan assets	169	150	1,130
Actuarial differences	(189)	1,001	(1,264)
Employer contributions	312	340	2,087
Retirement benefits paid	(236)	(253)	(1,578)
Plan assets at end of year	¥8,783	¥8,727	\$58,737

(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
	2025	2024	
Obligations under retirement benefit plans (funded)	¥ 7,601	¥ 7,455	\$ 50,833
Fair value of plan assets	(8,783)	(8,727)	(58,737)
	(1,182)	(1,272)	(7,904)
Obligations under retirement benefit plans (unfunded)	4,119	5,141	27,546
Net amount of liabilities on the consolidated balance sheets	¥ 2,937	¥ 3,869	\$ 19,642
Net defined benefit liability	¥ 4,069	¥ 5,179	\$ 27,212
Net defined benefit asset	(1,132)	(1,309)	(7,570)
Net amount of liabilities on the consolidated balance sheets	¥ 2,937	¥ 3,870	\$ 19,642

(4) Components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2025	2024	
Service costs	¥ 641	¥ 678	\$ 4,287
Interest costs	57	56	381
Expected return on plan assets	(169)	(150)	(1,130)
Actuarial differences	(1,016)	(42)	(6,795)
Retirement benefit expenses	¥ (487)	¥ 542	\$(3,257)

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	
Actuarial differences	¥436	¥(974)	\$2,916
Total	¥436	¥(974)	\$2,916

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unrecognized actuarial differences	¥(580)	¥(1,016)	\$ (3,879)
Total	¥(580)	¥(1,016)	\$ (3,879)

(7) Major breakdown of plan assets

	2025	2024
Debt securities	29.1%	29.1%
Equity securities	38.7	39.1
General life insurance accounts	30.6	30.1
Other	1.6	1.7
Total	100.0%	100.0%

(8) Actuarial assumptions

	2025	2024
Discount rate	1.1%	0.4%
Rate of expected return on plan assets	1.9	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 ¥299 million (\$2,000 thousand) and ¥317 million for the years ended March 31, 2025 and 2024, respectively.

13 Loss on impairment of fixed assets

The Group recognized impairment losses on the following assets for the years ended March 31, 2025, 2024 and 2023, respectively.

For 2025

Use	Location	Number of properties
Assets leased to others	Tokyo	4

For 2024

Use	Location	Number of properties
Land for development	Tokyo	9
Assets leased to others	Tokyo	2

For 2023

Use	Location	Number of properties
Land for development	Tokyo and other cities in Japan	11

The Group recognized losses on the impairment of certain properties, which are generally assessed individually for impairment. The Company houses and other welfare facilities are treated as common assets.

For 2025

For the assets leased to others, loss on sales of property and equipment of ¥18,070 million (\$120,845 thousand) was recognized as a result of reorganization of assets within the Group. The selling price of the assets was determined as its recoverable amount in the consolidated financial statements, and the loss on sales of property and equipment was recognized as loss on impairment of fixed assets for the year ended March 31, 2025. It consists of buildings and structures of ¥17,911 million (\$119,782 thousand) and other property and equipment of ¥159 million (\$1,063 thousand.)

The selling price of the assets was based on the appraisal value by a real estate appraiser.

In addition, the carrying values of the assets have been reduced to their recoverable amounts by ¥668 million (\$4,468 thousand) as a result of the determination of reviewing their business plans, and the amount of the reduction is recognized as loss on impairment of fixed assets for the year ended March 31, 2025. It consists of land of ¥668 million (\$4,468 thousand.)

The recoverable amounts are measured by the net realizable value calculated based on assessed value of fixed assets for tax purposes.

14 Asset retirement obligations

Even though removing asbestos is required for some buildings the Group operates 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, 2025 and 2024, asset retirement obligations related to such a case are not recorded (except for the asset retirement obligations recorded on the financial statements).

For 2024

The carrying values of the land holdings summarized above have been reduced to their recoverable amounts by ¥6,999 million as a result of the determination of reviewing their business plans, and the amount of the reduction is recognized as loss on impairment of fixed assets for the year ended March 31, 2024. It consists of ¥2,453 million of land and ¥4,546 million of construction in progress.

The recoverable amounts are measured by the net realizable value calculated based on assessed value of fixed assets for tax purposes or productive value.

For 2023

The carrying values of the land holdings summarized above have been reduced to their recoverable amounts by ¥8,100 million as a result of the determination of reviewing their business plans, and the amount of the reduction is recognized as loss on impairment of fixed assets for the year ended March 31, 2023. It consists of ¥1,598 million of land and ¥6,502 million of construction in progress.

The recoverable amounts are measured by the net realizable value calculated based on productive value or assessed value of fixed assets for tax purposes.

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, 2025 and 2024, asset retirement obligations related to such a case are not recorded (except for the asset retirement obligations recorded on the financial statements).

15 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, 2024 and 2023 respectively.

“Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) was enacted by the National Diet on March 31, 2025. Pursuant to this revision, the statutory income tax rate used for calculating deferred tax assets and liabilities on temporary differences expected to be reversed in or after the year ending March 31, 2026, has been changed from 30.62% to 31.52%.

As a result of the tax rate change, for the year ended March 31, 2025, deferred tax liabilities (the amount net of deferred tax assets) increased by ¥1,487 million (\$9,944 thousand), and net unrealized holding gains on securities, deferred gains on hedges and deferred income taxes decreased by ¥3,003 million (\$20,083 thousand), ¥207 million (\$1,384 thousand) and ¥1,723 million (\$11,523 thousand), respectively.

Details of deferred tax assets and liabilities at March 31, 2025 and 2024 are as follows:			
	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred tax assets:			
Loss on devaluation of real estate for sale including that in process	¥ 27,682	¥ 19,607	\$ 185,127
Loss on impairment of fixed assets	19,365	18,814	129,506
Loss on transfer involving wholly owned subsidiaries	18,548	12,667	124,042
Adjustments of book value in consolidation	5,699	5,998	38,113
Net operating loss carryforwards	4,259	6,786	28,483
Accrued enterprise tax and other taxes	3,425	2,591	22,905
Provision for bonuses	1,549	1,346	10,359
Net defined benefit liability	1,296	1,593	8,667
Loss on devaluation of investment securities	1,110	1,035	7,423
Loss on devaluation of investments and other loss, in subsidiaries and affiliates	537	522	3,591
Other	21,150	21,954	141,443
Subtotal of deferred tax assets	104,620	92,913	699,659
Valuation allowance	(18,596)	(18,885)	(124,363)
Total deferred tax assets	¥ 86,024	¥ 74,028	\$ 575,296
Deferred tax liabilities:			
Net unrealized holding gains on securities	¥(106,024)	¥(118,796)	\$ (709,048)
Deferred gains on hedges	(7,739)	(3,253)	(51,756)
Retained earnings appropriated for tax allowable reserves	(3,841)	(3,731)	(25,687)
Other	(1,987)	(1,958)	(13,288)
Total deferred tax liabilities	¥(119,591)	¥(127,738)	\$ (799,779)
Net deferred tax liabilities	¥ (33,567)	¥ (53,710)	\$ (224,483)

(Note) Net deferred tax liabilities are included in the following items on the consolidated balance sheets for the years ended March 31, 2025 and 2024.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Investments and other assets—Deferred income taxes	¥18,501	¥17,660	\$123,728
Long-term liabilities—Other long-term liabilities	52,068	71,371	348,211

The difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2025 and 2024 is less than five-hundredths of the statutory tax rate and not presented.

16 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.

17 Information for certain lease transactions

Future lease payments and receipts under such non-cancelable operating leases at March 31, 2025, 2024 and 2023 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2025	2024	2023	2025
Operating leases:				
Future lease payments:				
Due within one year	¥ 1,663	¥ 1,639	¥ 1,596	\$ 11,122
Due after one year	40,495	41,476	41,866	270,815
Total	¥ 42,158	¥ 43,115	¥ 43,462	\$ 281,937
Future lease receipts:				
Due within one year	¥ 86,109	¥ 92,333	¥ 89,980	\$ 575,864
Due after one year	133,287	150,778	166,227	891,373
Total	¥219,396	¥243,111	¥256,207	\$1,467,237

18 Derivative transactions

Hedge accounting was applied to all derivative transactions for the years ended March 31, 2025 and 2024.

The summary of these transactions is as follows:

1. Foreign currency-related derivatives

For 2025		Millions of yen			
Hedging accounting	Types of derivative transactions	Hedged items	Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Foreign Exchange forward contracts Receipts in Indian rupee / Payments in yen	Investments in unconsolidated subsidiaries and affiliates	¥8,444	¥—	¥216
For 2024		Thousands of U.S. dollars			
Hedging accounting	Types of derivative transactions	Hedged items	Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Foreign Exchange forward contracts Receipts in Indian rupee / Payments in yen	Investments in unconsolidated subsidiaries and affiliates	\$56,470	\$—	\$1,445

For 2024  
Not applicable

2. Interest-related derivatives

For 2025		Millions of yen			
Hedging accounting	Types of derivative transactions	Hedged items	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	¥742,900	¥600,900	¥23,488
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments /Floating rate receipts	Bank loans and bonds	914,511	696,149	— (*)

For 2024

For 2025		Thousands of U.S. dollars			
Hedging accounting	Types of derivative transactions	Hedged items	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	¥ 468,400	¥468,400	¥10,352
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	1,040,300	836,511	— (*)

For 2025

For 2025		Thousands of U.S. dollars			
Hedging accounting	Types of derivative transactions	Hedged items	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	\$4,968,234	\$4,018,592	\$157,079
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	6,115,903	4,655,581	— (*)

(\*) Interest rate swap contracts adopting exceptional accounting for interest rate swaps which 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 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 or the long-term non-recourse debt.



19 Revenue recognition

1. Information for breakdown of revenues from contracts with customers

For 2025	Millions of yen					
	Reportable segments					
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total
Office buildings and other properties leasing*	¥384,366	¥ —	¥ —	¥ —	¥ —	¥ 384,366
Condominiums and detached houses	—	226,949	—	—	—	226,949
Shinchiku Sokkurisan remodeling	—	—	110,311	—	—	110,311
Custom homes	—	—	94,489	—	—	94,489
Real estate brokerage	—	—	—	71,132	—	71,132
Others	85,871	19,250	9,308	1,744	10,820	126,993
Total	¥470,237	¥246,199	¥214,108	¥72,876	¥10,820	¥1,014,240

For 2024	Millions of yen					
	Reportable segments					
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total
Office buildings and other properties leasing*	¥368,818	¥ —	¥ —	¥ —	¥ —	¥368,818
Condominiums and detached houses	—	227,606	—	—	—	227,606
Shinchiku Sokkurisan remodeling	—	—	106,539	—	—	106,539
Custom homes	—	—	88,050	—	—	88,050
Real estate brokerage	—	—	—	69,154	—	69,154
Others	72,938	13,466	8,908	2,150	10,063	107,525
Total	¥441,756	¥241,072	¥203,497	¥71,304	¥10,063	¥967,692

For 2025	Thousands of U.S. dollars					
	Reportable segments					
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total
Office buildings and other properties leasing*	\$2,570,494	\$ —	\$ —	\$ —	\$ —	\$2,570,494
Condominiums and detached houses	—	1,517,749	—	—	—	1,517,749
Shinchiku Sokkurisan remodeling	—	—	737,718	—	—	737,718
Custom homes	—	—	631,907	—	—	631,907
Real estate brokerage	—	—	—	475,704	—	475,704
Others	574,273	128,737	62,248	11,663	72,360	849,281
Total	\$3,144,767	\$1,646,486	\$1,431,873	\$487,367	\$72,360	\$6,782,853

\* Revenue from office buildings and other properties leasing is mainly leasing revenue based on lease contracts and includes revenue from contracts with customers associated with such contracts.

2. Information for understanding the amount of revenue in the current and subsequent fiscal years

(1) Receivables arising from contracts with customers and contract liabilities

	Millions of yen				Thousands of U.S. dollars	
	2025		2024		2025	
	Beginning of fiscal year	End of fiscal year	Beginning of fiscal year	End of fiscal year	Beginning of fiscal year	End of fiscal year
Receivables arising from contracts with customers*	¥31,548	¥22,333	¥38,047	¥31,548	\$210,981	\$149,355
Contract liabilities	86,475	89,240	68,453	86,475	578,312	596,803

\* Receivables arising from contracts with customers include receivables from revenue from leases based on lease contracts.

Contract liabilities are (1) advances received from customers such as deposits and other advances based on real estate sales contracts in Sales business, (2) advances received on construction contracts in progress from customers such as deposits and intermediate payments based on construction contracts in Construction business, (3) advances received from customers such as advances received at the time of the conclusion of real estate sales contracts based on real estate brokerage contracts in Brokerage business and other advances from customers.

Contract liabilities are transferred to revenue upon satisfaction of related performance obligations.

Out of the amount of revenue from operations for the year ended March 31, 2025 and 2024, ¥75,971 million (\$508,065 thousand) and ¥52,147 million are transferred from contract liabilities of the beginning of the year, respectively.

(2) Transaction price allocated to remaining performance obligations

The aggregate amounts of transaction prices allocated to the remaining performance obligations by each segment are as follows. The amount in Sales business includes the amount expected to be recognized as revenue after over one year.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	
Sales business	¥269,759	¥265,626	\$1,804,046
Construction business	126,129	123,442	843,503
Brokerage business	22,703	20,308	151,829
Total	¥418,591	¥409,376	\$2,799,378

20 Segment information

The Group operates their business in five segments: (1) Leasing business consists of leasing and management of office buildings, rental apartments, etc., and operation and management of hotels, multipurpose halls, retail facilities, etc.; (2) Sales business consists of sales of condominium units, detached houses, etc.; (3) Construction

business consists of construction and remodeling of detached houses, condominiums, etc.; (4) Brokerage business consists of brokerage of real estate sales and sales agent of residential properties; and (5) Other businesses including fitness business and restaurant business.

Information by business segment for the years ended March 31, 2025, 2024 and 2023 is summarized as follows:

For 2025	Millions of yen							
	Reportable segments						Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total		
Revenue from operations:								
Customers	¥ 470,237	¥ 246,199	¥214,108	¥ 72,876	¥ 10,820	¥1,014,240	¥ —	¥1,014,240
Intersegment	2,335	203	1,720	298	2,214	6,770	(6,770)	—
Total	472,572	246,402	215,828	73,174	13,034	1,021,010	(6,770)	1,014,240
Segment profit	¥ 191,296	¥ 60,390	¥ 22,777	¥ 19,502	¥ 2,170	¥ 296,135	¥ (24,618)	¥ 271,517
Segment assets	¥4,675,716	¥1,074,540	¥ 22,751	¥196,513	¥180,123	¥6,149,643	¥572,779	¥6,722,422
Other:								
Depreciation and amortization	¥ 69,657	¥ 812	¥ 644	¥ 862	¥ 289	¥ 72,264	¥ 2,618	¥ 74,882
Loss on impairment of fixed assets	18,615	123	—	—	—	18,738	—	18,738
Increase in property and equipment, and intangibles	140,402	25,920	920	767	149	168,158	2,086	170,244

For 2024	Millions of yen							
	Reportable segments						Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total		
Revenue from operations:								
Customers	¥ 441,756	¥ 241,072	¥203,497	¥ 71,304	¥ 10,063	¥ 967,692	¥ —	¥ 967,692
Intersegment	2,650	136	1,562	1,004	1,214	6,566	(6,566)	—
Total	444,406	241,208	205,059	72,308	11,277	974,258	(6,566)	967,692
Segment profit	¥ 176,581	¥ 60,208	¥ 20,841	¥ 18,740	¥ 1,418	¥ 277,788	¥ (23,121)	¥ 254,667
Segment assets	¥4,622,907	¥1,035,567	¥ 21,938	¥202,322	¥177,687	¥6,060,421	¥617,970	¥6,678,391
Other:								
Depreciation and amortization	¥ 68,606	¥ 560	¥ 721	¥ 721	¥ 254	¥ 70,862	¥ 2,257	¥ 73,119
Loss on impairment of fixed assets	6,388	611	—	—	—	6,999	—	6,999
Increase in property and equipment, and intangibles	146,802	44,573	846	1,762	308	194,291	2,467	196,758

For 2023	Millions of yen							
	Reportable segments						Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total		
Revenue from operations:								
Customers	¥ 422,955	¥221,953	¥212,165	¥ 73,996	¥ 8,836	¥ 939,905	¥ —	¥ 939,905
Intersegment	2,414	124	1,419	1,111	1,227	6,295	(6,295)	—
Total	425,369	222,077	213,584	75,107	10,063	946,200	(6,295)	939,905
Segment profit	¥ 165,693	¥ 53,928	¥ 21,422	¥ 20,031	¥ 1,181	¥ 262,255	¥ (20,981)	¥ 241,274
Segment assets	¥4,588,063	¥927,788	¥ 22,977	¥230,095	¥153,726	¥5,922,649	¥442,787	¥6,365,436
Other:								
Depreciation and amortization	¥ 61,172	¥ 286	¥ 860	¥ 655	¥ 264	¥ 63,237	¥ 1,398	¥ 64,635
Loss on impairment of fixed assets	7,413	687	—	—	—	8,100	—	8,100
Increase in property and equipment, and intangibles	444,776	16,524	888	1,042	54	463,284	467	463,751

For 2025	Thousands of U.S. dollars							
	Reportable segments						Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total		
Revenue from operations:								
Customers	\$ 3,144,767	\$1,646,486	\$1,431,873	\$ 487,367	\$ 72,360	\$ 6,782,853	\$ —	\$ 6,782,853
Intersegment	15,616	1,357	11,503	1,993	14,806	45,275	(45,275)	—
Total	3,160,383	1,647,843	1,443,376	489,360	87,166	6,828,128	(45,275)	6,782,853
Segment profit	\$ 1,279,315	\$ 403,865	\$ 152,324	\$ 130,422	\$ 14,513	\$ 1,980,439	\$ (164,636)	\$ 1,815,803
Segment assets	\$31,269,418	\$7,186,116	\$ 152,150	\$1,314,205	\$1,204,594	\$41,126,483	\$3,830,529	\$44,957,012
Other:								
Depreciation and amortization	\$ 465,840	\$ 5,430	\$ 4,307	\$ 5,765	\$ 1,932	\$ 483,274	\$ 17,508	\$ 500,782
Loss on impairment of fixed assets	124,490	823	—	—	—	125,313	—	125,313
Increase in property and equipment, and intangibles	938,955	173,343	6,153	5,129	997	1,124,577	13,950	1,138,527

Adjustments of segment profit consist mainly of intersegment transaction eliminations and undistributed corporate expenses to each segment, and the Group classified these expenses of the general administrative division in the Company and its certain consolidated subsidiaries into corporate expenses.

Adjustments of segment assets consist mainly of intersegment transaction eliminations and undistributed corporate assets to each segment, and the Group classified cash and deposits, investments in unconsolidated subsidiaries and affiliates, investment securities, and assets of the general administrative division in the Company and its certain consolidated subsidiaries into corporate assets.

21 Comprehensive income

Amounts reclassified to profit in the current period that were recognized in other comprehensive income in the current or previous periods, and income taxes and tax effects for each component of other comprehensive income (loss) for the years ended March 31, 2025, 2024 and 2023 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2025	2024	2023	2025
Unrealized holding gains (losses) on securities:				
Increase (Decrease) during fiscal year	¥(14,901)	¥148,780	¥27,560	\$ (99,652)
Reclassification adjustments	(36,682)	(8,731)	(4,535)	(245,315)
Amounts before income taxes and tax effects	(51,583)	140,049	23,025	(344,967)
Income taxes and tax effects	12,767	(42,909)	(7,061)	85,380
Total	¥(38,816)	¥ 97,140	¥15,964	\$ (259,587)
Deferred gains (losses) on hedges:				
Increase (Decrease) during fiscal year	¥ 13,338	¥ 788	¥ 6,654	\$ 89,199
Reclassification adjustments	14	946	948	94
Amounts before income taxes and tax effects	13,352	1,734	7,602	89,293
Income taxes and tax effects	(4,295)	(531)	(2,328)	(28,723)
Total	¥ 9,057	¥ 1,203	¥ 5,274	\$ 60,570
Foreign currency translation adjustments:				
Increase (Decrease) during fiscal year	¥ 3,564	¥ 2,036	¥ 4,110	\$ 23,835
Remeasurements of defined benefit plans:				
Increase (Decrease) during fiscal year	¥ 580	¥ 1,016	¥ 42	\$ 3,879
Reclassification adjustments	(1,016)	(42)	427	(6,795)
Amounts before income taxes and tax effects	(436)	974	469	(2,916)
Income taxes and tax effects	134	(298)	(143)	896
Total	¥ (302)	¥ 676	¥ 326	\$ (2,020)
Total other comprehensive income (loss)	¥(26,497)	¥101,055	¥25,674	\$ (177,202)

22 Investment and rental properties

The Company and its certain consolidated subsidiaries own some rental properties such as office buildings and rental apartments in Tokyo and other areas. The carrying amount on the consolidated balance sheets for the year ended March 31, 2025 is ¥4,430,792 million (\$29,631,459 thousand). Certain domestic office buildings are not recognized as 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, 2025 and 2024 are as follows:

			Millions of yen		Thousands of U.S. dollars
			2025	2024	2025
Investment and rental properties	Carrying amount	Balance at beginning of fiscal year	¥4,099,184	¥4,025,375	\$27,413,790
		Changes during fiscal year, net	53,004	73,809	354,471
		Balance at end of fiscal year	4,152,188	4,099,184	27,768,261
	Fair value at end of fiscal year	7,953,589	7,740,824	53,190,591	
A portion used as investment and rental properties	Carrying amount	Balance at beginning of fiscal year	¥ 282,554	¥ 285,253	\$ 1,889,614
		Changes during fiscal year, net	(3,951)	(2,699)	(26,423)
		Balance at end of fiscal year	278,603	282,554	1,863,191
	Fair value at end of fiscal year	672,037	635,788	4,494,329	

(Notes)  
1. Carrying amounts on the consolidated balance sheets are the amounts determined by deducting accumulated depreciation from the acquisition costs.  
2. Fair values as of March 31, 2025 and 2024 are calculated by the Group primarily based on their fair values according to Japanese Real Estate Appraisal Standards.

Significant changes during the years ended March 31, 2025 and 2024 are as follows:

		Millions of yen		Thousands of U.S. dollars
		2025	2024	2025
Increase:				
Acquired real estate		¥156,743	¥169,681	\$1,048,238
Transferred from inventories		—	24,681	—
Decrease:				
Depreciation and amortization		¥ (60,491)	¥ (59,857)	\$ (404,541)
Transferred to inventories		(36,735)	(44,610)	(245,670)
Loss on impairment of fixed assets		(668)	(6,999)	(4,467)

Income and expenses for investment and rental properties for the years ended March 31, 2025 and 2024 are as follows:				
			Thousands of U.S. dollars	
			Millions of yen	
			2025	2024
Investment and rental properties			2025	
	Revenue from operations	¥329,236	¥314,993	\$2,201,806
	Cost of revenue from operations	158,882	153,603	1,062,543
	Operating income	170,354	161,390	1,139,263
	Other income (expenses), net	(1,682)	(4,959)	(11,249)
A portion used as investment and rental properties				
	Revenue from operations	¥ 28,593	¥ 28,397	\$ 191,219
	Cost of revenue from operations	16,071	16,356	107,477
	Operating income	12,522	12,041	83,742
	Other income (expenses), net	(311)	(59)	(2,080)

(Notes)  
1. 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, revenue from operation for these are not recorded above. On the other hand, cost of revenue from operations for these (mainly rent, depreciation, taxes and dues) is included above.  
2. Other income (expenses), net for investment and rental properties is mostly loss on disposal of property and equipment and that for a portion used as investment and rental properties is mostly loss on disposal of property and equipment.

23 Contingent liabilities

The Group is contingently liable mainly for defects in condominiums, detached houses and other real estate, to its brokerage business customers who bought or sold these, in an amount aggregating to ¥19,969 million (\$133,545 thousand) and ¥19,812 million at March 31, 2025 and 2024, respectively.

24 Subsequent events

(Dividends)

On June 27, 2025, the shareholders of the Company approved payments of a year-end cash dividend of ¥35 (\$0.23) per share or a total of ¥16,473 million (\$110,165 thousand) to shareholders of record at March 31, 2025. Such appropriations are recognized in the period in which they are approved by the shareholders.

(Transactions conducted by commonly controlled entities)

The Company resolved at its board of directors meeting held on November 8, 2024 to transfer the dual pillars of its Construction Business: Shinchiku Sokkurisan Remodeling Business and Custom Homes Business, to a newly established wholly-owned subsidiary, Sumitomo Fudosan Housing Co., Ltd., through a company split (absorption-type company split.) These businesses have been spun off as of April 1, 2025.

1. Overview of transactions

- (1) Name and description of business to be transferred  
Name: Construction Business  
Description: Shinchiku Sokkurisan Remodeling Business and Custom Homes Business
- (2) Date of business combination  
April 1, 2025
- (3) Legal form of business combination  
This is a simplified absorption-type company split, with Sumitomo Realty & Development Co., Ltd. as the splitting company and Sumitomo Fudosan Housing Co., Ltd. as the successor company.
- (4) Name of company after combination  
Sumitomo Fudosan Housing Co., Ltd.
- (5) Other matters concerning the transactions  
The Construction Segment is the Company's key segment that generates 10% of the Group's operating income, driven by the dual pillars: the top-brand Shinchiku Sokkurisan Remodeling Business and Custom Homes Business, which has steadily increased its market share and profits with a product strength characterized by high quality and performance.  
In recent years, the quality of houses in Japan has improved in areas such as earthquake resistance and thermal insulation, leading to a longer lifespan. As a result, with proper renovations, they can be used for extended periods. This has become widely accepted among consumers as evidenced by the increasing number of brokerage transactions of existing houses. Additionally, from the perspective of reducing environmental impact, it has become an era where society as a whole should promote this trend.  
For this promising market of existing homes, the Group implementing a new group management structure to further strengthen the Housing Construction Business and pursue opportunities for significant business growth associated with the housing stock.  
Shinchiku Sokkurisan Remodeling Business and Custom Homes Business, which have operated separately within one of the Company's segments, are transferred and integrated into a new company. This aims for further growth in the Housing Construction Business by: 1) achieving a 50% increase in sales to ¥300 billion at an early stage by deepening business integration; 2) standardizing the construction system between these two businesses and promote co-prosperity with each business partner; and 3) strengthening its human capital framework by creating a flexible personnel system and increasing human capital investment.

2. Overview of accounting treatments

Sumitomo Fudosan Housing Co., Ltd. is scheduled to be newly included in the scope of consolidation, and the transaction will be accounted for as a common control transaction in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019.)

(Acquisition of treasury stock)

The Company resolved at its board of directors meeting held on May 13, 2025 to repurchase shares based on the provisions of Article 156 of the Companies Act, as applied by replacing terms pursuant to Article 165, Paragraph 3 of the same Act.

1. Reason for the share repurchase

Last December, the Company initiated share repurchase (up to ¥35 billion) using proceeds from the sale of listed shares it held during the year ended March 31, 2025, which it had estimated to be ¥35 billion, with the purpose of allocating the repurchased shares to the stock compensation plan to reward long service and dedication (the "Stock compensation plan") for the Group's employees. This implementation was completed on May 1, 2025.

The sale of listed shares it held during the year ended March 31, 2025 steadily progressed and the proceeds have exceeded ¥45 billion, surpassing the estimated amount by over ¥10 billion. Therefore, the Company has decided to proceed with an additional share repurchase using this excess amount as a resource.

Regarding the remaining repurchased shares after contribution to the Stock compensation plan, the Company intends to cancel them.

2. Details of the repurchase

- (1) Class of shares to be repurchased  
Common stock
- (2) Total number of shares to be repurchased  
Up to 2,000,000 shares (0.43% of issued shares (excluding treasury stock))
- (3) Total amount of shares to be repurchased  
Up to ¥10 billion
- (4) Period of repurchase  
May 14, 2025 to September 30, 2025
- (5) Method of repurchase  
Market purchase on the Tokyo Stock Exchange

(Reference) The status of shareholding of treasury stock as of May 1, 2025

Number of issued shares (excluding treasury stock): 466,861,584  
Number of shares of treasury stock: 9,224,394

(Disposal of treasury stock)

The Company resolved at its board of directors meeting held on May 27, 2025 to dispose of treasury stock, as outlined below.

1. Purpose and reason of the disposal

The Company has decided to introduce the stock compensation plan to reward long service and dedication (the "Plan") for employees of the Group (excluding employees of the Company and Group companies which are covered by the retirement benefit system) using a trust. This Plan is a form of human capital investment designed to encourage employees to actively drive the enhancement of corporate value through sustainable growth, which is the Group's fundamental policy, by fostering the expectation that their share allocations will increase annually based on their contributions and that their compensation will further increase as the Company's stock price rises. In line with this purpose, the Company has decided to dispose of treasury stock through a third-party allotment.

2. Overview of the disposal

- (1) Disposal date  
June 12, 2025
- (2) Class and number of shares to be disposed of  
The Company's common stock: 2,054,100 shares
- (3) Disposal value  
¥5,355 per share
- (4) Total disposal amount  
¥10,999,705,500
- (5) Planned disposal recipient  
Sumitomo Mitsui Trust Bank, Limited (trust account)  
(Re-entrusted trustee: Custody Bank of Japan, Ltd. (trust account))

3. Overview of accounting treatments

The disposal of treasury stock and the Plan using a trust are planned to be accounted pursuant to "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015.)

Independent Auditor’s Report



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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Realty & Development Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2025 and 2024, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for each of the years in the three-year period ended March 31, 2025, 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, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for each of the years in the three-year period ended March 31, 2025 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 management’s judgments concerning the identification of an impairment indicator for the Investment and rental properties

The key audit matter	How the matter was addressed in our audit
<p>Office buildings, rental apartments and other properties (including construction in progress and those held for development, hereinafter referred to as the “Investment and rental properties”) owned by the Group were recognized as property and equipment in the consolidated balance sheet of the Group as of March 31, 2025. As described in Note 22, “Investment and rental properties” to the consolidated financial statements, the Investment and rental properties amounted to ¥4,430,792 million and accounted for approximately 66% of the total assets in the consolidated financial statements.</p> <p>As described in Note 3, “Significant accounting estimates” to the consolidated financial statements, when the profitability of the Investment and rental properties which is recognized as property and equipment has declined and an impairment indicator exists, the Group is required to determine whether an impairment loss should be recognized. Impairment indicators include recurring operating losses, changes that significantly reduce the recoverable amount in the extent to which, or manner in which, a property is used or is expected to be used, a significant deterioration of business environment and a significant decrease in the market prices.</p> <p>The probability of achieving the business plans including the development plans which were basis for estimating the recoverable amount and the assumptions used for calculating the market prices such as expected rents, occupancy rates and discount rates were determined by management with subjective judgments. Also, these judgments are largely influenced by economic trends, corporate performance, trends in land prices, financial market situations, taxation system and other social aspects.</p> <p>Accordingly, these estimates involved a high degree of uncertainty.</p> <p>We, therefore, determined that our assessment of the appropriateness of management’s judgments as to whether there was an impairment indicator for the Investment and rental properties was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the appropriateness of management’s judgments as to whether there was an impairment indicator for the Investment and rental properties included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of certain of the Group’s internal controls to identify impairment indicators for the Investment and rental properties.</p> <p>(2) Assessment of the appropriateness of the judgments concerning the identification of an impairment indicator for the Investment and rental properties.</p> <p>1. The probability of achieving the business plans</p> <ul style="list-style-type: none"><li>• We inquired of the personnel in the responsible divisions their judgments about the current progress against the business plans, the probability of achieving the business plans and whether any events which cause changes of the business plans incurred. In addition, we inspected the supporting documents including contracts and other relevant materials regarding their judgments about the current progress of the business plans and their responses to our inquiries.</li></ul> <p>2. Reasonableness of the calculated market prices</p> <ul style="list-style-type: none"><li>• We assessed that the expected rents and occupancy rates were determined based on the actual results or current contract rents in the same project, or the observable actual rent data of comparable properties.</li><li>• With the assistance of our own real-estate valuation specialists, we assessed the appropriateness of the discount rates determined by management and evaluated the reasonableness of the calculated market prices.</li></ul>



Reasonableness of the valuation of the Real Estate for Sale

The key audit matter	How the matter was addressed in our audit
<p>Condominium units, detached houses and land lots for sale (including those in process and those held for development, hereinafter referred to as the “Real Estate for Sale”) owned by the Group were recognized as inventories in the consolidated balance sheet of the Group as of March 31, 2025. As described in Note 7 “Inventories” to the consolidated financial statements, real estate for sale and real estate for sale in process amounted to ¥401,947 million and ¥517,610 million, respectively, which accounted for approximately 14% of the total assets in the consolidated financial statements.</p> <p>As described in Note 3, “Significant accounting estimates” to the consolidated financial statements, in case the net realizable value of the Real Estate for Sale is lower than the book value, the profitability is regarded to have declined, and the net realizable value is used as the carrying amount. The difference between the book value and the net realizable value (loss on devaluation of the Real Estate for Sale) is recognized as cost of revenue from operations for the current fiscal year.</p> <p>The probability of achieving the business plans including the development plans which were basis for estimating the net realizable value and the assumptions underlying the business plan including expected selling prices were determined by management with subjective judgments. Also, these judgments are largely influenced by economic trends, trends in personal income, trends in land prices, trends in building costs, financial market situations, taxation system and other social aspects.</p> <p>Accordingly, these estimates involved a high degree of uncertainty.</p> <p>We, therefore, determined that the reasonableness of the valuation of the Real Estate for Sale was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the reasonableness of the valuation of the Real Estate for Sale included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of certain of the Group’s internal controls relevant to the valuation of the Real Estate for Sale.</p> <p>(2) Assessment of the reasonableness of the valuation of the Real Estate for Sale</p> <p>1. The probability of achieving the business plans</p> <ul style="list-style-type: none"><li>• We inquired of the personnel in the responsible divisions their judgments about the current progress against the business plans and the probability of achieving the business plans considering the outlook of the expected selling prices and the building costs. In addition, we inspected the supporting documents including contracts and other relevant materials regarding their judgments about the current progress of the business plans and their responses to our inquiries.</li><li>• We observed certain properties in order to assess if the current progress against the business plan was consistent with their judgments.</li></ul> <p>2. Appropriateness of the expected selling prices</p> <ul style="list-style-type: none"><li>• With regard to the Real Estate for Sale whose certain units have been sold or contracted, we assessed that the expected selling prices were determined based on the actual sales results in the same project.</li><li>• With regard to the Real Estates for Sale which have no sales transaction record, we assessed that the expected selling prices were determined based on the actual price data or observable selling prices of comparable properties in the same sales area.</li><li>• With the assistance of our own real-estate valuation specialists, we evaluated the appropriateness of the expected selling prices.</li></ul>

Other Information

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

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

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



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

**Fee-related Information**

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 240 million yen and 10 million yen, respectively.

**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 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.

/S/ Noriaki Habuto  
Noriaki Habuto  
Designated Engagement Partner  
Certified Public Accountant

/S/ Yoshimori Takahashi  
Yoshimori Takahashi  
Designated Engagement Partner  
Certified Public Accountant

/S/ Tadashi Naito  
Tadashi Naito  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
July 31, 2025

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.