Consolidated Financial Report for FY2025

Ended March 31, 2026

Sumitomo Realty & Development Co., Ltd.

Eleven-year Financial Summary

Millions of yen

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	**FY2025**
For the Year											
Revenue from operations	854,964	925,151	948,402	1,012,198	1,013,513	917,473	939,431	939,905	967,692	1,014,240	**1,057,766**
Leasing	313,340	337,466	353,881	381,764	395,592	398,238	425,082	425,369	444,406	433,685	**460,637**
Sales	274,761	314,299	311,193	331,752	324,928	263,395	233,788	222,077	241,207	294,755	**324,033**
Housing	199,115	203,623	209,356	221,693	218,931	188,708	204,362	213,584	205,059	204,260	**188,906**
Step	61,496	66,714	69,169	71,867	71,199	65,793	73,484	75,107	72,308	73,174	**75,360**
Cost of revenue from operations	614,191	664,184	664,015	711,050	691,832	629,565	636,988	625,452	635,343	662,961	**673,667**
SG&A expenses	66,532	72,796	78,750	81,759	87,349	68,664	68,560	73,179	77,682	79,762	**84,944**
% of revenue from operations	7.8%	7.9%	8.3%	8.1%	8.6%	7.5%	7.3%	7.8%	8.0%	7.9%	**8.0%**
Operating income	174,241	188,171	205,637	219,389	234,332	219,244	233,883	241,274	254,667	271,517	**299,155**
% of revenue from operations	20.4%	20.3%	21.7%	21.7%	23.1%	23.9%	24.9%	25.7%	26.3%	26.8%	**28.3%**
Ordinary profit*1	148,424	167,697	186,871	203,227	220,521	209,950	225,115	236,651	253,112	268,324	**289,234**
Profit attributable to owners of parent	87,798	103,489	119,731	130,103	140,997	141,389	150,452	161,926	177,171	191,682	**212,536**
Depreciation and amortization	34,574	39,446	41,628	46,313	48,974	57,813	60,645	64,635	73,119	74,882	**76,343**
At Year-end											
Total assets	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	**7,185,692**
Equity*2	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	**2,470,712**
Net interest-bearing debt	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	**3,916,748**
Unrealized gains on investment and rental properties	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	**4,459,326**
Per Share Amounts (Yen)*3											
Profit attributable to owners of parent	92.615	109.17	126.31	137.255	148.75	149.165	158.725	170.83	186.92	202.56	**228.42**
Net assets	936.86	1,062.68	1,176.27	1,268.21	1,366.21	1,585.67	1,723.91	1,898.32	2,163.35	2,303.21	**2,675.04**
Cash dividend applicable to the year*4	22.00	24.00	27.00	30.00	35.00	40.00	45.00	52.00	60.00	70.00	**65.00**
Key Ratios											
Equity ratio (%)	19.0	20.2	21.6	23.4	24.4	26.5	28.1	28.3	30.7	32.3	**34.4**
ROE (%)	10.2	10.9	11.3	11.2	11.3	10.1	9.6	9.4	9.2	9.1	**9.2**
ROA (%)	3.9	4.0	4.2	4.5	4.7	4.2	4.3	4.2	4.2	4.4	**4.6**
Return on leasing business*5 (%)	4.8	5.3	5.5	5.6	6.0	5.5	5.5	5.4	5.6	6.0	**6.4**
Long-term debt ratio (%)	98	98	98	99	96	96	98	95	97	97	**94**
Fixed-interest rate debt ratio (%)	94	95	94	96	95	94	96	86	84	87	**81**
ND/E ratio*6 (Times)	3.3	3.1	2.9	2.6	2.5	2.2	2.1	2.1	1.9	1.7	**1.6**
Interest coverage ratio*7 (Times)	7.3	9.0	10.5	11.4	12.8	12.6	13.7	14.6	15.3	14.3	**11.7**

*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. A two-for-one stock split of common stock became effective on January 1, 2026. Profit attributable to owners of parent and net assets have been calculated assuming that the stock split had been effective as of the beginning of FY2015. Cash dividends for FY2015 through FY2024 are stated on a pre-stock-split basis.
*4. The total amount of dividends for each fiscal year consists of interim dividends and year-end dividends. The cash dividend for FY2025 consists of an interim dividend of ¥42 on a pre-stock-split basis and a year-end dividend of ¥23 on a post-stock-split basis.
*5. Return on leasing business = Cash flows from leasing business / Net investments of leasing business
*6. ND/E ratio = Net interest-bearing debt / Equity
*7. Interest coverage ratio = (Operating income + Interest and dividend income) / Interest expense

Notes: 1. The Company changed its accounting policy (revenue recognition standards of Sumitomo Fudosan Step Co., Ltd.) 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 Fudosan Step Co., Ltd. have been changed, from the allocation to "Sales," "Step" and "Adjustments (not presented in the document)," to be consolidated into "Step." Financial results for FY2019 have been adjusted retroactively.
3. From the beginning of FY2025, the names of the business segments have been changed: "Construction" to "Housing," and "Brokerage" to "Step," and are presented using the new segment names. Segment classifications have also been changed: condominium management (Sumitomo Fudosan Tatemono Service Co., Ltd.), previously recorded under "Leasing," and interior sales (Sumitomo Fudosan Syscon Co., Ltd.), previously recorded under "Construction," have been reclassified under "Sales." The revenue from operations from each segment for FY2024 has been retrospectively reclassified to reflect the changes in segment classifications.

Management’s Discussion and Analysis for FY2025 (Fiscal year ended March 31, 2026)

Overview

The financial results were as follows: revenue from operations recorded ¥1,057.8 billion (¥43.5 billion increase year on year), operating income ¥299.2 billion (¥27.6 billion increase year on year), ordinary profit ¥289.2 billion (¥20.9 billion increase year on year), and profit attributable to owners of parent ¥212.5 billion (¥20.9 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, achieved record-high profit with its largest-ever profit increase, driving overall performance. In addition, the Sales Business, centered on condominium sales that achieved high profitability amid rising selling prices, and the Step business, which saw a substantial increase in the average price per transaction due partly to higher prices for existing condominiums, also achieved record-high profits.

Other income (expenses)

Non-operating income recorded ¥20.5 billion (¥0.6 billion decrease year on year), mainly due to dividend income. Non-operating expenses recorded ¥30.4 billion (¥6.1 billion increase year on year) mainly due to an increase in interest expenses. As a result, non-operating loss recorded ¥9.9 billion (a deterioration of ¥6.7 billion year on year).

Extraordinary income recorded ¥33.2 billion (¥5.3 billion decrease year on year), mainly owing to gain on sale of investment securities, while extraordinary loss recorded ¥18.9 billion (¥14.1 billion decrease 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 ¥14.3 billion, an improvement of ¥8.8 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: ¥127.3 billion (¥125.9 billion decrease year on year)

Cash flows from investing activities: ¥(154.4) billion (¥10.8 billion decrease year on year)

Cash flows from financing activities: ¥(12.8) billion (¥104.1 billion increase year on year)

Cash and cash equivalents decreased to ¥58.3 billion (¥39.9 billion decrease year on year).

<Cash flows from operating activities>

Ordinary profit recorded ¥289.2 billion, while depreciation and amortization recorded ¥76.3 billion. Net cash provided by operating activities amounted to ¥127.3 billion, mainly due to an increase in inventories and payments for income tax and other taxes.

<Cash flows from investing activities>

While investments in property and equipment and a capital injection into the subsidiary in Mumbai were made to augment the leasing business, proceeds from the sale of strategic shareholdings amounted to approximately ¥50.0 billion. As a result, net cash used in investing activities amounted to ¥154.4 billion.

<Cash flows from financing activities>

In order to fund redemption of bonds of ¥55.0 billion, acquisition of treasury stock of ¥60.5 billion, and dividend payments of ¥36.1 billion, commercial paper in a net amount of ¥149.0 billion was issued.
As a result, net cash used in financing activities amounted to ¥12.8 billion.

Financial resources for capital and liquidity of funds

Assets

Total assets as of the end of the fiscal year under review amounted to ¥7,185.7 billion (¥463.3 billion increase from the end of the previous fiscal year). Real estate for sale, property and equipment primarily buildings for leasing, and investment securities increased.

Liabilities

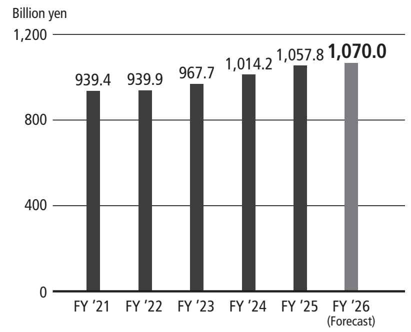
Total liabilities amounted to ¥4,715.0 billion (¥160.7 billion increase from the end of the previous fiscal year). This was mainly attributable to an increase in commercial paper issuance. ND/E ratio improved from 1.7 times at the previous year to 1.6 times.

Net assets

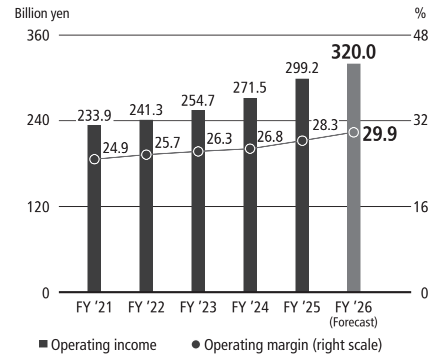
Total net assets amounted to ¥2,470.7 billion (¥302.6 billion increase from the end of the previous fiscal year). Profit attributable to owners of parent as of the end of the fiscal year under review stood at ¥212.5 billion, and retained earnings increased. As a result, the equity ratio improved from 32.3% at the end of the previous fiscal year to 34.4%, and ROE was 9.2% (9.1% at the end of the previous fiscal year).

As of the end of the fiscal year under review, long-term debt accounted for 94% of consolidated interest-bearing debt, and fixed-interest rate debt for 81% (those numbers were 97% and 87%, respectively, at the end of the previous fiscal year).

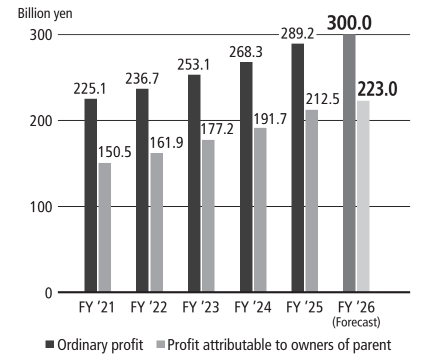
Revenue from Operations



Operating Income and Operating Margin

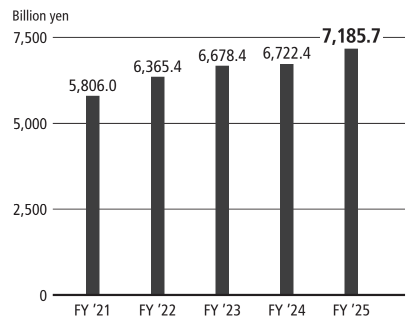


Ordinary Profit* and Profit Attributable to Owners of Parent

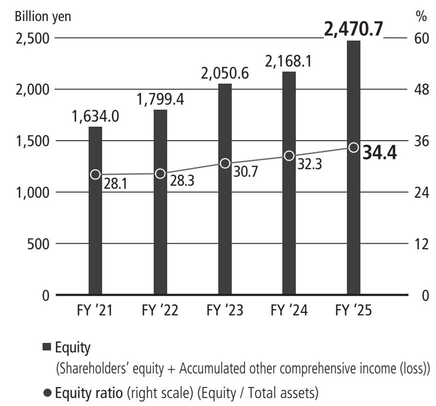


* Please refer to note *1 on Page 1

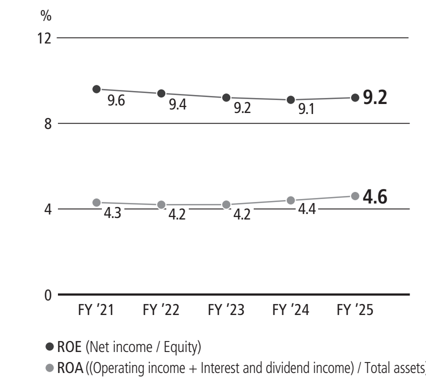
Total Assets



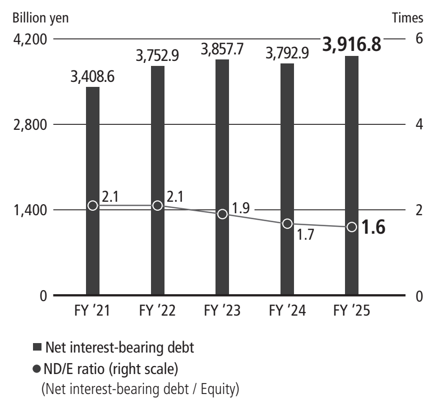
Equity and Equity Ratio



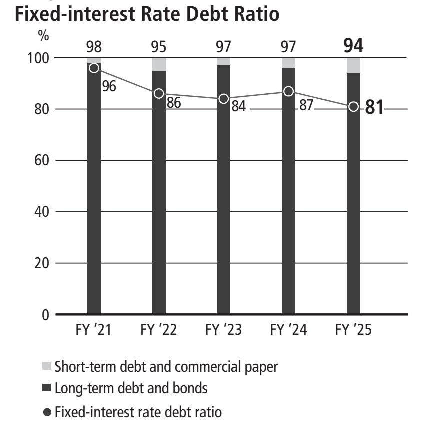
ROE and ROA



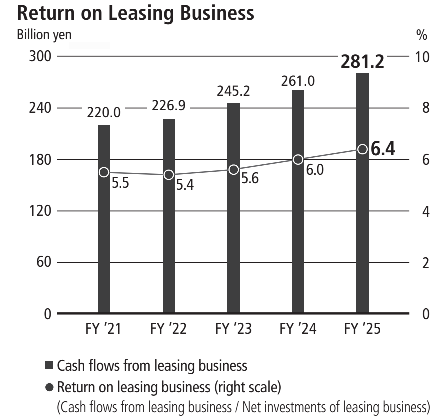
Net Interest-bearing Debt and ND/E Ratio



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, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Assets			
Current assets:			
Cash and deposits (Notes 6, 8 and 9)	¥ 59,173	¥ 99,020	$ 370,063
Accounts receivable—trade (Note 20)	23,824	22,333	148,993
Allowance for doubtful accounts	(37)	(28)	(231)
Inventories (Notes 3, 7 and 23)	1,062,878	924,962	6,647,142
Other current assets	81,249	71,428	508,123
Total current assets	1,227,087	1,117,715	7,674,090
Property and equipment (Notes 3, 7, 21 and 23):			
Land (Note 8)	3,233,825	3,183,277	20,224,046
Buildings and structures (Note 8)	2,132,544	2,062,534	13,336,735
Construction in progress (Note 8)	70,629	98,169	441,707
Other property and equipment (Note 8)	60,648	57,784	379,288
Subtotal of property and equipment	5,497,646	5,401,764	34,381,776
Accumulated depreciation	(915,850)	(850,311)	(5,727,642)
Total property and equipment	4,581,796	4,551,453	28,654,134
Intangibles (Note 21):			
Leasehold rights (Notes 3 and 23)	69,119	68,897	432,264
Other intangibles	3,738	3,358	23,377
Total intangibles	72,857	72,255	455,641
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (Note 9)	301,035	239,677	1,882,645
Investment securities (Notes 9 and 10)	818,581	602,448	5,119,331
Guarantee and lease deposits (Notes 9 and 10)	68,980	71,450	431,395
Net defined benefit asset (Note 12)	2,421	1,132	15,141
Deferred income taxes (Note 15)	20,305	18,501	126,986
Other investments and other assets (Notes 9 and 19)	93,095	48,259	582,208
Allowance for doubtful accounts	(465)	(468)	(2,909)
Total investments and other assets	1,303,952	980,999	8,154,797
Total assets	¥7,185,692	¥6,722,422	$44,938,662

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Liabilities and Net Assets			
Current liabilities:			
Short-term debt (Notes 9 and 11)	¥ 258,767	¥ 114,615	$ 1,618,305
Long-term debt due within one year (Notes 8, 9 and 11)	333,063	293,855	2,082,946
Long-term non-recourse debt due within one year (Notes 8, 9 and 11)	40,819	52,007	255,278
Notes and accounts payable—trade	33,515	29,064	209,600
Accrued income taxes	50,067	58,971	313,114
Provison for bonuses	5,158	4,525	32,259
Other current liabilities (Notes 14 and 20)	212,849	237,030	1,331,138
Total current liabilities	934,238	790,067	5,842,640
Long-term liabilities:			
Long-term debt due after one year (Notes 8, 9 and 11)	3,208,320	3,200,583	20,064,540
Long-term non-recourse debt due after one year (Notes 8, 9 and 11)	134,952	230,866	843,977
Guarantee and lease deposits received (Note 9)	282,764	270,953	1,768,380
Net defined benefit liability (Note 12)	3,830	4,069	23,952
Deferred tax liabilities	138,054	52,068	863,377
Provision for share awards	5,458	—	34,135
Other long-term liabilities (Notes 9, 14, 15 and 19)	7,364	5,709	46,054
Total long-term liabilities	3,780,742	3,764,248	23,644,415
Contingent liabilities (Note 24)			
Net assets (Note 17):			
Shareholders' equity			
Common stock:			
Authorized —3,744,000 thousand shares			
Issued —936,000 thousand shares	122,805	122,805	768,011
Capital surplus	104,145	104,154	651,313
Retained earnings	1,848,307	1,706,319	11,559,143
Treasury stock	(45,807)	(20,226)	(286,472)
Total shareholders' equity	2,029,450	1,913,052	12,691,995
Accumulated other comprehensive income (loss)			
Net unrealized holding gains on securities (Note 10)	389,573	230,151	2,436,354
Net deferred gains (losses) on hedges (Note 19)	43,436	16,239	271,645
Foreign currency translation adjustments	7,251	8,261	45,347
Remeasurements of defined benefit plans (Note 12)	1,002	404	6,266
Total accumulated other comprehensive income	441,262	255,055	2,759,612
Total net assets	2,470,712	2,168,107	15,451,607
Total liabilities and net assets	¥7,185,692	¥6,722,422	$44,938,662

Consolidated Statements of Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2026, 2025 and 2024

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2026	2025	2024	2026
Revenue from operations (Notes 18, 20, 21 and 23)	**¥1,057,766**	¥1,014,240	¥967,692	**$6,615,172**
Costs and expenses (Note 18):				
Cost of revenue from operations (Note 23)	**673,667**	662,961	635,343	**4,213,052**
Selling, general and administrative expenses (Note 12)	**84,944**	79,762	77,682	**531,232**
	758,611	742,723	713,025	**4,744,284**
Operating income (Note 21)	**299,155**	271,517	254,667	**1,870,888**
Other income (expenses) (Note 23):				
Interest income	**543**	1,121	1,302	**3,396**
Interest expense (Notes 11 and 19)	**(27,216)**	(20,400)	(17,962)	**(170,206)**
Dividend income	**19,653**	19,295	18,935	**122,908**
Gain on sale of property and equipment	**62**	116	2,532	**388**
Loss on sale of property and equipment	**(3)**	(70)	(15)	**(19)**
Loss on impairment of fixed assets (Notes 13, 21 and 23)	**(8,315)**	(18,738)	(6,999)	**(52,001)**
Loss on disposal of property and equipment (Note 23)	**(3,187)**	(2,895)	(2,357)	**(19,931)**
Loss on reduction of property and equipment	**—**	—	(425)	**—**
Gain on sale of investment securities (Note 10)	**33,171**	38,374	10,339	**207,448**
Loss on sale of investment securities (Note 10)	**(271)**	(72)	(1,608)	**(1,695)**
Amortization of long-term prepaid expenses	**—**	(8,639)	—	**—**
Loss on devaluation of investment securities (Note 10)	**(513)**	—	—	**(3,208)**
Provision for share awards expense	**(5,180)**	—	—	**(32,395)**
Other, net	**(4,332)**	(5,769)	(5,146)	**(27,093)**
	4,412	2,323	(1,404)	**27,592**
Income before income taxes	**303,567**	273,840	253,263	**1,898,480**
Income taxes (Note 13):				
Current	**93,103**	93,696	76,135	**582,258**
Deferred	**(2,072)**	(11,538)	(43)	**(12,959)**
Total	**91,031**	82,158	76,092	**569,299**
Profit	**212,536**	191,682	177,171	**1,329,181**
Profit attributable to non-controlling interests	**—**	—	—	**—**
Profit attributable to owners of parent	**¥ 212,536**	¥ 191,682	¥177,171	**$1,329,181**

	Yen			U.S. dollars (Note 1)
	2026	2025	2024	2026
Amounts per share of common stock (Note 2 (14)):				
Profit attributable to owners of parent:				
—Basic	**¥228**	¥203	¥187	**$1.43**
—Diluted	**—**	—	—	**—**
Cash dividend applicable to the year (Note 17)	**65**	70	60	**0.41**

See accompanying notes.

Consolidated Statements of Comprehensive Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2026, 2025 and 2024

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2026	2025	2024	2026
Profit	**¥212,536**	¥191,682	¥177,171	**$1,329,181**
Other comprehensive income (loss) (Note 22)				
Net unrealized holding gains (losses) on securities	**159,422**	(38,816)	97,140	**997,011**
Net deferred gains (losses) on hedges	**27,197**	9,057	1,203	**170,087**
Foreign currency translation adjustments	**(1,010)**	3,564	2,037	**(6,316)**
Remeasurements of defined benefit plans	**598**	(302)	675	**3,739**
Total other comprehensive income (loss)	**186,207**	(26,497)	101,055	**1,164,521**
Comprehensive income	**¥398,743**	¥165,185	¥278,226	**$2,493,702**
Comprehensive income attributable to:				
Owners of the parent	**¥398,743**	¥165,185	¥278,226	**$2,493,702**
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, 2026, 2025 and 2024

	Millions of yen										
	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)	Total net assets
Balance at April 1, 2023	¥ 122,805	¥ 104,154	¥ 1,396,393	¥ (4,477)	¥ 1,618,875	¥ 171,827	¥ 5,979	¥ 2,660	¥ 31	¥ 180,497	¥ 1,799,372
Profit attributable to owners of parent	—	—	177,171	—	177,171	—	—	—	—	—	177,171
Foreign currency translation adjustments	—	—	—	—	—	—	—	2,037	—	2,037	2,037
Net unrealized holding gains (losses) on securities	—	—	—	—	—	97,140	—	—	—	97,140	97,140
Acquisition of treasury stock	—	—	—	(2)	(2)	—	—	—	—	—	(2)
Disposal of treasury stock	—	0	—	0	0	—	—	—	—	—	0
Disposal of treasury stock to stock delivery trust	—	—	—	—	—	—	—	—	—	—	—
Retirement of treasury stock	—	—	—	—	—	—	—	—	—	—	—
Acquisition of treasury stock by stock delivery trust	—	—	—	—	—	—	—	—	—	—	—
Disposal of treasury stock to stock delivery trust	—	—	—	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid	—	—	(27,014)	—	(27,014)	—	—	—	—	—	(27,014)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	1,203	—	—	1,203	1,203
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	675	675	675
Balance at April 1, 2024	¥ 122,805	¥ 104,154	¥ 1,546,550	¥ (4,479)	¥ 1,769,030	¥ 268,967	¥ 7,182	¥ 4,697	¥ 706	¥ 281,552	¥2,050,582
Profit attributable to owners of parent	—	—	191,682	—	191,682	—	—	—	—	—	191,682
Foreign currency translation adjustments	—	—	—	—	—	—	—	3,564	—	3,564	3,564
Net unrealized holding gains (losses) on securities	—	—	—	—	—	(38,816)	—	—	—	(38,816)	(38,816)
Acquisition of treasury stock	—	—	—	(15,747)	(15,747)	—	—	—	—	—	(15,747)
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—
Disposal of treasury stock to stock delivery trust	—	—	—	—	—	—	—	—	—	—	—
Retirement of treasury stock	—	—	—	—	—	—	—	—	—	—	—
Acquisition of treasury stock by stock delivery trust	—	—	—	—	—	—	—	—	—	—	—
Disposal of treasury stock by stock delivery trust	—	—	—	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	(639)	—	(639)	—	—	—	—	—	(639)
Cash dividends paid	—	—	(31,274)	—	(31,274)	—	—	—	—	—	(31,274)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	9,057	—	—	9,057	9,057
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	(302)	(302)	(302)
Balance at March 31, 2025	**¥122,805**	**¥104,154**	**¥1,706,319**	**¥(20,226)**	**¥1,913,052**	**¥230,151**	**¥16,239**	**¥8,261**	**¥ 404**	**¥255,055**	**¥2,168,107**
Profit attributable to owners of parent	**—**	**—**	**212,536**	**—**	**212,536**	**—**	**—**	**—**	**—**	**—**	**212,536**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,010)**	**—**	**(1,010)**	**(1,010)**
Net unrealized holding gains (losses) on securities	**—**	**—**	**—**	**—**	**—**	**159,422**	**—**	**—**	**—**	**159,422**	**159,422**
Acquisition of treasury stock	**—**	**—**	**—**	**(60,131)**	**(60,131)**	**—**	**—**	**—**	**—**	**—**	**(60,131)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Disposal of treasury stock to stock delivery trust	**—**	**512**	**—**	**10,488**	**11,000**	**—**	**—**	**—**	**—**	**—**	**11,000**
Retirement of treasury stock	**—**	**(521)**	**(34,421)**	**34,942**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Acquisition of treasury stock by stock delivery trust	**—**	**—**	**—**	**(11,000)**	**(11,000)**	**—**	**—**	**—**	**—**	**—**	**(11,000)**
Disposal of treasury stock by stock delivery trust	**—**	**—**	**—**	**120**	**120**	**—**	**—**	**—**	**—**	**—**	**120**
Change in scope of consolidation	**—**	**—**	**(21)**	**—**	**(21)**	**—**	**—**	**—**	**—**	**—**	**(21)**
Cash dividends paid	**—**	**—**	**(36,106)**	**—**	**(36,106)**	**—**	**—**	**—**	**—**	**—**	**(36,106)**
Net deferred gains (losses) on hedges	**—**	**—**	**—**	**—**	**—**	**—**	**27,197**	**—**	**—**	**27,197**	**27,197**
Remeasurements of defined benefit plans	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**598**	**598**	**598**
Balance at March 31, 2026	**¥122,805**	**¥104,145**	**¥1,848,307**	**¥(45,807)**	**¥2,029,450**	**¥389,573**	**¥43,436**	**¥7,251**	**¥1,002**	**¥441,262**	**¥2,470,712**

	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)	Total net assets
Balance at April 1, 2025	**$768,011**	**$651,369**	**$10,671,163**	**$(126,490)**	**$11,964,053**	**$1,439,343**	**$101,558**	**$51,663**	**$ 2,527**	**$1,595,091**	**$13,559,144**
Profit attributable to owners of parent	**—**	**—**	**1,329,181**	**—**	**1,329,181**	**—**	**—**	**—**	**—**	**—**	**1,329,181**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(6,316)**	**—**	**(6,316)**	**(6,316)**
Net unrealized holding gains (losses) on securities	**—**	**—**	**—**	**—**	**—**	**997,011**	**—**	**—**	**—**	**997,011**	**997,011**
Acquisition of treasury stock	**—**	**—**	**—**	**(376,054)**	**(376,054)**	**—**	**—**	**—**	**—**	**—**	**(376,054)**
Disposal of treasury stock to stock delivery trust	**—**	**3,202**	**—**	**65,591**	**68,793**	**—**	**—**	**—**	**—**	**—**	**68,793**
Retirement of treasury stock	**—**	**(3,258)**	**(215,266)**	**218,524**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Acquisition of treasury stock by stock delivery trust	**—**	**—**	**—**	**(68,793)**	**(68,793)**	**—**	**—**	**—**	**—**	**—**	**(68,793)**
Disposal of treasury stock by stock delivery trust	**—**	**—**	**—**	**750**	**750**	**—**	**—**	**—**	**—**	**—**	**750**
Change in scope of consolidation	**—**	**—**	**(131)**	**—**	**(131)**	**—**	**—**	**—**	**—**	**—**	**(131)**
Cash dividends paid	**—**	**—**	**(225,804)**	**—**	**(225,804)**	**—**	**—**	**—**	**—**	**—**	**(225,804)**
Net deferred gains (losses) on hedges	**—**	**—**	**—**	**—**	**—**	**—**	**170,087**	**—**	**—**	**170,087**	**170,087**
Remeasurements of defined benefit plans	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,739**	**3,739**	**3,739**
Balance at March 31, 2026	**$768,011**	**$651,313**	**$11,559,143**	**$(286,472)**	**$12,691,995**	**$2,436,354**	**$271,645**	**$45,347**	**$ 6,266**	**$2,759,612**	**$15,451,607**

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2026, 2025 and 2024

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2026	2025	2024	2025
Cash flows from operating activities:				
Income before income taxes	**¥ 303,567**	¥ 273,840	¥ 253,263	**$ 1,898,480**
Depreciation and amortization (Notes 21 and 23)	**76,343**	74,882	73,119	**477,442**
Loss on impairment of fixed assets	**8,315**	18,738	6,999	**52,001**
Provision for (Reversal of) allowance for doubtful accounts	**6**	(692)	144	**38**
Increase (Decrease) in net defined benefit liability	**(240)**	(1,110)	(355)	**(1,501)**
Increase (Decrease) in provision for share awards	**5,458**	—	—	**34,134**
Loss (Gain) on sale of property and equipment, net	**(59)**	(46)	(2,517)	**(369)**
Loss on disposal of property and equipment	**3,187**	2,895	2,357	**19,931**
Loss on reduction of property and equipment	**—**	—	425	**—**
Loss (Gain) on sale of investment securities, net	**(32,900)**	(38,302)	(8,731)	**(205,754)**
Loss (Gain) on devaluation of investment securities	**513**	—	—	**3,208**
Interest and dividend income	**(20,197)**	(20,417)	(20,237)	**(126,310)**
Interest expense	**27,216**	20,400	17,962	**170,206**
Decrease (Increase) in accounts receivable—trade	**(1,491)**	9,271	6,500	**(9,325)**
Decrease (Increase) in inventories	**(129,154)**	(18,516)	(73,331)	**(807,717)**
Increase (Decrease) in notes and accounts payable—trade	**4,454**	(6,190)	6,129	**27,855**
Increase (Decrease) in advances received	**(14,544)**	4,286	28,111	**(90,957)**
Other, net	**5,540**	14,063	736	**34,648**
Total	**236,014**	333,102	290,574	**1,476,010**
Proceeds from interest and dividend income	**20,197**	20,417	20,237	**126,310**
Payments for interest	**(26,583)**	(20,307)	(17,729)	**(166,248)**
Payments for income tax and other taxes	**(102,340)**	(80,040)	(61,048)	**(640,024)**
Net cash provided by operating activities	**127,288**	253,172	232,034	**796,048**
Cash flows from investing activities:				
Payments for purchases of property and equipment	**(145,640)**	(165,517)	(188,398)	**(910,819)**
Proceeds from sale of property and equipment	**667**	4,467	9,207	**4,171**
Payments for purchases of investment securities	**(65,339)**	(15,751)	(126,380)	**(408,624)**
Proceeds from sale and redemption of investment securities	**49,913**	45,517	17,822	**312,151**
Payments for guarantee and lease deposits	**(2,221)**	(8,146)	(686)	**(13,890)**
Proceeds from guarantee and lease deposits	**4,435**	1,155	3,108	**27,736**
Repayments for guarantee and lease deposits received	**(18,447)**	(12,520)	(24,207)	**(115,366)**
Proceeds from guarantee and lease deposits received	**31,373**	25,215	29,992	**196,204**
Other, net	**(9,129)**	(18,036)	(31,153)	**(57,091)**
Net cash used in investing activities	**(154,388)**	(143,616)	(310,695)	**(965,528)**
Cash flows from financing activities:				
Increase (Decrease) in short-term debt, net	**144,152**	(23,050)	(70,945)	**901,513**
Proceeds from issuance of bonds	**—**	—	110,000	**—**
Redemption of bonds	**(40,000)**	(90,000)	(70,000)	**(250,156)**
Proceeds from non-recourse bonds	**1,500**	—	—	**9,381**
Redemption of non-recourse bonds	**(15,000)**	—	—	**(93,809)**
Proceeds from long-term loans payable	**340,800**	337,200	278,600	**2,131,332**
Repayments of long-term loans payable	**(253,855)**	(289,415)	(219,472)	**(1,587,586)**
Proceeds from long-term non-recourse loans	**10,244**	—	—	**64,065**
Repayments of long-term non-recourse loans	**(103,846)**	(4,374)	(4,640)	**(649,443)**
Decrease (Increase) in treasury stocks, net	**(60,523)**	(15,747)	(2)	**(378,505)**
Cash dividends paid	**(36,104)**	(31,276)	(27,004)	**(225,791)**
Other, net	**(124)**	(186)	(193)	**(776)**
Net cash provided by (used in) financing activities	**(12,756)**	(116,848)	(3,656)	**(79,775)**
Effect of exchange rate changes on cash and cash equivalents	**(121)**	2,376	1,389	**(757)**
Net increase (decrease) in cash and cash equivalents	**(39,977)**	(4,916)	(80,928)	**(250,012)**
Cash and cash equivalents at beginning of year	**98,234**	103,125	184,053	**614,346**
Increase (Decrease) in cash and cash equivalents resulting from change in scope of consolidation	**29**	25	—	**181**
Cash and cash equivalents at end of year (Note 3)	**¥ 58,286**	¥ 98,234	¥ 103,125	**$ 364,515**

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
As of March 31, 2026 and 2025, and for the years ended March 31, 2026, 2025 and 2024

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, 2026, which was ¥159.90 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.

From the fiscal year ended March 31, 2026, Sumitomo Fudosan Housing Co., Ltd. has been included in the scope of consolidation, as its significance to the consolidated financial statements increased as a result of the business spin-off.

(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, 2026 and 2025 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.

(Housing Business)
Housing 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.

(Step Business)
Step 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) Provision for share awards
In accordance with the Stock Delivery Regulations, the Company records a provision for the amount corresponding to the number of the Company's shares held by the stock delivery trust that are expected to be delivered to employees of the Company and certain consolidated subsidiaries as of the end of the current fiscal year.

(12) 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.

(13) 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.

(14) Amounts per share of common stock
A two-for-one stock split of common stock became effective on January 1, 2026.

(Profit attributable to owners of parent)
Amounts per share of Profit attributable to owners of parent have been calculated assuming that the stock split had been effective as of the beginning of the fiscal year ended March 31, 2024.

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.

From the fiscal year ended March 31, 2026, the Company's shares held by the stock delivery trust, which are recorded as Treasury stock under Shareholders' equity, have been included in the treasury shares deducted in the calculation of the weighted-average number of shares issued and outstanding during the fiscal year when calculating Profit attributable to owners of parent per share. The weighted-average number of such treasury shares was 3,286 thousand shares for the fiscal year ended March 31, 2026.

(Cash dividends applicable to the year)
Cash dividends per share represent actual amounts applicable to the respective year. The total amount of dividends for each fiscal year consists of interim dividends and year-end dividends. The cash dividend for the year ended March 31, 2026 consists of an interim dividend of ¥42 on a pre-stock-split basis and a year-end dividend of ¥23 on a post-stock-split basis.

(15) Changes in presentation method
(Consolidated balance sheets)
"Deferred tax liabilities," which were previously included in "Other" under long-term liabilities, are separately presented from the year ended March 31, 2026 due to their increased materiality. Reflecting this change in presentation, amounts in the consolidated balance sheet for the year ended March 31, 2025 have been reclassified.

As a result, ¥57,777 million previously presented as "Other" under long-term liabilities has been reclassified to ¥52,068 million of "Deferred tax liabilities" and ¥5,709 million of "Other."

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, 2026 and 2025:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Inventories:			
Real estate for sale	¥544,676	¥401,947	$3,406,354
Real estate for sale in process	512,426	517,610	3,204,665

(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.

The net realizable value is estimated based on business plans with the consideration of selling prices, trends in building costs, and other data. These estimates incorporate assumptions including expected selling prices determined by reference to comparable sales data reflecting the location and the characteristics of the property, and expected construction costs derived from historical data and quotations, including those adjusted using relevant indices and other factors.

In case a loss on devaluation of real estate for sale including that in process is to be recognized due to the change of the above-mentioned assumption, the impact on the consolidated financial statements may be significant.

(Loss on impairment of fixed assets)
(1) Carrying amounts in the consolidated financial statements for the years ended March 31, 2026 and 2025:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Property and equipment	¥4,581,796	¥4,551,453	$28,654,134
Leasehold rights	69,119	68,897	432,264

(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 the income approach, and estimates of future cash flows and discount rates are based on assumptions including expected rent determined by reference to comparable rental data reflecting the area, use and specifications of the property, and discount rates determined based on available public information.

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.

4 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.

(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.

5 Additional information

(Stock Compensation Plan to reward long service and dedication for employees of the Group)
The Company has introduced a new plan under which shares of the Company are delivered to employees of the Group through a trust upon their retirement (the "Plan"). The 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.

The accounting treatment relating to the trust agreement is in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No.30, March 26, 2015).

(1) Overview of transactions
In fiscal year ended March 31, 2026, the Company introduced the Stock Compensation Plan to reward long service and dedication for employees of the group. Under the Plan, a trust (hereinafter referred to as the "Trust") is established with money contributed by the Company, and the trustee of this Trust uses these funds to acquire the Company's common stock (hereinafter referred to as the "Company's Shares"). The Company's Shares are then delivered based on the points granted by the Company, upon retirement to employees who meet certain requirements (hereinafter referred to as "Employees"). These points are granted to Employees annually based on their individual performance contributions, in accordance with the Stock Delivery Regulations established by the Company. The number of the Company's Shares delivered to each employee upon retirement is determined by the number of points granted. Since the funds for acquiring the Company's Shares through this Trust are fully contributed by the Company as explained above, employees bear no financial burden.

In the fiscal year ended March 31, 2026, the Company recorded "Provision for share awards expense" of ¥5,180 million ($32,395 thousand) under "Other income (expenses)" relating to points granted for e (including special points granted on a one-time basis).

(2) The Company's Shares in the Trust
The Company's Shares held by the Trust are recorded in "Treasury stock" under net assets at the carrying amount in the Trust (excluding related expenses). The carrying amount and number of these treasury shares as of the end of the fiscal year ended March 31, 2026 were ¥10,879 million ($68,038 thousand) and 4,063 thousand shares, respectively.

6 Cash and cash equivalents

Cash and cash equivalents at March 31, 2026 and 2025 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Cash and deposits	¥59,173	¥99,020	$370,063
Restricted deposits in trust	(500)	(500)	(3,127)
Time deposits with maturities exceeding three months	(387)	(286)	(2,421)
Cash and cash equivalents	¥58,286	¥98,234	$364,515

7 Inventories

Inventories at March 31, 2026 and 2025 are as follows:

	Millions of yen 2026	2025	Thousands of U.S. dollars 2026
Real estate for sale	¥ 544,676	¥401,947	$3,406,354
Real estate for sale in process	512,426	517,610	3,204,665
Costs on uncompleted construction contracts	4,648	4,153	29,069
Other	1,128	1,252	7,054
Total	¥1,062,878	¥924,962	$6,647,142

(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, 2026 and 2025 are as follows:

	Millions of yen 2026	2025	Thousands of U.S. dollars 2026
Inventories:			
Transferred from property and equipment	¥27,757	¥36,734	$173,590
Transferred from intangibles	—	291	—

8 Pledged assets

Assets pledged as collateral at March 31, 2026 and 2025 are as follows:

	Millions of yen 2026	2025	Thousands of U.S. dollars 2026
Cash and deposits	¥ 1,616	¥ 2,012	$ 10,106
Buildings and structures	96,241	108,570	601,882
Land	333,647	374,681	2,086,598
Construction in progress	0	0	0
Other property and equipment	321	423	2,008
Total	¥431,825	¥485,686	$2,700,594

Secured liabilities at March 31, 2026 and 2025 are as follows:

	Millions of yen 2026	2025	Thousands of U.S. dollars 2026
Long-term debt due within one year	¥ 190	¥ 190	$ 1,189
Long-term non-recourse debt due within one year	40,819	52,007	255,278
Long-term debt due after one year	154,670	133,860	967,292
Long-term non-recourse debt due after one year	134,952	230,866	843,977
Total	¥330,631	¥416,923	$2,067,736

Specified assets for non-recourse debts at March 31, 2026 and 2025 are as follows:

	Millions of yen 2026	2025	Thousands of U.S. dollars 2026
Cash and deposits	¥ 1,317	¥ 2,058	$ 8,236
Buildings and structures	35,566	53,906	222,427
Land	153,436	229,034	959,575
Other property and equipment	70	79	437
Total	¥190,389	¥285,077	$1,190,675

(Note) "Specified assets for non-recourse debts" is included in "Assets pledged as collateral" for the years ended March 31, 2026 and 2025 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. The Company's Finance Department is responsible for executing derivative transactions and periodically reviews the status of such transactions.

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 19 "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, 2026 and 2025 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 2026

	Millions of yen Fair value Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥813,384	¥ —	¥—	¥813,384
Debt securities*	—	180	—	180
Derivative transactions				
(1) Non-hedge accounting	—	—	—	—
(2) Hedge accounting				
Interest-related derivatives	—	63,335	—	63,335
Foreign currency related derivatives	—	135	—	135
Total assets	¥813,384	¥63,650	¥—	¥877,034
Derivative transactions				
(1) Non-hedge accounting				
Foreign currency related derivatives	¥ —	¥ 2,677	¥—	¥ 2,677
(2) Hedge accounting				
Interest-related derivatives	—	—	—	—
Foreign currency related derivatives	—	41		41
Total derivative transactions	¥ —	¥ 2,718	¥—	¥ 2,718

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

For 2025

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
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 2026

	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	**$5,086,829**	**$ —**	**$—**	**$5,086,829**
Debt securities*	**—**	**1,126**	**—**	**1,126**
Derivative transactions				
(1) Non-hedge accounting	**—**	**—**	**—**	**—**
(2) Hedge accounting				
Interest-related derivatives	**—**	**396,091**	**—**	**396,091**
Foreign currency related derivatives	**—**	**844**	**—**	**844**
Total assets	**$5,086,829**	**$398,061**	**$—**	**$5,484,890**
Derivative transactions				
(1) Non-hedge accounting				
Foreign currency related derivatives	**$ —**	**$ 16,742**	**$—**	**$ 16,742**
(2) Hedge accounting				
Interest-related derivatives	**—**	**—**	**—**	**—**
Foreign currency related derivatives	**—**	**256**		**256**
Total derivative transactions	**$ —**	**$ 16,998**	**$—**	**$ 16,998**

* 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 2026

	Millions of yen					
	Carrying amount	Fair value				Difference
		Level 1	Level 2	Level 3	Total	
(1) Long-term debt (including due within one year)	**¥3,541,383**	**¥—**	**¥3,417,010**	**¥—**	**¥3,417,010**	**¥(124,373)**
(2) Long-term non-recourse debt (including due within one year)	**175,771**	**—**	**167,568**	**—**	**167,568**	**(8,203)**
(3) Guarantee and lease deposits received	**282,764**	**—**	**278,760**	**—**	**278,760**	**(4,004)**
Total liabilities	**¥3,999,918**	**¥—**	**¥3,863,338**	**¥—**	**¥3,863,338**	**¥(136,580)**

For 2025

	Millions of yen					
	Carrying amount	Fair value				Difference
		Level 1	Level 2	Level 3	Total	
(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 2026

	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)	**$22,147,486**	**$—**	**$21,369,669**	**$—**	**$21,369,669**	**$(777,817)**
(2) Long-term non-recourse debt (including due within one year)	**1,099,256**	**—**	**1,047,955**	**—**	**1,047,955**	**(51,301)**
(3) Guarantee and lease deposits received	**1,768,380**	**—**	**1,743,339**	**—**	**1,743,339**	**(25,041)**
Total liabilities	**$25,015,122**	**$—**	**$24,160,963**	**$—**	**$24,160,963**	**$(854,159)**

(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
	2026	2025	2026
Investments in unconsolidated subsidiaries and affiliates	**¥301,035**	¥239,677	**$1,882,645**
Unlisted equity securities	**5,196**	4,971	**32,496**
Total	**¥306,231**	¥244,648	**$1,915,141**

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

For 2026

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	**¥59,173**	**¥—**	**¥ —**	**¥—**
Investment securities*				
Available-for-sale securities with maturities (National government bonds)	**—**	**—**	**180**	**—**
Total	**¥59,173**	**¥—**	**¥180**	**¥—**

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

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 2026

	Thousands of U.S. dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	**$370,063**	**$—**	**$ —**	**$—**
Investment securities*				
Available-for-sale securities with maturities (National government bonds)	**—**	**—**	**1,126**	**—**
Total	**$370,063**	**$—**	**$1,126**	**$—**

* 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 2026

	Millions of yen					
Year ending March 31	2027	2028	2029	2030	2031	2032 and thereafter
Short-term debt	**¥258,767**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Long-term debt (including due within one year)	**333,063**	**300,715**	**298,880**	**203,925**	**278,375**	**2,126,425**
Long-term non-recourse debt (including due within one year)	**40,819**	**1,760**	**25,363**	**17,281**	**55,951**	**34,597**
Total	**¥632,649**	**¥302,475**	**¥324,243**	**¥221,206**	**¥334,326**	**¥2,161,022**

For 2025

	Millions of yen					
Year ending March 31	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 2026

	Thousands of U.S. dollars					
Year ending March 31	2027	2028	2029	2030	2031	2032 and thereafter
Short-term debt	**$1,618,305**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Long-term debt (including due within one year)	**2,082,946**	**1,880,644**	**1,869,168**	**1,275,328**	**1,740,932**	**13,298,468**
Long-term non-recourse debt (including due within one year)	**255,278**	**11,007**	**158,618**	**108,074**	**349,912**	**216,366**
Total	**$3,956,529**	**$1,891,651**	**$2,027,786**	**$1,383,402**	**$2,090,844**	**$13,514,834**

10 Securities

For 2026

1. The following tables summarize the book value, carrying amounts and fair values of securities with available fair values as of March 31, 2026:

(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	**¥804,357**	**¥233,822**	**¥570,535**	**$5,030,375**	**$1,462,301**	**$3,568,074**
Debt securities*	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Subtotal	**804,357**	**233,822**	**570,535**	**5,030,375**	**1,462,301**	**3,568,074**
Securities whose carrying amount does not exceed book value:						
Equity securities	**9,027**	**10,543**	**(1,516)**	**56,454**	**65,935**	**(9,481)**
Debt securities*	**180**	**196**	**(16)**	**1,126**	**1,226**	**(100)**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Subtotal	**9,207**	**10,739**	**(1,532)**	**57,580**	**67,161**	**(9,581)**
Total	**¥813,564**	**¥244,561**	**¥569,003**	**$5,087,955**	**$1,529,462**	**$3,558,493**

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

(Note) The Group recognized impairment loss on investment securities of ¥513 million ($3,208 thousand) related to equity securities in available-for-sale securities.

2. Total sales of available-for-sale securities sold in the year ended March 31, 2026 amounted to ¥49,905 million ($312,101 thousand) and the related gains and losses amounted to ¥33,171 million ($207,448 thousand) and ¥271 million ($1,695 thousand), respectively.

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		
	Carrying amount	Book value	Difference
Securities whose carrying amount exceeds book value:			
Equity securities	¥579,948	¥240,147	¥339,801
Debt securities*	—	—	—
Other	—	—	—
Subtotal	579,948	240,147	339,801
Securities whose carrying amount does not exceed book value:			
Equity securities	17,528	21,275	(3,747)
Debt securities*	230	239	(9)
Other	—	—	—
Subtotal	17,758	21,514	(3,756)
Total	¥597,706	¥261,661	¥336,045

* 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 and the related gains and losses amounted to ¥38,374 million and ¥72 million, respectively.

11 Short-term debt and long-term debt

Short-term debt at March 31, 2026 and 2025 consisted of the following:

	Millions of yen				Thousands of U.S. dollars
	2026	Average interest rate (%)	2025	Average interest rate (%)	2026
Loans, principally from banks	**¥ 22,767**	**1.38**	¥ 27,615	0.92	**$ 142,383**
Commercial paper	**236,000**	**0.95**	87,000	0.51	**1,475,922**
Total	**¥258,767**		¥114,615		**$1,618,305**

All of short-term debts are raised in yen, and the interest rates represent weighted-average rates in effect balance at March 31, 2026 and 2025.

Long-term debt at March 31, 2026 and 2025 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
0.826% domestic straight bonds, due 2025	**¥ —**	¥ 20,000*	**$ —**
0.992% domestic straight bonds, due 2025	**—**	20,000*	**—**
0.400% domestic straight bonds, due 2026	**10,000***	10,000	**62,540***
0.230% domestic straight bonds, due 2026	**10,000***	10,000	**62,540***
0.400% domestic straight bonds, due 2027	**30,000**	30,000	**187,617**
0.310% domestic straight bonds, due 2031	**30,000**	30,000	**187,617**
0.260% domestic straight bonds, due 2031	**10,000**	10,000	**62,540**
0.520% domestic straight bonds, due 2028 (Green bonds)	**30,000**	30,000	**187,617**
0.490% domestic straight bonds, due 2028 (Green bonds)	**40,000**	40,000	**250,156**
0.500% domestic straight bonds, due 2030 (Green bonds)	**10,000**	10,000	**62,540**
0.790% domestic straight bonds, due 2033 (Green bonds)	**20,000**	20,000	**125,078**
0.628% domestic straight bonds, due 2028 (Green bonds)	**30,000**	30,000	**187,617**
0.980% domestic straight bonds, due 2034 (Green bonds)	**10,000**	10,000	**62,540**
Loans from banks and insurance companies, with interest at weighted-average rates of 1.01% in 2026 and 0.72% in 2025, respectively:			
Secured	**133,860**	134,050	**837,148**
Unsecured	**3,177,523**	3,090,388	**19,871,936**
Subtotal	**3,541,383**	3,494,438	**22,147,486**
Amount due within one year	**(333,063)**	(293,855)	**(2,082,946)**
Total	**¥3,208,320**	¥3,200,583	**$20,064,540**

* 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, 2026 and 2025.

Non-recourse debt at March 31, 2026 and 2025 consisted of the following:

	Millions of yen 2026	2025	Thousands of U.S. dollars 2026
Non-recourse bonds, with interest at weighted-average rates of 1.07% in 2026 and 0.55% in 2025, respectively:			
Due within one year	¥ 6,000	¥ 6,500	$ 37,523
Due after one year	16,100	29,100	100,688
Subtotal	22,100	35,600	138,211
Non-recourse loans, with interest at weighted-average rates of 1.13% in 2026 and 0.60% in 2025, respectively:			
Due within one year	34,819	45,507	217,755
Due after one year	118,852	201,766	743,290
Subtotal	153,671	247,273	961,045
Total	¥175,771	¥282,873	$1,099,256
Secured	¥175,771	¥282,873	$1,099,256
Unsecured	—	—	—
Total	¥175,771	¥282,873	$1,099,256

All of non-recourse debts are raised in yen, and the interest rates represent weighted-average rates in effect balance at March 31, 2026 and 2025.

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 (12), "*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 2026 and 2025

1. Defined benefit plan

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

	Millions of yen 2026	2025	Thousands of U.S. dollars 2026
Retirement benefit obligations at beginning of year	¥11,720	¥12,596	$73,296
Service costs	522	641	3,265
Interest costs	127	57	794
Actuarial differences	(655)	(769)	(4,097)
Retirement benefits paid	(875)	(805)	(5,472)
Retirement benefit obligations at end of year	¥10,839	¥11,720	$67,786

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

	Millions of yen 2026	2025	Thousands of U.S. dollars 2026
Plan assets at beginning of year	¥8,783	¥8,727	$54,929
Expected return on plan assets	171	169	1,069
Actuarial differences	805	(189)	5,034
Employer contributions	56	312	350
Retirement benefits paid	(368)	(236)	(2,301)
Plan assets at end of year	¥9,447	¥8,783	$59,081

(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 2026	2025	Thousands of U.S. dollars 2026
Obligations under retirement benefit plans (funded)	¥ 7,009	¥ 7,651	$ 43,834
Fair value of plan assets	(9,447)	(8,783)	(59,081)
	(2,438)	(1,132)	(15,247)
Obligations under retirement benefit plans (unfunded)	3,830	4,069	23,952
Net amount of liabilities on the consolidated balance sheets	¥ 1,392	¥ 2,937	$ 8,705
Net defined benefit liability	¥ 3,830	¥ 4,069	$ 23,952
Net defined benefit asset	(2,421)	(1,132)	(15,141)
Other (current asset)	(17)	—	(106)
Net amount of liabilities on the consolidated balance sheets	¥ 1,392	¥ 2,937	$ 8,705

(4) Components of retirement benefit expenses

	Millions of yen 2026	2025	Thousands of U.S. dollars 2026
Service costs	¥ 522	¥ 641	$3 ,265
Interest costs	127	57	794
Expected return on plan assets	(171)	(169)	(1,069)
Actuarial differences	(580)	(1,016)	(3,628)
Retirement benefit expenses	¥(102)	¥ (487)	$ (638)

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

	Millions of yen 2026	2025	Thousands of U.S. dollars 2026
Actuarial differences	¥(880)	¥436	$(5,503)
Total	¥(880)	¥436	$(5,503)

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

	Millions of yen 2026	2025	Thousands of U.S. dollars 2026
Unrecognized actuarial differences	¥(1,460)	¥(580)	$(9,131)
Total	¥(1,460)	¥(580)	$(9,131)

(7) Major breakdown of plan assets

	2026	2025
Debt securities	34.3%	29.1%
Equity securities	40.5	38.7
General life insurance accounts	23.8	30.6
Other	1.4	1.6
Total	100.0%	100.0%

(8) Actuarial assumptions

	2026	2025
Discount rate	2.1%	1.1%
Rate of expected return on plan assets	2.0	1.9

2. Defined contribution plan

The required contribution amount for a defined contribution plan that one of the Company's consolidated subsidiaries adopted is ¥331 million ($2,070 thousand) and ¥299 million for the years ended March 31, 2026 and 2025, respectively.

13 Loss on impairment of fixed assets

The Group recognized impairment losses on the following assets for the years ended March 31, 2026, 2025 and 2024, respectively.

For 2026

Use	Location	Number of asset groups
Assets leased to others	**Tokyo and other cities in Japan**	**5**

For 2025

Use	Location	Number of asset groups
Assets leased to others	Tokyo	4

For 2024

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

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 2026

The carrying values of the asset groups summarized above have been reduced to their recoverable amounts by ¥8,315 million ($52,001) 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, 2026. It consists of land of ¥8,315 million ($52,001).

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

For 2025

For the assets leased to others, loss on sales of property and equipment of ¥18,070 million 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 and other property and equipment of ¥159 million.

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

In addition, the carrying values of the asset groups summarized above have been reduced to their recoverable amounts by ¥668 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, 2025. It consists of land of ¥668 million.

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

For 2024

The carrying values of the asset groups 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.

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, 2026 and 2025, asset retirement obligations related to such a case are not recorded (except for the asset retirement obligations recorded on the financial statements).

In addition, under the partial lease contracts, the Group has obligations for restoring office spaces when they move out. For the asset retirement obligations associated with such a case, the duration of use of the assets is not clear enough and these assets do not have any relocation plans. Therefore, the Group is unable to estimate the asset retirement obligations since it is difficult to estimate the timing of fulfillment of the obligations. Consequently, for the years ended March 31, 2026 and 2025, 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, 2026 and 2025 respectively.

Details of deferred tax assets and liabilities at March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Deferred tax assets:			
Loss on devaluation of real estate for sale including that in process	**¥ 29,124**	¥ 27,682	**$ 182,139**
Loss on impairment of fixed assets	**20,990**	19,365	**131,270**
Loss on transfer involving wholly owned subsidiaries	**17,874**	18,548	**111,782**
Adjustments of book value in consolidation	**6,251**	5,699	**39,093**
Accrued enterprise tax and other taxes	**3,655**	3,425	**22,858**
Net operating loss carryforwards	**2,962**	4,259	**18,524**
Provision for bonuses	**1,783**	1,549	**11,151**
Provision for share awards	**1,742**	—	**10,894**
Net defined benefit liability	**1,230**	1,296	**7,692**
Loss on devaluation of investment securities	**1,033**	1,110	**6,460**
Loss on devaluation of investments and other loss, in subsidiaries and affiliates	**342**	537	**2,139**
Other	**17,262**	21,150	**107,955**
Subtotal of deferred tax assets	**104,248**	104,620	**651,957**
Valuation allowance	**(17,264)**	(18,596)	**(107,967)**
Total deferred tax assets	**¥ 86,984**	¥ 86,024	**$ 543,990**
Deferred tax liabilities:			
Net unrealized holding gains on securities	**¥(179,475)**	¥(106,024)	**$(1,122,420)**
Deferred gains on hedges	**(20,006)**	(7,739)	**(125,116)**
Retained earnings appropriated for tax allowable reserves	**(3,841)**	(3,841)	**(24,021)**
Other	**(1,410)**	(1,987)	**(8,818)**
Total deferred tax liabilities	**¥(204,732)**	¥(119,591)	**$(1,280,375)**
Net deferred tax liabilities	**¥(117,748)**	¥ (33,567)	**$ (736,385)**

(Note) Net deferred tax liabilities are included in the following items on the consolidated balance sheets for the years ended March 31, 2026 and 2025.

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Investments and other assets—Deferred income taxes	**¥20,305**	¥18,501	**$126,986**
Long-term liabilities—Deferred tax liabilities	**138,054**	52,068	**863,377**

The difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2026 and 2025 is less than five-hundredths of the statutory tax rate and not presented.

16 Business combination

(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. has been newly included in the scope of consolidation, and the transaction is 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).

17 Shares, dividends and net assets

1. Type and number of issued stock

For 2026

(1) Issued stock

Type of shares	Number of shares (Thousands)			
	Balance at beginning of year	Increase during year	Decrease during year	Balance at end of year
Common stock	**476,086**	**468,000**	**8,086**	**936,000**

(Note) A two-for-one stock split of common stock became effective on January 1, 2026.

Summary of changes

The decrease of 8,086 thousand shares was due to retirement of treasury stock pursuant to a resolution of the Board of Directors.
The increase of 468,000 thousand shares was due to the stock split.

(2) Treasury stock

Type of shares	Number of shares (Thousands)			
	Balance at beginning of year	Increase during year	Decrease during year	Balance at end of year
Common stock	**5,416**	**17,139**	**10,171**	**12,384**

(Note) A two-for-one stock split of common stock became effective on January 1, 2026. The number of shares includes the Company's stock held by the stock delivery trust for employees (4,063 thousand shares as of March 31, 2026).

Summary of changes

The increase consisted of:
11,257 thousand shares due to acquisition of treasury stock pursuant to a resolution of the Board of Directors,
1 thousand shares due to purchase of shares constituting less than one unit,
2,054 thousand shares due to acquisition of treasury stock by the stock delivery trust for employees, and
3,827 thousand shares due to the stock split.

The decrease consisted of:
2,054 thousand shares due to disposal of treasury stock to the stock delivery trust for employees,
8,086 thousand shares due to retirement of treasury stock pursuant to a resolution of the Board of Directors,
18 thousand shares due to delivery of shares to employees by the stock delivery trust for employees, and
13 thousand shares due to sale of shares by the stock delivery trust for employees to fund cash payments to employees.

For 2025

(1) Issued stock

Type of shares	Number of shares (Thousands)			
	Balance at beginning of year	Increase during year	Decrease during year	Balance at end of year
Common stock	476,085	—	—	476,085

(2) Treasury stock

Type of shares	Number of shares (Thousands)			
	Balance at beginning of year	Increase during year	Decrease during year	Balance at end of year
Common stock	2,147	3,269	—	5,416

Summary of changes

The increase consisted of:
3,089 thousand shares due to acquisition of treasury shares pursuant to a resolution of the Board of Directors,
180 thousand shares due to purchase of shares held by shareholders whose whereabouts are unknown pursuant to Article 197, Paragraphs 3 and 4 of the Companies Act, and
0 thousand shares due to purchase of shares constituting less than one unit.

For 2024

(1) Issued stock

Type of shares	Number of shares (Thousands)			
	Balance at beginning of year	Increase during year	Decrease during year	Balance at end of year
Common stock	476,085	—	—	476,085

(2) Treasury stock

Type of shares	Number of shares (Thousands)			
	Balance at beginning of year	Increase during year	Decrease during year	Balance at end of year
Common stock	2,147	0	0	2,147

Summary of changes

The increase of 0 thousand shares was due to purchase of shares constituting less than one unit.
The decrease of 0 thousand shares was due to sale of shares constituting less than one unit.

2. Dividends

For 2026

(1) Dividends paid to shareholders

Resolution	Type of shares	Total dividends		Dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars		
Annual General Meeting of Shareholders on June 27, 2025	Common stock	**¥16,473**	**$103,021**	**¥35**	**$0.22**	**March 31, 2025**	**June 30, 2025**
Board of Directors Meeting on November 11, 2025	Common stock	**¥19,633**	**$122,783**	**¥42**	**$0.26**	**September 30, 2025**	**December 8, 2025**

(Notes)
1. A two-for-one stock split of common stock became effective on January 1, 2026. The dividends per share stated above are the actual amounts prior to the stock split.
2. Total dividends resolved at the Board of Directors meeting held on November 11, 2025 include ¥86,163 thousand ($539 thousand) of dividends on the Company's shares held by the stock delivery trust for employees.

(2) Dividends with a record date in the current fiscal year and an effective date in the following fiscal year

Resolution	Type of shares	Source of dividends	Total dividends		Dividends per share		Record date	Effective date
			Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars		
Annual General Meeting of Shareholders on June 26, 2026	Common stock	Retained earnings	**¥21,337**	**$133,440**	**¥23**	**$0.14**	**March 31, 2026**	**June 29, 2026**

(Notes)
1. A two-for-one stock split of common stock became effective on January 1, 2026. The dividends per share stated above are the actual amounts after the stock split.
2. Total dividends resolved at the Annual General Meeting of Shareholders on June 26, 2026 include ¥93,454 thousand ($584 thousand) of dividends on the Company's shares held by the stock delivery trust for employees.

For 2025

Dividends paid to shareholders

Resolution	Type of shares	Millions of yen		Record date	Effective date
		Total dividends	Dividends per share		
Annual General Meeting of Shareholders on June 27, 2024	Common stock	¥14,693	¥31	March 31, 2024	June 28, 2024
Board of Directors Meeting on November 8, 2024	Common stock	¥16,581	¥35	September 30, 2024	December 5, 2024

For 2024

Dividends paid to shareholders

Resolution	Type of shares	Millions of yen		Record date	Effective date
		Total dividends	Dividends per share		
Annual General Meeting of Shareholders on June 29, 2023	Common stock	¥13,270	¥28	March 31, 2023	June 30, 2023
Board of Directors Meeting on November 10, 2023	Common stock	¥13,744	¥29	September 30, 2023	December 4, 2023

3. 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.

18 Information for certain lease transactions

Future lease payments and receipts under such non-cancelable operating leases at March 31, 2026, 2025 and 2024 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2026	2025	2024	2026
Operating leases:				
Future lease payments:				
Due within one year	¥ 1,752	¥ 1,663	¥ 1,639	$ 10,957
Due after one year	39,808	40,495	41,476	248,955
Total	¥ 41,560	¥ 42,158	¥ 43,115	$ 259,912
Future lease receipts:				
Due within one year	¥ 78,817	¥ 86,109	¥ 92,333	$ 492,914
Due after one year	132,192	133,287	150,778	826,717
Total	¥211,009	¥219,396	¥243,111	$1,319,631

19 Derivative transactions

The summary of derivative transactions for the years ended March 31, 2026 and 2025 is as follows:

1. Derivative transactions to which hedge accounting was not applied

(1) Foreign currency-related derivatives

For 2026

	Types of derivative transactions	Millions of yen Contract amounts	Contract amounts due after one year	Fair value	Gain (loss)
Non-market transactions	Foreign Exchange forward contracts Receipts in yen / Payments in U.S. dollars	¥28,755	¥28,755	¥26,079	¥(2,677)

	Types of derivative transactions	Thousands of U.S. dollars Contract amounts	Contract amounts due after one year	Fair value	Gain (loss)
Non-market transactions	Foreign Exchange forward contracts Receipts in yen / Payments in U.S. dollars	$179,831	$179,831	$163,096	$(16,742)

For 2025

Not applicable

2. Derivative transactions to which hedge accounting was applied

(1) Foreign currency-related derivatives

For 2026

Hedging accounting	Types of derivative transactions	Hedged items	Millions of yen Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Foreign Exchange forward contracts Receipts in Indian rupee / Payments in yen	Investments in unconsolidated subsidiaries and affiliates	¥13,285	¥—	¥ 94

Hedging accounting	Types of derivative transactions	Hedged items	Thousands of U.S. dollars Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Foreign Exchange forward contracts Receipts in Indian rupee / Payments in yen	Investments in unconsolidated subsidiaries and affiliates	$83,083	$—	$588

For 2025

Hedging accounting	Types of derivative transactions	Hedged items	Millions of yen Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Foreign Exchange forward contracts Receipts in Indian rupee / Payments in yen	Investments in unconsolidated subsidiaries and affiliates	¥8,444	¥—	¥216

(2) Interest-related derivatives

For 2026

Hedging accounting	Types of derivative transactions	Hedged items	Millions of yen Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans	¥ 741,400	¥ 741,400	¥ 63,335
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	729,554	615,047	—(*)

Hedging accounting	Types of derivative transactions	Hedged items	Thousands of U.S. dollars Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans	$4,636,648	$4,636,648	$396,091
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	4,562,564	3,846,448	—(*)

For 2025

Hedging accounting	Types of derivative transactions	Hedged items	Millions of yen Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans	¥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	—(*)

(*) 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.

20 Revenue recognition

1. Information for breakdown of revenues from contracts with customers

For 2026

	Millions of yen Reportable segments Leasing business	Sales business	Housing business	Step business	Other businesses	Total
Office buildings and other properties leasing*	¥404,878	¥ —	¥ —	¥ —	¥ —	¥ 404,878
Condominiums and detached houses	—	252,055	—	—	—	252,055
Shinchiku Sokkurisan remodeling	—	—	103,202	—	—	103,202
Custom homes	—	—	85,471	—	—	85,471
Real estate brokerage	—	—	—	73,294	—	73,294
Others	53,198	71,119	30	1,313	13,206	138,866
Total	¥458,076	¥323,174	¥188,703	¥74,607	¥13,206	¥1,057,766

For 2025

	Millions of yen Reportable segments Leasing business	Sales business	Housing business	Step 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	—	—	109,771	—	—	109,771
Custom homes	—	—	94,489	—	—	94,489
Real estate brokerage	—	—	—	71,132	—	71,132
Others	47,364	67,606	—	1,744	10,819	127,533
Total	¥431,730	¥294,555	¥204,260	¥72,876	¥10,819	¥1,014,240

For 2024

	Millions of yen Reportable segments Leasing business	Sales business	Housing business	Step 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 2026

	Thousands of U.S. dollars					
	Reportable segments					
	Leasing business	Sales business	Housing business	Step business	Other businesses	Total
Office buildings and other properties leasing*	$2,532,070	$ —	$ —	$ —	$ —	$2,532,070
Condominiums and detached houses	—	1,576,329	—	—	—	1,576,329
Shinchiku Sokkurisan remodeling	—	—	645,416	—	—	645,416
Custom homes	—	—	534,528	—	—	534,528
Real estate brokerage	—	—	—	458,374	—	458,374
Others	332,695	444,772	187	8,211	82,590	868,455
Total	$2,864,765	$2,021,101	$1,180,131	$466,585	$82,590	$6,615,172

(Notes)
1. 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. From the fiscal year ended March 31, 2026, the reportable segments have been changed. For details of the changes, please refer to "(Changes in segment names and classifications)" under Note 21 "Segment information." The information for the fiscal year ended March 31, 2025 has been restated based on the reportable segment classification after the changes.

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	
	2026		2025		2026	
	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*	¥22,333	¥23,824	¥31,548	¥22,333	$139,669	$148,993
Contract liabilities	89,240	74,393	86,475	89,240	558,099	465,247

* 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 Housing 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 Step 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, 2026 and 2025, ¥70,822 million ($442,914 thousand) and ¥75,971 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
	2026	2025	2026
Sales business	¥203,682	¥269,759	$1,273,809
Housing business	126,782	126,129	792,883
Step business	20,927	22,703	130,876
Total	¥351,391	¥418,591	$2,197,568

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

(Changes in segment names and classifications)

In line with a series of management system changes, such as the spin-off of a new company "Sumitomo Fudosan Housing Co., Ltd." by integrating Remodeling Business and Custom Homes Business, and the renaming of Sumitomo Real Estate Sales Co., Ltd., which celebrated its 50th anniversary, to "Sumitomo Fudosan Step Co., Ltd." to restructure the company and strengthen the customer-oriented brand, the Group has changed the segment names and segment classifications as follows from the fiscal year ended March 31, 2026.

The segment information is presented using the new segment names, and the segment information for the fiscal year ended March 31, 2025 has been retrospectively reclassified to reflect the changes in segment classifications. Certain intersegment transactions relating to the segment expenses of the Housing business were not reclassified to the segment expenses of the Housing business, as those amounts were determined to be immaterial.

(Changes in segment names)

Before		After
Construction	→	Housing
Brokerage	→	Step

(Changes in segment classifications)

	Before		After
Condominium Management (Sumitomo Fudosan Tatemono Service Co., Ltd.)	Leasing	→	Sales
Interior Sales (Sumitomo Fudosan Syscon Co., Ltd.)	Construction	→	Sales

Information by business segment for the years ended March 31, 2026, 2025 and 2024 is summarized as follows:

For 2026

	Millions of yen							
	Reportable segments							
	Leasing business	Sales business	Housing business	Step business	Other businesses	Total	Adjustments	Consolidated financial statements amounts
Revenue from operations:								
Customers	¥ 458,076	¥ 323,174	¥188,703	¥ 74,607	¥ 13,206	¥1,057,766	¥ —	¥1,057,766
Intersegment	2,561	859	203	753	4,711	9,087	(9,087)	—
Total	460,637	324,033	188,906	75,360	17,917	1,066,853	(9,087)	1,057,766
Segment profit	¥ 210,182	¥ 76,223	¥ 13,421	¥ 23,602	¥ 5,452	¥ 328,880	¥ (29,725)	¥ 299,155
Segment assets	¥4,715,675	¥1,217,282	¥ 67,727	¥203,970	¥221,880	¥6,426,534	¥759,158	¥7,185,692
Other:								
Depreciation and amortization	¥ 70,991	¥ 925	¥ 593	¥ 855	¥ 378	¥ 73,742	¥ 2,601	¥ 76,343
Loss on impairment of fixed assets	5,151	3,164	—	—	—	8,315	—	8,315
Increase in property and equipment, and intangibles	131,647	6,050	660	1,402	418	140,177	1,712	141,889

For 2025

	Millions of yen							
	Reportable segments							
	Leasing business	Sales business	Housing business	Step business	Other businesses	Total	Adjustments	Consolidated financial statements amounts
Revenue from operations:								
Customers	¥ 431,730	¥ 294,555	¥204,260	¥ 72,876	¥ 10,819	¥1,014,240	¥ —	¥1,014,240
Intersegment	1,955	200	—	298	2,215	4,668	(4,668)	—
Total	433,685	294,755	204,260	73,174	13,034	1,018,908	(4,668)	1,014,240
Segment profit	¥ 188,655	¥ 64,217	¥ 21,586	¥ 19,502	¥ 2,170	¥ 296,130	¥ (24,613)	¥ 271,517
Segment assets	¥4,657,525	¥1,102,671	¥ 54,009	¥196,513	¥180,123	¥6,190,841	¥531,581	¥6,722,422
Other:								
Depreciation and amortization	¥ 69,550	¥ 959	¥ 610	¥ 862	¥ 289	¥ 72,270	¥ 2,612	¥ 74,882
Loss on impairment of fixed assets	18,615	123	—	—	—	18,738	—	18,738
Increase in property and equipment, and intangibles	140,256	26,128	857	767	149	168,157	2,087	170,244

For 2024

	Millions of yen							
	Reportable segments							
	Leasing business	Sales business	Housing business	Step business	Other businesses	Total	Adjustments	Consolidated financial statements amounts
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 2026

	Thousands of U.S. dollars							
	Reportable segments							
	Leasing business	Sales business	Housing business	Step business	Other businesses	Total	Adjustments	Consolidated financial statements amounts
Revenue from operations:								
Customers	$ 2,864,765	$2,021,101	$1,180,131	$ 466,585	$ 82,590	$ 6,615,172	$ —	$ 6,615,172
Intersegment	16,017	5,372	1,270	4,710	29,461	56,830	(56,830)	—
Total	2,880,782	2,026,473	1,181,401	471,295	112,051	6,672,002	(56,830)	6,615,172
Segment profit	$ 1,314,459	$ 476,692	$ 83,934	$ 147,605	$ 34,096	$ 2,056,786	$ (185,898)	$ 1,870,888
Segment assets	$29,491,401	$7,612,770	$ 423,558	$1,275,610	$1,387,617	$40,190,956	$4,747,706	$44,938,662
Other:								
Depreciation and amortization	$ 443,971	$ 5,785	$ 3,709	$ 5,347	$ 2,364	$ 461,176	$ 16,266	$ 477,442
Loss on impairment of fixed assets	32,214	19,787	—	—	—	52,001	—	52,001
Increase in property and equipment, and intangibles	823,308	37,836	4,128	8,768	2,614	876,654	10,707	887,361

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.

22 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, 2026, 2025 and 2024 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2026	2025	2024	2026
Unrealized holding gains (losses) on securities:				
Increase (Decrease) during fiscal year	¥265,253	¥(14,901)	¥148,780	$1,658,868
Reclassification adjustments	(32,387)	(36,682)	(8,731)	(202,545)
Amounts before income taxes and tax effects	232,866	(51,583)	140,049	1,456,323
Income taxes and tax effects	(73,444)	12,767	(42,909)	(459,312)
Total	¥159,422	¥(38,816)	¥ 97,140	$ 997,011
Deferred gains (losses) on hedges:				
Increase (Decrease) during fiscal year	¥ 40,509	¥ 13,338	¥ 788	$ 253,340
Reclassification adjustments	(784)	14	946	(4,903)
Amounts before income taxes and tax effects	39,725	13,352	1,734	248,437
Income taxes and tax effects	(12,528)	(4,295)	(531)	(78,350)
Total	¥ 27,197	¥ 9,057	¥ 1,203	$ 170,087
Foreign currency translation adjustments:				
Increase (Decrease) during fiscal year	¥ (1,010)	¥ 3,564	¥ 2,036	$ (6,316)
Remeasurements of defined benefit plans:				
Increase (Decrease) during fiscal year	¥ 1,460	¥580	¥ 1,016	$ 9,131
Reclassification adjustments	(580)	(1,016)	(42)	(3,628)
Amounts before income taxes and tax effects	880	(436)	974	5,503
Income taxes and tax effects	(282)	134	(298)	(1,764)
Total	¥ 598	¥ (302)	¥ 676	$ 3,739
Total other comprehensive income (loss)	¥186,207	¥(26,497)	¥101,055	$1,164,521

23 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, 2026 is ¥4,461,159 million ($27,899,681 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, 2026 and 2025 are as follows:

			Millions of yen		Thousands of U.S. dollars
			2026	2025	2026
Investment and rental properties	Carrying amount	Balance at beginning of fiscal year	¥4,152,188	¥4,099,184	$25,967,405
		Changes during fiscal year, net	32,922	53,004	205,891
		Balance at end of fiscal year	4,185,110	4,152,188	26,173,296
	Fair value at end of fiscal year		8,223,265	7,953,589	51,427,548
A portion used as investment and rental properties	Carrying amount	Balance at beginning of fiscal year	¥ 278,604	¥ 282,554	$ 1,742,364
		Changes during fiscal year, net	(2,555)	(3,951)	(15,979)
		Balance at end of fiscal year	276,049	278,603	1,726,385
	Fair value at end of fiscal year		697,220	672,037	4,360,350

(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, 2026 and 2025 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, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Increase:			
Acquired real estate	¥129,206	¥156,743	$ 808,043
Transferred from inventories	—	—	—
Decrease:			
Depreciation and amortization	¥ (63,127)	¥ (60,491)	$(394,790)
Transferred to inventories	(27,758)	(36,735)	(173,596)
Loss on impairment of fixed assets	(8,315)	(668)	(52,001)

Income and expenses for investment and rental properties for the years ended March 31, 2026 and 2025 are as follows:

		Millions of yen		Thousands of U.S. dollars
		2026	2025	2026
Investment and rental properties	Revenue from operations	¥350,483	¥329,236	$2,191,889
	Cost of revenue from operations	164,456	158,882	1,028,493
	Operating income	186,027	170,354	1,163,396
	Other income (expenses), net	(6,891)	(1,682)	(43,096)
A portion used as investment and rental properties	Revenue from operations	¥ 28,814	¥ 28,593	$ 180,200
	Cost of revenue from operations	15,796	16,071	98,787
	Operating income	13,018	12,522	81,413
	Other income (expenses), net	(20)	(311)	(125)

(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 impairment loss and that for a portion used as investment and rental properties is mostly loss on disposal of property and equipment.

24 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 ¥18,964 million ($118,599 thousand) and ¥19,969 million at March 31, 2026 and 2025, respectively.

25 Subsequent events

Not applicable.

Independent Auditor's Report

KPMG

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, 2026 and 2025, 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, 2026, 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, 2026 and 2025, and its consolidated financial performance and its consolidated cash flows for each of the years in the three-year period ended March 31, 2026 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 of public interest entities in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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
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, 2026. As described in Note 23, "Investment and rental properties" to the consolidated financial statements, the Investment and rental properties amounted to ¥4,461,159 million and accounted for approximately 62% of the total assets in the consolidated financial statements. 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. The feasibility of the business plans including the development plans which were the basis for the recoverable amount and the assumptions used in calculating the market prices including expected rents 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, trends in building costs, financial market situations, taxation system and other social aspects. Accordingly, these estimates involve a high degree of uncertainty. 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.	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: (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. (2) Assessment of the appropriateness of the judgments concerning the identification of an impairment indicator for the Investment and rental properties 1. The feasibility of the business plans • In order to assess whether any events had occurred that could significantly reduce the recoverable amount, we inquired of the personnel in the responsible divisions their judgments about the current progress against the business plans, the feasibility of the business plans and whether any events which could require changes of the business plans had occurred. 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. • We observed certain properties and certain projects in progress, in order to assess if these properties had actually been rented or if the current progress against the business plan was consistent with their judgments. 2. Appropriateness of the expected rents and discount rates • We assessed that the expected rents were determined based on contract rents or observable rent data of comparable properties, considering factors such as location, use, and specifications. • 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.

Reasonableness of the valuation of the Real Estate for Sale

The key audit matter	How the matter was addressed in our audit
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, 2026. As described in Note 7, "Inventories" to the consolidated financial statements, real estate for sale and real estate for sale in process amounted to ¥544,676 million and ¥512,426 million, respectively, which accounted for approximately 15% of the total assets in the consolidated financial statements. As described in Note 3, "Significant accounting estimates" to the consolidated financial statements, when 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. The feasibility of the business plans including the development plans which were the basis for the net realizable value and the assumptions used in calculating the net realizable value including expected selling prices and expected construction costs 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. Accordingly, these estimates involve a high degree of uncertainty. 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.	The primary procedures we performed to assess the reasonableness of the valuation of the Real Estate for Sale included the following: (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. (2) Assessment of the reasonableness of the valuation of the Real Estate for Sale 1. The feasibility of the business plans • In order to assess whether any significant events had occurred that could reduce the profitability of the Real Estate for Sale, we inquired of the personnel in the responsible divisions their judgments about the current progress against the business plans and the feasibility of the business plans, and whether any events which could require changes of the business plans had occurred. 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. • We observed certain properties in order to assess the sales status of the Real Estate for Sale and whether the current progress against the business plan was consistent with their judgments. 2. Appropriateness of the expected selling prices and expected construction costs • We assessed that the expected selling prices were determined based on observable sales data of comparable properties, considering factors such as location and property characteristics. • We assessed that the expected construction costs reflected the trends in published building cost indicators. • With the assistance of our own real-estate valuation specialists, we evaluated the appropriateness of the expected selling prices and expected construction costs.

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 300 million yen and 12 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 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, 2026

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