

# Consolidated Financial Report for FY2023

---

Ended March 31, 2024

Eleven-year Financial Summary	01
Management's Discussion and Analysis	03
Consolidated Financial Statements	
Consolidated Balance Sheets	05
Consolidated Statements of Income	07
Consolidated Statements of Comprehensive Income	07
Consolidated Statements of Changes in Net Assets	08
Consolidated Statements of Cash Flows	09
Notes to Consolidated Financial Statements	10
Independent Auditor's Report	30

## Eleven-year Financial Summary

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Millions of yen											
<b>For the Year</b>											
Revenue from operations	780,273	806,835	854,964	925,151	948,402	1,012,198	1,013,513	917,473	939,431	939,905	<b>967,692</b>
Leasing	283,730	289,117	313,340	337,466	353,881	381,764	395,592	398,238	425,082	425,369	<b>444,406</b>
Sales	234,093	264,207	274,761	314,299	311,193	331,752	324,928	263,395	233,788	222,077	<b>241,207</b>
Construction	201,190	188,995	199,115	203,623	209,356	221,693	218,931	188,708	204,362	213,584	<b>205,059</b>
Brokerage	57,211	58,486	61,496	66,714	69,169	71,867	71,199	65,793	73,484	75,107	<b>72,308</b>
Cost of revenue from operations	558,987	579,964	614,191	664,184	664,015	711,050	691,832	629,565	636,988	625,452	<b>635,343</b>
SG&A expenses	60,815	60,976	66,532	72,796	78,750	81,759	87,349	68,664	68,560	73,179	<b>77,682</b>
% of revenue from operations	7.8%	7.6%	7.8%	7.9%	8.3%	8.1%	8.6%	7.5%	7.3%	7.8%	<b>8.0%</b>
Operating income	160,471	165,895	174,241	188,171	205,637	219,389	234,332	219,244	233,883	241,274	<b>254,667</b>
% of revenue from operations	20.6%	20.6%	20.4%	20.3%	21.7%	21.7%	23.1%	23.9%	24.9%	25.7%	<b>26.3%</b>
Ordinary profit*1	130,537	139,055	148,424	167,697	186,871	203,227	220,521	209,950	225,115	236,651	<b>253,112</b>
Profit attributable to owners of parent	69,697	80,567	87,798	103,489	119,731	130,103	140,997	141,389	150,452	161,926	<b>177,171</b>
Depreciation and amortization	35,311	33,519	34,574	39,446	41,628	46,313	48,974	57,813	60,645	64,635	<b>73,119</b>
<b>At Year-end</b>											
Total assets	4,220,429	4,523,804	4,675,915	4,980,040	5,167,199	5,130,120	5,317,623	5,673,666	5,806,040	6,365,436	<b>6,678,390</b>
Equity*2	707,948	832,462	888,100	1,007,347	1,114,975	1,202,104	1,295,000	1,503,021	1,634,049	1,799,372	<b>2,050,582</b>
Net interest-bearing debt	2,652,929	2,875,660	2,971,667	3,101,162	3,210,302	3,170,595	3,245,547	3,372,953	3,408,600	3,752,902	<b>3,857,653</b>
Unrealized gains on investment and rental properties	1,132,644	1,290,145	1,697,562	1,996,441	2,328,140	2,703,263	3,176,151	3,432,632	3,494,974	3,736,711	<b>3,994,873</b>
<b>Per Share Amounts (Yen)</b>											
Profit attributable to owners of parent	147.02	169.97	185.23	218.34	252.62	274.51	297.5	298.33	317.45	341.66	<b>373.83</b>
Net assets	1,493.48	1,756.25	1,873.71	2,125.36	2,352.53	2,536.40	2,732.41	3,171.34	3,447.81	3,796.64	<b>4,326.69</b>
Cash dividend applicable to the year	20.00	21.00	22.00	24.00	27.00	30.00	35.00	40.00	45.00	52.00	<b>60.00</b>
<b>Key Ratios</b>											
Equity ratio (%)	16.8	18.4	19.0	20.2	21.6	23.4	24.4	26.5	28.1	28.3	<b>30.7</b>
ROE (%)	10.4	10.5	10.2	10.9	11.3	11.2	11.3	10.1	9.6	9.4	<b>9.2</b>
ROA (%)	4.0	3.9	3.9	4.0	4.2	4.5	4.7	4.2	4.3	4.2	<b>4.2</b>
Return on leasing business*3 (%)	4.7	4.7	4.8	5.3	5.5	5.6	6.0	5.5	5.5	5.4	<b>5.6</b>
Long-term debt ratio (%)	95	97	98	98	98	99	96	96	98	95	<b>97</b>
Fixed-interest rate debt ratio (%)	82	87	94	95	94	96	95	94	96	86	<b>84</b>
ND/E ratio*4 (Times)	3.7	3.5	3.3	3.1	2.9	2.6	2.5	2.2	2.1	2.1	<b>1.9</b>
Interest coverage ratio*5 (Times)	6.1	6.5	7.3	9.0	10.5	11.4	12.8	12.6	13.7	14.6	<b>15.3</b>

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

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

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

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

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

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

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

## Management's Discussion and Analysis for FY2023 (Fiscal year ended March 31, 2024)

### Overview

The financial results were as follows: revenue from operations recorded ¥967.7 billion (¥27.8 billion increase year on year), operating income ¥254.7 billion (¥13.4 billion increase year on year), ordinary profit ¥253.1 billion (¥16.5 billion increase year on year), and profit attributable to owners of parent ¥177.2 billion (¥15.2 billion increase year on year). Revenue from operations, operating income, ordinary profit and profit all increased from the previous fiscal year. All of operating income, ordinary profit and profit achieved record highs (operating income for the second consecutive year, ordinary profit for the third consecutive year, and profit for the eleventh consecutive year).

### Revenue from operations and operating income

The leasing business, which mainly focuses on office buildings in Tokyo, where market conditions are clearly showing recovery and improvement trends, and the sales business, which saw an increase in the number of condominium units delivered, both achieved record-high profits and led overall performance.

### Other income (expenses)

Non-operating income recorded ¥20.6 billion (¥4.0 billion increase year on year), mainly due to an increase in dividend income.

Non-operating expenses increased to ¥22.2 billion (¥0.9 billion increase year on year). As a result, non-operating loss recorded ¥1.6 billion (an improvement of ¥3.1 billion year on year).

Extraordinary income recorded ¥12.9 billion (¥8.2 billion increase year on year), mainly owing to gain on sale of investment securities, while extraordinary loss recorded ¥12.7 billion (¥1.7 billion increase year on year), mainly due to loss on impairment of fixed assets and loss on disposal of property and equipment. As a result, extraordinary income/loss recorded profit of ¥0.2 billion, an improvement of ¥6.5 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: ¥232.0 billion (¥66.9 billion increase year on year)

Cash flows from investing activities: ¥(310.7) billion (¥179.1 billion increase year on year)

Cash flows from financing activities: ¥(3.7) billion (¥359.2 billion decrease year on year)

Cash and cash equivalents decreased to ¥103.1 billion (¥80.9 billion decrease year on year).

### <Cash flows from operating activities>

Ordinary profit recorded ¥253.1 billion, while depreciation and amortization recorded ¥73.1 billion. With the increase in inventories and payments for income tax and other taxes, net cash provided by operating activities amounted to ¥232.0 billion.

### <Cash flows from investing activities>

As the result of investments in property and equipment totaling ¥188.4 billion mainly for the purpose of augmenting the leasing business, and investment of ¥121.6 billion in the subsidiary company in India, net cash used in investing activities amounted to ¥310.7 billion.

### <Cash flows from financing activities>

Issuance of bonds and long-term loans payable amounted to ¥388.6 billion to make repayments of bonds and long-term loans (including non-recourse debt) payable at maturity totaled ¥294.1 billion and investments in property and equipment for augmenting the leasing business. As a result, net cash used in financing activities amounted to ¥3.7 billion.

### Financial resources for capital and liquidity of funds

#### Assets

Total assets as of the end of the fiscal year under review amounted to ¥6,678.4 billion (¥313.0 billion increase year on year). Property and equipment, mainly due to investments in buildings for leasing and investment securities (investment in the subsidiary company in India) increased.

#### Liabilities

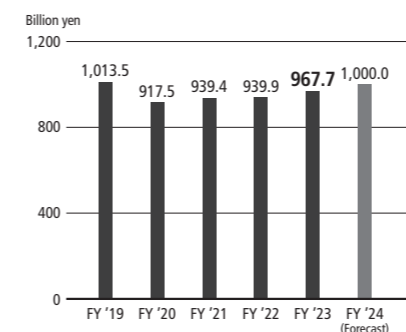
Total liabilities amounted to ¥4,627.8 billion (¥61.7 billion increase year on year). Consolidated interest-bearing debt increased to ¥3,961.6 billion (¥23.5 billion increase year on year). ND/E ratio improved from 2.1 times at the previous year to 1.9 times.

#### Net assets

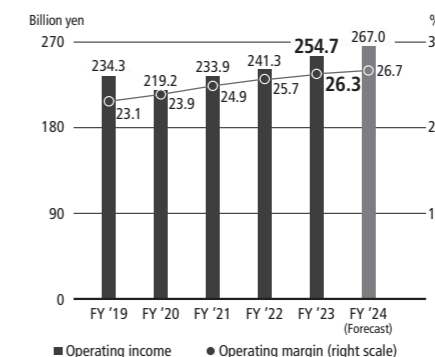
Total net assets amounted to ¥2,050.6 billion (¥251.2 billion increase year on year). Profit attributable to owners of parent as of the end of the fiscal year under review stood at ¥177.2 billion, and retained earnings increased. As a result, the equity ratio improved from 28.3% at the end of the previous fiscal year to 30.7%, and ROE was 9.2% (9.4% at the end of the previous fiscal year).

As of the end of the fiscal year under review, long-term debt accounted for 97% of consolidated interest-bearing debt, and fixed-interest rate debt for 84% (those numbers were 95% and 86%, respectively, at the end of the previous fiscal year).

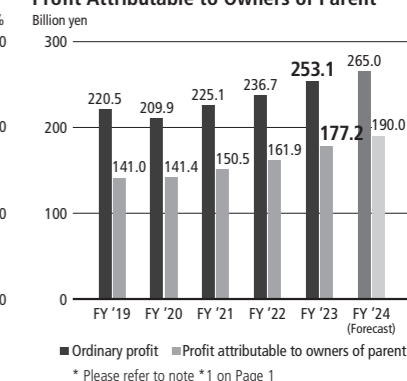
### Revenue from Operations



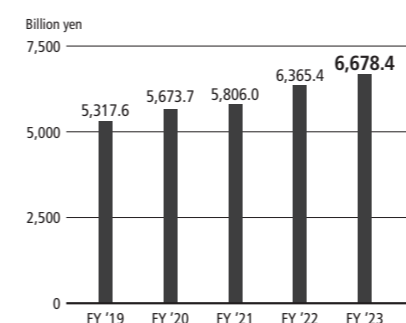
### Operating Income and Operating Margin



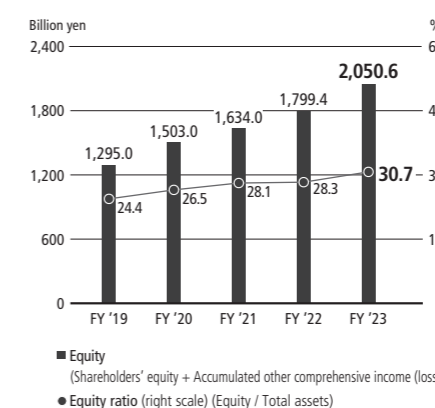
### Ordinary Profit\* and Profit Attributable to Owners of Parent



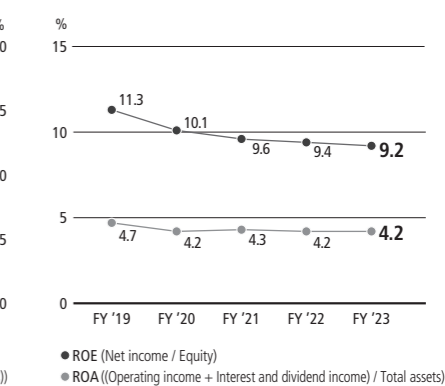
### Total Assets



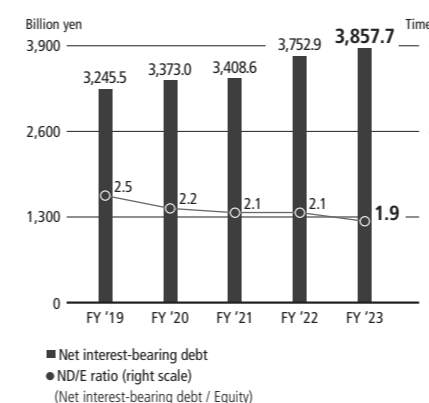
### Equity and Equity Ratio



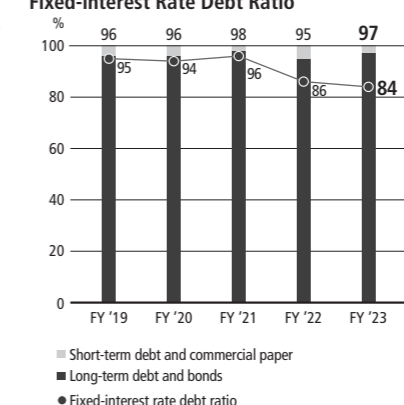
### ROE and ROA



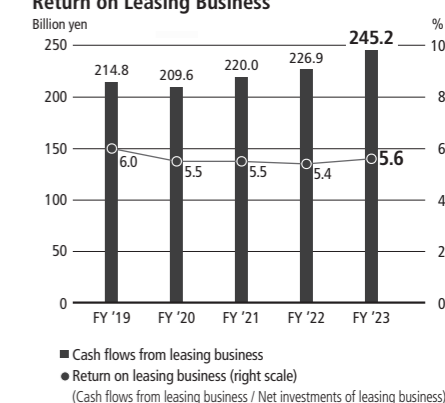
### Net Interest-bearing Debt and ND/E Ratio



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



### Cash Flows from Leasing Business and Return on Leasing Business



## Consolidated Balance Sheets

 Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
 As of March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits (Notes 5, 7 and 8)	¥ 103,911	¥ 185,120	\$ 686,652
Accounts receivable—trade (Note 18)	31,548	38,047	208,472
Allowance for doubtful accounts	(25)	(24)	(165)
Inventories (Notes 3, 6 and 21)	876,679	790,070	5,793,161
Other current assets	58,765	73,659	388,322
Total current assets	1,070,878	1,086,872	7,076,442
<b>Property and equipment</b> (Notes 3, 6, 19 and 21):			
Land (Note 7)	3,148,573	3,057,437	20,806,007
Buildings and structures (Note 7)	2,042,774	1,965,322	13,498,804
Construction in progress (Note 7)	81,152	126,592	536,259
Other property and equipment (Note 7)	58,786	54,765	388,461
Subtotal of property and equipment	5,331,285	5,204,116	35,229,531
Accumulated depreciation and accumulated impairment losses	(804,834)	(739,651)	(5,318,403)
Total property and equipment	4,526,451	4,464,465	29,911,128
<b>Intangibles</b> (Note 19):			
Leasehold rights (Notes 3 and 21)	65,539	60,846	433,087
Other intangibles	3,288	2,447	21,727
Total intangibles	68,827	63,293	454,814
<b>Investments and other assets:</b>			
Investments in unconsolidated subsidiaries and affiliates (Note 8)	226,142	104,557	1,494,363
Investment securities (Notes 8 and 9)	659,385	523,839	4,357,266
Guarantee and lease deposits (Notes 8 and 9)	64,452	67,044	425,904
Net defined benefit asset (Note 11)	1,310	293	8,657
Deferred income taxes (Note 14)	17,660	13,250	116,699
Other investments and other assets (Notes 8 and 17)	44,334	42,728	292,961
Allowance for doubtful accounts	(1,049)	(905)	(6,932)
Total investments and other assets	1,012,234	750,806	6,688,918
Total assets	¥6,678,390	¥6,365,436	\$44,131,302

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
<b>Liabilities and Net Assets</b>			
<b>Current liabilities:</b>			
Short-term debt (Notes 8 and 10)	¥ 137,665	¥ 208,610	\$ 909,701
Long-term debt due within one year (Notes 7, 8 and 10)	379,415	289,472	2,507,203
Long-term non-recourse debt due within one year (Notes 7, 8 and 10)	4,374	4,640	28,904
Notes and accounts payable—trade	35,217	29,067	232,717
Accrued income taxes	44,729	30,827	295,573
Provision for bonuses	4,140	4,924	27,357
Other current liabilities (Notes 13 and 18)	243,023	273,988	1,605,913
Total current liabilities	848,563	841,528	5,607,368
<b>Long-term liabilities:</b>			
Long-term debt due after one year (Notes 7, 8 and 10)	3,157,238	3,148,053	20,863,266
Long-term non-recourse debt due after one year (Notes 7, 8 and 10)	282,873	287,247	1,869,246
Guarantee and lease deposits received (Note 8)	258,494	254,009	1,708,148
Net defined benefit liability (Note 11)	5,179	5,534	34,223
Other long-term liabilities (Notes 8, 13, 14 and 17)	75,461	29,693	498,652
Total long-term liabilities	3,779,245	3,724,536	24,973,535
<b>Contingent liabilities</b> (Note 22)			
<b>Net assets</b> (Note 15):			
Shareholders' equity			
Common stock:			
Authorized —1,900,000 thousand shares			
Issued —476,086 thousand shares	122,805	122,805	811,505
Capital surplus	104,154	104,154	688,257
Retained earnings (Note 23)	1,546,550	1,396,393	10,219,718
Treasury stock	(4,479)	(4,477)	(29,597)
Total shareholders' equity	1,769,030	1,618,875	11,689,883
Accumulated other comprehensive income (loss)			
Net unrealized holding gains on securities (Note 9)	268,967	171,827	1,777,354
Net deferred gains (losses) on hedges (Note 17)	7,182	5,979	47,459
Foreign currency translation adjustments	4,697	2,660	31,038
Remeasurements of defined benefit plans (Note 11)	706	31	4,665
Total accumulated other comprehensive income	281,552	180,497	1,860,516
Total net assets	2,050,582	1,799,372	13,550,399
Total liabilities and net assets	¥6,678,390	¥6,365,436	\$44,131,302

## Consolidated Statements of Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2024, 2023 and 2022

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2024	2023	2022	2024
<b>Revenue from operations</b> (Notes 16, 18, 19 and 21)	<b>¥967,692</b>	¥939,905	¥939,431	<b>\$6,394,581</b>
<b>Costs and expenses</b> (Note 16):				
Cost of revenue from operations (Note 21)	635,343	625,452	636,988	4,198,394
Selling, general and administrative expenses (Note 11)	77,682	73,179	68,560	513,328
	<b>713,025</b>	698,631	705,548	<b>4,711,722</b>
<b>Operating income</b> (Note 19)	<b>254,667</b>	241,274	233,883	<b>1,682,859</b>
<b>Other income (expenses)</b> (Note 21):				
Interest income	1,302	454	131	8,604
Interest expense (Notes 10 and 17)	(17,962)	(17,577)	(18,034)	(118,694)
Dividend income	18,935	15,625	12,662	125,124
Gain on sale of property and equipment	2,532	15	98	16,732
Loss on sale of property and equipment	(15)	—	(0)	(99)
Loss on impairment of fixed assets (Notes 12, 19 and 21)	(6,999)	(8,100)	(3,453)	(46,250)
Loss on disposal of property and equipment (Note 21)	(2,357)	(1,742)	(4,015)	(15,575)
Loss on reduction of property and equipment	(425)	—	—	(2,808)
Gain on sale of investment securities (Note 9)	10,339	4,713	2,427	68,321
Loss on sale of investment securities (Note 9)	(1,608)	(7)	(2)	(10,626)
Loss on devaluation of investment securities (Note 9)	—	(214)	(1,160)	—
Other, net	(5,146)	(4,105)	(3,883)	(34,007)
	<b>(1,404)</b>	(10,938)	(15,229)	<b>(9,278)</b>
<b>Income before income taxes</b>	<b>253,263</b>	230,336	218,654	<b>1,673,581</b>
<b>Income taxes</b> (Note 12):				
Current	76,135	69,675	77,311	503,106
Deferred	(43)	(1,265)	(9,109)	(284)
Total	<b>76,092</b>	68,410	68,202	<b>502,822</b>
<b>Profit</b>	<b>177,171</b>	161,926	150,452	<b>1,170,759</b>
<b>Profit attributable to non-controlling interests</b>	—	—	—	—
<b>Profit attributable to owners of parent</b>	<b>¥177,171</b>	¥161,926	¥150,452	<b>\$1,170,759</b>

	Yen			U.S. dollars (Note 1)
	2024	2023	2022	2024
<b>Amounts per share of common stock:</b>				
Profit attributable to owners of parent:				
—Basic	¥373.83	¥341.66	¥317.45	\$2.47
—Diluted	—	—	—	—
Cash dividend applicable to the year (Note 23)	60.00	52.00	45.00	0.40

See accompanying notes.

## Consolidated Statements of Comprehensive Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2024, 2023 and 2022

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2024	2023	2022	2024
<b>Profit</b>	<b>¥177,171</b>	¥161,926	¥150,452	<b>\$1,170,759</b>
<b>Other comprehensive income (loss)</b> (Note 20)				
Net unrealized holding gains (losses) on securities	97,140	15,964	(4,578)	641,908
Net deferred gains (losses) on hedges	1,203	5,274	3,694	7,950
Foreign currency translation adjustments	2,037	4,110	2,816	13,461
Remeasurements of defined benefit plans	675	326	(976)	4,460
Total other comprehensive income (loss)	<b>101,055</b>	25,674	956	<b>667,779</b>
<b>Comprehensive income</b>	<b>¥278,226</b>	¥187,600	¥151,408	<b>\$1,838,538</b>
<b>Comprehensive income attributable to:</b>				
Owners of the parent	¥278,226	¥187,600	¥151,408	\$1,838,538
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, 2024, 2023 and 2022

	Thousands	Millions of yen							Total net assets			
	Number of shares of common stock	Shareholders' equity				Accumulated other comprehensive income (loss)						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
<b>Balance at April 1, 2021</b>	476,086	¥122,805	¥104,154	¥1,126,670	¥(4,475)	¥1,349,154	¥160,441	¥(2,989)	¥(4,266)	¥681	¥153,867	¥1,503,021
Profit attributable to owners of parent	—	—	—	150,452	—	150,452	—	—	—	—	—	150,452
Foreign currency translation adjustments	—	—	—	—	—	—	—	2,816	—	—	2,816	2,816
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	(4,578)	—	—	—	(4,578)	(4,578)
Acquisition of treasury stock	—	—	—	—	(0)	(0)	—	—	—	—	—	(0)
Change in scope of consolidation	—	—	—	(0)	—	(0)	—	—	—	—	—	(0)
Cash dividends paid:												
Final for prior year (¥21 per share)	—	—	—	(9,953)	—	(9,953)	—	—	—	—	—	(9,953)
Interim for current year (¥22 per share)	—	—	—	(10,427)	—	(10,427)	—	—	—	—	—	(10,427)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	3,694	—	—	—	3,694	3,694
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	(976)	(976)	(976)	(976)
<b>Balance at April 1, 2022</b>	476,086	¥122,805	¥104,154	¥1,256,742	¥(4,475)	¥1,479,226	¥155,863	¥ 705	¥(1,450)	¥(295)	¥154,823	¥1,634,049
Profit attributable to owners of parent	—	—	—	161,926	—	161,926	—	—	—	—	—	161,926
Foreign currency translation adjustments	—	—	—	—	—	—	—	4,110	—	—	4,110	4,110
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	15,964	—	—	—	15,964	15,964
Acquisition of treasury stock	—	—	—	—	(2)	(2)	—	—	—	—	—	(2)
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid:												
Final for prior year (¥23 per share)	—	—	—	(10,900)	—	(10,900)	—	—	—	—	—	(10,900)
Interim for current year (¥24 per share)	—	—	—	(11,375)	—	(11,375)	—	—	—	—	—	(11,375)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	5,274	—	—	—	5,274	5,274
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	326	326	326	326
<b>Balance at April 1, 2023</b>	476,086	¥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
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid:												
Final for prior year (¥28 per share)	—	—	—	(13,270)	—	(13,270)	—	—	—	—	—	(13,270)
Interim for current year (¥29 per share)	—	—	—	(13,744)	—	(13,744)	—	—	—	—	—	(13,744)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	1,203	—	—	—	1,203	1,203
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	675	675	675	675
<b>Balance at March 31, 2024</b>	476,086	¥122,805	¥104,154	¥1,546,550	¥(4,479)	¥1,769,030	¥268,967	¥7,182	¥4,697	¥706	¥281,552	¥2,050,582

	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	
<b>Balance at April 1, 2023</b>	\$811,505	\$688,257	\$ 9,227,469	\$(29,584)	\$10,697,647	\$1,135,446	\$39,509	\$17,577	\$ 205	\$1,192,737	\$11,890,384
Profit attributable to owners of parent	—	—	1,170,759	—	1,170,759	—	—	—	—	—	1,170,759
Foreign currency translation adjustments	—	—	—	—	—	—	—	13,461	—	13,461	13,461
Net unrealized holding gains (losses) on securities	—	—	—	—	—	641,908	—	—	—	641,908	641,908
Acquisition of treasury stock	—	—	—	(13)	(13)	—	—	—	—	—	(13)
Disposal of treasury stock	—	0	—	0	0	—	—	—	—	0	0
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid:											
Final for prior year (\$0.17 per share)	—	—	(87,689)	—	(87,689)	—	—	—	—	—	(87,689)
Interim for current year (\$0.17 per share)	—	—	(90,821)	—	(90,821)	—	—	—	—	—	(90,821)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	7,950	—	—	7,950	7,950
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	4,460	4,460	4,460
<b>Balance at March 31, 2024</b>	\$811,505	\$688,257	\$10,219,718	\$(29,597)	\$11,689,883	\$1,777,354	\$47,459	\$31,038	\$4,665	\$1,860,516	\$13,550,399

See accompanying notes.



## Consolidated Statements of Cash Flows

 Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
 For the years ended March 31, 2024, 2023 and 2022

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2024	2023	2022	2024
<b>Cash flows from operating activities:</b>				
Income before income taxes	¥ 253,263	¥ 230,336	¥ 218,654	\$ 1,673,581
Depreciation and amortization (Notes 19 and 21)	73,119	64,635	60,645	483,176
Loss on impairment of fixed assets	6,999	8,100	3,453	46,250
Provision for (Reversal of) allowance for doubtful accounts	144	226	135	952
Increase (Decrease) in net defined benefit liability	(355)	(328)	(196)	(2,346)
Loss (Gain) on sale of property and equipment, net	(2,517)	(15)	(98)	(16,633)
Loss on disposal of property and equipment	2,357	1,742	4,015	15,575
Loss on reduction of property and equipment	425	—	—	2,808
Loss (Gain) on sale of investment securities, net	(8,731)	(4,705)	(2,425)	(57,695)
Loss (Gain) on devaluation of investment securities	—	214	1,160	—
Interest and dividend income	(20,237)	(16,080)	(12,793)	(133,728)
Interest expense	17,962	17,577	18,034	118,694
Decrease (Increase) in accounts receivable—trade	6,500	(14,761)	(4,572)	42,952
Decrease (Increase) in inventories	(73,331)	(55,461)	(48,327)	(484,577)
Increase (Decrease) in notes and accounts payable—trade	6,129	(13,283)	17,611	40,501
Increase (Decrease) in advances received	28,111	7,189	2,082	185,760
Other, net	736	19,959	18,965	4,865
Total	290,574	245,345	276,343	1,920,135
Proceeds from interest and dividend income	20,237	16,080	12,793	133,728
Payments for interest	(17,729)	(17,602)	(18,150)	(117,155)
Payments for income tax and other taxes	(61,048)	(78,711)	(78,019)	(403,410)
Net cash provided by operating activities	232,034	165,112	192,967	1,533,298
<b>Cash flows from investing activities:</b>				
Payments for purchases of property and equipment	(188,398)	(449,345)	(179,553)	(1,244,948)
Proceeds from sale of property and equipment	9,207	597	525	60,841
Payments for purchases of investment securities	(126,380)	(39,603)	(9,024)	(835,129)
Proceeds from sale and redemption of investment securities	17,822	12,088	4,241	117,769
Payments for guarantee and lease deposits	(686)	(2,631)	(1,278)	(4,533)
Proceeds from guarantee and lease deposits	3,108	2,435	2,731	20,538
Repayments for guarantee and lease deposits received	(24,207)	(20,541)	(35,829)	(159,962)
Proceeds from guarantee and lease deposits received	29,992	27,072	27,858	198,189
Other, net	(31,153)	(19,871)	(19,656)	(205,861)
Net cash used in investing activities	(310,695)	(489,799)	(209,985)	(2,053,096)
<b>Cash flows from financing activities:</b>				
Increase (Decrease) in short-term debt, net	(70,945)	140,000	(78,010)	(468,810)
Proceeds from issuance of bonds	110,000	30,000	40,000	726,888
Redemption of bonds	(70,000)	—	(20,000)	(462,565)
Redemption of non-recourse bonds	—	—	(1,500)	—
Proceeds from long-term loans payable	278,600	450,200	264,500	1,841,010
Repayments of long-term loans payable	(219,472)	(237,386)	(191,446)	(1,450,287)
Proceeds from long-term non-recourse loans	—	2,420	—	—
Repayments of long-term non-recourse loans	(4,640)	(7,206)	(14,844)	(30,661)
Decrease (Increase) in treasury stocks, net	(2)	(1)	—	(13)
Cash dividends paid	(27,004)	(22,271)	(20,375)	(178,444)
Other, net	(193)	(200)	(242)	(1,277)
Net cash provided by (used in) financing activities	(3,656)	355,556	(21,917)	(24,159)
Effect of exchange rate changes on cash and cash equivalents	1,389	2,874	1,964	9,179
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(80,928)</b>	<b>33,743</b>	<b>(36,971)</b>	<b>(534,778)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>184,053</b>	<b>150,310</b>	<b>187,281</b>	<b>1,216,236</b>
<b>Increase in cash and cash equivalents of newly consolidated subsidiaries</b>	<b>—</b>	<b>—</b>	<b>0</b>	<b>—</b>
<b>Cash and cash equivalents at end of year (Note 3)</b>	<b>¥ 103,125</b>	<b>¥ 184,053</b>	<b>¥ 150,310</b>	<b>\$ 681,458</b>

See accompanying notes.

## Notes to Consolidated Financial Statements

 Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
 As of March 31, 2024 and 2023, and for the years ended March 31, 2024, 2023 and 2022

**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, 2024, which was ¥151.33 to U.S. \$. The translation should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

**2 Accounting policies**
**(1) Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. Non-consolidated subsidiaries are excluded from the scope of consolidation because they are small and their combined total assets, revenues from operations, profit (amount corresponding to the Company's equity interest), retained earnings (amount corresponding to the Company's equity interest), and any other figures do not have a material impact on the consolidated financial statements.

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

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

**(2) Cash and cash equivalents in the consolidated statements of cash flows**

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term, highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents. Reconciliation between cash and deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2024 and 2023 is presented in Note 5 "Cash and cash equivalents."

**(3) Recognition of significant revenue**

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

**(Leasing Business)**

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

**(Sales Business)**

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

**(Construction Business)**

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

**(Brokerage Business)**

Brokerage business mainly consists of brokerage of real estate sales.

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

**(4) Inventories**

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

**(5) Securities**

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

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

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

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

**(7) Intangibles (except for leased assets)**

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

**(8) Allowance for doubtful accounts**

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

**(9) Leased assets**

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

**(10) Income taxes**

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

**(11) Net defined benefit asset and liability**

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

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

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

**(12) Derivatives**

The Group states derivatives at fair value. If derivatives are used as hedges and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from changes in fair value of the derivative financial instruments until the related gains or losses on the hedged items are recognized.

**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, 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Inventories:			
Real estate for sale	¥396,807	¥399,245	\$2,622,130
Real estate for sale in process	474,633	381,753	3,136,410

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

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

**(Loss on impairment of fixed assets)**

(1) Carrying amounts in the consolidated financial statements for the years ended March 31, 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Property and equipment	¥4,526,451	¥4,464,465	\$29,911,128
Leasehold rights	65,539	60,846	433,087

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

**(13) Amounts per share of common stock**

The computation of earnings per share is based on the weighted-average number of shares of common stock outstanding during each year. Diluted earnings per share is not presented as there are no potential shares.

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

**(14) Change in presentation methods (Consolidated balance sheets)**

"Deposits received" and "Long-term deposits received," which were previously separately presented in "Current liabilities" and "Long-term liabilities," are included in "Other current liabilities" and "Other long-term liabilities" respectively from the year ended March 31, 2024, because the significance of these amounts decreased. Reflecting this change in presentation, their amounts in the consolidated balance sheets for the year ended March 31, 2023 are reclassified respectively.

As a result, "Deposits received" of ¥75,118 million and "Other current liabilities" of ¥198,870 million are reclassified as "Other current liabilities" of ¥273,988 million, and "Long-term deposits received" of ¥2,325 million and "Other long-term liabilities" of ¥27,368 million are reclassified as "Other long-term liabilities" of ¥29,693 million in the consolidated balance sheets for the year ended March 31, 2023.

The net realizable value is estimated based on business plans with the consideration of expected selling price, trends in building costs, and other data. The business plans are mainly based on unit sales price and construction cost, and these assumptions are determined by comparable data in the same sales area or actual data in the Group.

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.

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

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

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

"Accounting Standard for Current Income Taxes" (ASBJ Statement No.27, October 28, 2022)

"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, October 28, 2022)

"Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28, October 28, 2022)

(1) Overview

The standards and guidance are set for (i) the classification of tax expenses in case of taxation on other comprehensive income and (ii)

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.

the tax effects on the sale of shares of subsidiaries or affiliates in case of application of group taxation.

(2) Effective date

Effective from the beginning of the year ending March 31, 2025

(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 Cash and cash equivalents**

Cash and cash equivalents at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and deposits	¥103,911	¥185,120	\$686,652
Restricted deposits in trust	(500)	(781)	(3,304)
Time deposits with maturities exceeding three months	(286)	(286)	(1,890)
Cash and cash equivalents	¥103,125	¥184,053	\$681,458

**6 Inventories**

Inventories at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Real estate for sale	¥396,807	¥399,245	\$2,622,130
Real estate for sale in process	474,633	381,753	3,136,410
Costs on uncompleted construction contracts	4,368	8,002	28,864
Other	871	1,070	5,757
Total	¥876,679	¥790,070	\$5,793,161

**(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, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Inventories:			
Transferred to property and equipment	¥24,681	¥ —	\$163,094
Transferred from property and equipment	44,610	30,645	294,786
Transferred from intangibles	—	2,014	—

## 7 Pledged assets

Assets pledged as collateral at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and deposits	¥ 2,036	¥ 2,057	\$ 13,454
Buildings and structures	120,379	123,733	795,473
Land	396,008	396,008	2,616,851
Construction in progress	710	704	4,692
Other property and equipment	522	635	3,449
Total	¥519,655	¥523,137	\$3,433,919

Secured liabilities at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Long-term debt due within one year	¥ 190	¥ 190	\$ 1,256
Long-term non-recourse debt due within one year	4,374	4,640	28,904
Long-term debt due after one year	134,050	134,240	885,812
Long-term non-recourse debt due after one year	282,873	287,247	1,869,246
Total	¥421,487	¥426,317	\$2,785,218

Specified assets for non-recourse debts at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and deposits	¥ 2,233	¥ 2,167	\$ 14,756
Buildings and structures	63,658	66,916	420,657
Land	250,361	250,361	1,654,404
Other property and equipment	80	81	529
Total	¥316,332	¥319,525	\$2,090,346

(Note) "Specified assets for non-recourse debts" is included in "Assets pledged as collateral" for the years ended March 31, 2024 and 2023 except for cash and deposits.

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

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

For derivative transactions, the Group utilizes interest rate swap contracts for interests on fundraising, and foreign exchange forward contracts for foreign currency denominated transactions. Interest rate

swap contracts are exposed to risks of interest rate fluctuation, and foreign exchange forward contracts are exposed to risks of exchange rate fluctuations. The derivative transactions are executed with creditworthy financial institutions, so the Group management believes there are few risks of default by counterparties. Derivative transactions are executed by the Company's Finance Department in accordance with the decisions of a committee whose chairman is the director of the Finance Department. The Finance Department prepares reports on derivatives that are provided to the director of the Finance Department periodically.

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

#### (3) Supplemental information on fair values of financial instruments

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

Contract amounts of derivatives shown in Note 17 "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, 2024 and 2023 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 2024

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

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

##### For 2023

	Millions of yen			Total
	Fair value			
	Level 1	Level 2	Level 3	
Investment securities				
Available-for-sale securities				
Equity securities	¥519,693	¥ —	¥—	¥519,693
Debt securities*	—	421	—	421
Derivative transactions				
(1) Non-hedge accounting	—	—	—	—
(2) Hedge accounting				
Interest-related derivatives	—	9,514	—	9,514
Foreign currency related derivatives	—	1	—	1
Total assets	¥519,693	¥9,936	¥—	¥529,629
Derivative transactions				
(1) Non-hedge accounting	¥ —	¥ —	¥—	¥ —
(2) Hedge accounting				
Interest-related derivatives	—	896	—	896
Total derivative transactions	¥ —	¥ 896	¥—	¥ 896

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



For 2024

	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	\$4,327,840	\$ —	\$—	\$4,327,840
Debt securities*	—	1,923	—	1,923
Derivative transactions				
(1) Non-hedge accounting	—	—	—	—
(2) Hedge accounting				
Interest-related derivatives	—	70,191	—	70,191
Foreign currency related derivatives	—	—	—	—
Total assets	\$4,327,840	\$72,114	\$—	\$4,399,954
Derivative transactions				
(1) Non-hedge accounting	\$ —	\$ —	\$—	\$ —
(2) Hedge accounting				
Interest-related derivatives	—	1,784	—	1,784
Total derivative transactions	\$ —	\$ 1,784	\$—	\$ 1,784

\* 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 2024

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

For 2023

	Millions of yen				
	Carrying amount	Fair value			Difference
		Level 1	Level 2	Level 3	
(1) Long-term debt (including due within one year)	¥3,437,524	¥—	¥3,414,298	¥—	¥(23,226)
(2) Long-term non-recourse debt (including due within one year)	291,887	—	285,105	—	(6,782)
(3) Guarantee and lease deposits received	254,009	—	252,766	—	(1,243)
Total liabilities	¥3,983,420	¥—	¥3,952,169	¥—	¥(31,251)

For 2024

	Thousands of U.S. dollars				
	Carrying amount	Fair value			Difference
		Level 1	Level 2	Level 3	
(1) Long-term debt (including due within one year)	\$23,370,462	\$—	\$23,120,802	\$—	\$(249,660)
(2) Long-term non-recourse debt (including due within one year)	1,898,150	—	1,870,700	—	(27,450)
(3) Guarantee and lease deposits received	1,708,148	—	1,697,998	—	(10,150)
Total liabilities	\$26,976,760	\$—	\$26,689,500	\$—	\$(287,260)

(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.

(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
	2024	2023	2024
Investments in unconsolidated subsidiaries and affiliates	¥226,142	¥104,557	\$1,494,363
Unlisted equity securities	4,453	4,146	29,426
Total	¥230,595	¥108,703	\$1,523,789

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

For 2024

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

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

For 2023

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	¥185,120	¥—	¥—	¥—
Investment securities*				
Available-for-sale securities with maturities (National government bonds)	127	173	121	—
Total	¥185,247	¥173	¥121	¥—

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

For 2024

	Thousands of U.S. dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	\$686,652	\$ —	\$ —	\$—
Investment securities*				
Available-for-sale securities with maturities (National government bonds)	846	284	813	—
Total	\$687,498	\$284	\$813	\$—

\* 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 2024**

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

**For 2023**

Year ending March 31	Millions of yen					
	2024	2025	2026	2027	2028	2029 and thereafter
Short-term debt	¥208,610	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt (including due within one year)	289,472	379,415	293,855	333,063	300,715	1,841,005
Long-term non-recourse debt (including due within one year)	4,640	4,374	52,007	107,502	1,656	121,708
<b>Total</b>	<b>¥502,722</b>	<b>¥383,789</b>	<b>¥345,862</b>	<b>¥440,565</b>	<b>¥302,371</b>	<b>¥1,962,713</b>

**For 2024**

Year ending March 31	Thousands of U.S. dollars					
	2025	2026	2027	2028	2029	2030 and thereafter
Short-term debt	\$ 909,701	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt (including due within one year)	2,507,203	1,941,816	2,200,905	1,987,147	1,975,021	12,758,376
Long-term non-recourse debt (including due within one year)	28,904	343,666	710,381	10,943	166,913	637,342
<b>Total</b>	<b>\$3,445,808</b>	<b>\$2,285,482</b>	<b>\$2,911,286</b>	<b>\$1,998,090</b>	<b>\$2,141,934</b>	<b>\$13,395,718</b>

**9 Securities**

**For 2024**

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

(1) Available-for-sale securities:

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Book value	Difference	Carrying amount	Book value	Difference
Securities whose carrying amount exceeds book value:						
Equity securities	¥640,180	¥250,158	¥390,022	\$4,230,357	\$1,653,063	\$2,577,294
Debt securities*	172	171	1	1,137	1,130	7
Other	—	—	—	—	—	—
<b>Subtotal</b>	<b>640,352</b>	<b>250,329</b>	<b>390,023</b>	<b>4,231,494</b>	<b>1,654,193</b>	<b>2,577,301</b>
Securities whose carrying amount does not exceed book value:						
Equity securities	14,752	17,015	(2,263)	97,482	112,436	(14,954)
Debt securities*	120	123	(3)	793	813	(20)
Other	—	—	—	—	—	—
<b>Subtotal</b>	<b>14,872</b>	<b>17,138</b>	<b>(2,266)</b>	<b>98,275</b>	<b>113,249</b>	<b>(14,974)</b>
<b>Total</b>	<b>¥655,224</b>	<b>¥267,467</b>	<b>¥387,757</b>	<b>\$4,329,769</b>	<b>\$1,767,442</b>	<b>\$2,562,327</b>

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

2. Total sales of available-for-sale securities sold in the year ended March 31, 2024 amounted to ¥17,811 million (\$117,696 thousand) and the related gains and losses amounted to ¥10,339 million (\$68,321 thousand) and ¥1,608 million (\$10,626 thousand), respectively.

**For 2023**

1. The following tables summarize the book value, carrying amounts and fair values of securities with available fair values as of March 31, 2023:

(1) Available-for-sale securities:

	Millions of yen		
	Carrying amount	Book value	Difference
Securities whose carrying amount exceeds book value:			
Equity securities	¥468,227	¥210,575	¥257,652
Debt securities*	300	298	2
Other	—	—	—
<b>Subtotal</b>	<b>468,527</b>	<b>210,873</b>	<b>257,654</b>
Securities whose carrying amount does not exceed book value:			
Equity securities	51,466	61,459	(9,993)
Debt securities*	121	123	(2)
Other	—	—	—
<b>Subtotal</b>	<b>51,587</b>	<b>61,582</b>	<b>(9,995)</b>
<b>Total</b>	<b>¥520,114</b>	<b>¥272,455</b>	<b>¥247,659</b>

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

(Note) The Group recognized impairment loss on investment securities of ¥171 million related to equity securities in available-for-sale securities.

2. Total sales of available-for-sale securities sold in the year ended March 31, 2023 amounted to ¥12,036 million and the related gains and losses amounted to ¥4,713 million and ¥7 million, respectively.

**10 Short-term debt and long-term debt**

Short-term debt at March 31, 2024 and 2023 consisted of the following:

	Millions of yen				Thousands of U.S. dollars
	2024	Average interest rate (%)	2023	Average interest rate (%)	2024
Loans, principally from banks	¥ 24,665	0.38	¥ 28,610	0.27	\$162,988
Commercial paper	113,000	0.04	180,000	0.04	746,712
Total	¥137,665		¥208,610		\$909,700

All of short-term debts are raised in yen, and the interest rates represent weighted-average rates in effect balance at March 31, 2024 and 2023.

Long-term debt at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
1.098% domestic straight bonds, due 2023	¥ —	¥ 10,000	\$ —
0.950% domestic straight bonds, due 2023	—	10,000	—
0.968% domestic straight bonds, due 2023	—	10,000	—
0.987% domestic straight bonds, due 2024	—	20,000	—
0.914% domestic straight bonds, due 2024	—	20,000	—
0.904% domestic straight bonds, due 2024	20,000*	20,000	132,162*
0.884% domestic straight bonds, due 2024	20,000*	20,000	132,162*
0.836% domestic straight bonds, due 2024	20,000*	20,000	132,162*
0.809% domestic straight bonds, due 2024	20,000*	20,000	132,162*
0.670% domestic straight bonds, due 2025	10,000*	10,000	66,081*
0.826% domestic straight bonds, due 2025	20,000	20,000	132,162
0.992% domestic straight bonds, due 2025	20,000	20,000	132,162
0.400% domestic straight bonds, due 2026	10,000	10,000	66,081
0.230% domestic straight bonds, due 2026	10,000	10,000	66,081
0.400% domestic straight bonds, due 2027	30,000	30,000	198,242
0.310% domestic straight bonds, due 2031	30,000	30,000	198,242
0.260% domestic straight bonds, due 2031	10,000	10,000	66,081
0.520% domestic straight bonds, due 2028 (Green bonds)	30,000	30,000	198,242
0.490% domestic straight bonds, due 2028 (Green bonds)	40,000	—	264,323
0.500% domestic straight bonds, due 2030 (Green bonds)	10,000	—	66,081
0.790% domestic straight bonds, due 2033 (Green bonds)	20,000	—	132,162
0.628% domestic straight bonds, due 2028 (Green bonds)	30,000	—	198,242
0.980% domestic straight bonds, due 2034 (Green bonds)	10,000	—	66,081
Loans from banks and insurance companies, with interest at weighted-average rates of 0.42% in 2024 and 0.31% in 2023, respectively:			
Secured	134,240	134,430	887,068
Unsecured	3,042,413	2,983,095	20,104,490
Subtotal	3,536,653	3,437,525	23,370,469
Amount due within one year	(379,415)	(289,472)	(2,507,203)
Total	¥3,157,238	¥3,148,053	\$20,863,266

\* 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, 2024 and 2023.

Non-recourse debt at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Non-recourse bonds, with interest at weighted-average rates of 0.15% in 2024 and 0.11% in 2023, respectively:			
Due within one year	¥ —	¥ —	\$ —
Due after one year	35,600	35,600	235,248
Subtotal	35,600	35,600	235,248
Non-recourse loans, with interest at weighted-average rates of 0.18% in 2024 and 0.15% in 2023, respectively:			
Due within one year	4,374	4,640	28,904
Due after one year	247,273	251,647	1,633,998
Subtotal	251,647	256,287	1,662,902
Total	¥287,247	¥291,887	\$1,898,150
Secured	¥287,247	¥291,887	\$1,898,150
Unsecured	—	—	—
Total	¥287,247	¥291,887	\$1,898,150

All of non-recourse debts are raised in yen, and the interest rates represent weighted-average rates in effect balance at March 31, 2024 and 2023.

The aggregate annual maturities of long-term debt and long-term non-recourse debt are presented in Note 8 "Financial instruments."

**11 Employees' severance and retirement benefits**

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

As explained in Note 2 (11), "Net defined benefit asset and liability" the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations except for the cases using the simplified method.

For 2024 and 2023

**1. Defined benefit plan**

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Retirement benefit obligations at beginning of year	¥12,730	¥12,823	\$84,121
Service costs	678	697	4,480
Interest costs	56	55	370
Actuarial differences	(15)	(111)	(99)
Retirement benefits paid	(853)	(734)	(5,637)
Retirement benefit obligations at end of year	¥12,596	¥12,730	\$83,235

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Plan assets at beginning of year	¥7,489	¥7,285	\$49,488
Expected return on plan assets	150	146	991
Actuarial differences	1,001	(69)	6,615
Employer contributions	340	333	2,247
Retirement benefits paid	(253)	(206)	(1,672)
Plan assets at end of year	¥8,727	¥7,489	\$57,669

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Obligations under retirement benefit plans (funded)	¥ 7,455	¥ 7,277	\$ 49,263
Fair value of plan assets	(8,727)	(7,489)	(57,669)
	(1,272)	(212)	(8,406)
Obligations under retirement benefit plans (unfunded)	5,141	5,453	33,972
Net amount of liabilities on the consolidated balance sheets	¥ 3,869	¥ 5,241	\$ 25,566
Net defined benefit liability	¥ 5,179	¥ 5,534	\$ 34,223
Net defined benefit asset	(1,309)	(293)	(8,650)
Net amount of liabilities on the consolidated balance sheets	¥ 3,870	¥ 5,241	\$ 25,573

(4) Components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service costs	¥ 678	¥ 697	\$ 4,480
Interest costs	56	55	370
Expected return on plan assets	(150)	(146)	(991)
Actuarial differences	(42)	427	(278)
Retirement benefit expenses	¥ 542	¥ 1,033	\$ 3,581

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Actuarial differences	¥(974)	¥(469)	\$(6,436)
Total	¥(974)	¥(469)	\$(6,436)

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrecognized actuarial differences	¥(1,016)	¥(42)	\$(6,714)
Total	¥(1,016)	¥(42)	\$(6,714)

(7) Major breakdown of plan assets

	2024	2023
Debt securities	29.1%	29.1%
Equity securities	39.1	35.4
General life insurance accounts	30.1	34.3
Other	1.7	1.2
Total	100.0%	100.0%

(8) Actuarial assumptions

	2024	2023
Discount rate	0.4%	0.4%
Rate of expected return on plan assets	2.0	2.0

## 2. Defined contribution plan

The required contribution amount for a defined contribution plan that one of the Company's consolidated subsidiaries adopted is ¥317 million (\$2,095 thousand) and ¥340 million for the years ended March 31, 2024 and 2023, respectively.

## 12 Loss on impairment of fixed assets

The Group recognized impairment losses on the following assets for the years ended March 31, 2024, 2023 and 2022, respectively.

### For 2024

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

### For 2023

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

### For 2022

Use	Location	Number of properties
Asset leased to others	Tokyo	1
Idle asset	Nagano	1

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 2024

The carrying values of the land holdings summarized above have been reduced to their recoverable amounts by ¥6,999 million (\$46,250 thousand) as a result of the determination of reviewing their business plans, and the amount of the reduction is recognized as loss on impairment of fixed assets for the year ended March 31, 2024. It consists of ¥2,453 million (\$16,210 thousand) of land and ¥4,546 million (\$30,040 thousand) of construction in progress.

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

### For 2023

The carrying values of the land holdings summarized above have been reduced to their recoverable amounts by ¥8,100 million as a result of the determination of reviewing their business plans, and the amount of the reduction is recognized as loss on impairment of fixed assets for

## 13 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, 2024 and 2023, asset retirement obligations related to such a case are not recorded (except for the asset retirement obligations recorded on the financial statements).

the year ended March 31, 2023. It consists of ¥1,598 million of land and ¥6,502 million of construction in progress.

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

### For 2022

For the asset leased to others, loss on sales of property and equipment of ¥3,053 million was recognized by a consolidated subsidiary as a result of reorganization of assets within the Group. The selling price of the asset was determined as its recoverable amount, and the loss on sales of property and equipment was recognized as loss on impairment of fixed assets for the year ended March 31, 2022.

For the idle asset, the carrying value has been reduced to its recoverable amount by ¥400 million due to a change in use from common assets.

The selling price of the asset leased to others above was based on the appraisal value by a real estate appraiser, and the recoverable amount of the idle asset above was measured by net realizable value calculated based on assessed value of fixed assets for tax purposes.

In addition, under the partial lease contracts, the Group has obligations for restoring office spaces when they move out. For the asset retirement obligations associated with such a case, the duration of use of the assets is not clear enough and these assets do not have any relocation plans. Therefore, the Group is unable to estimate the asset retirement obligations since it is difficult to estimate the timing of fulfillment of the obligations. Consequently, for the years ended March 31, 2024 and 2023, asset retirement obligations related to such a case are not recorded (except for the asset retirement obligations recorded on the financial statements).

**14 Income taxes**

The normal effective statutory income tax rate in Japan arising out of the aggregation of corporate, enterprise and inhabitants' taxes was approximately 30.62% for the years ended March 31, 2024, 2023 and 2022 respectively.

Details of deferred tax assets and liabilities at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
<b>Deferred tax assets:</b>			
Loss on devaluation of real estate for sale including that in process	¥ 19,607	¥ 21,444	\$ 129,565
Loss on impairment of fixed assets	18,814	17,023	124,324
Loss on transfer involving wholly owned subsidiaries	12,667	12,709	83,704
Net operating loss carryforwards	6,786	7,156	44,842
Adjustments of book value in consolidation	5,998	6,370	39,635
Accrued enterprise tax and other taxes	2,591	2,104	17,122
Net defined benefit liability	1,593	1,701	10,527
Provision for bonuses	1,346	1,592	8,894
Loss on devaluation of investment securities	1,035	1,502	6,839
Loss on devaluation of investments and other loss, in subsidiaries and affiliates	522	2,423	3,449
Other	21,954	19,263	145,075
Subtotal of deferred tax assets	92,913	93,287	613,976
Valuation allowance	(18,885)	(18,779)	(124,793)
<b>Total deferred tax assets</b>	<b>¥ 74,028</b>	<b>¥ 74,508</b>	<b>\$ 489,183</b>
<b>Deferred tax liabilities:</b>			
Net unrealized holding gains on securities	¥(118,796)	¥(75,886)	\$(785,013)
Retained earnings appropriated for tax allowable reserves	(3,731)	(3,731)	(24,655)
Deferred gains on hedges	(3,253)	(2,913)	(21,496)
Other	(1,958)	(1,992)	(12,939)
Total deferred tax liabilities	¥(127,738)	¥(84,522)	\$(844,103)
<b>Net deferred tax liabilities</b>	<b>¥ (53,710)</b>	<b>¥(10,014)</b>	<b>\$(354,920)</b>

(Note) Net deferred tax liabilities are included in the following items on the consolidated balance sheets for the years ended March 31, 2024 and 2023.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Investments and other assets—Deferred income taxes	¥17,660	¥13,250	\$116,699
Long-term liabilities—Other long-term liabilities	71,371	23,264	471,625

The difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2024 and 2023 is less than five-hundredths of the statutory tax rate and not presented.

**15 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.

**16 Information for certain lease transactions**

Future lease payments and receipts under such non-cancelable operating leases at March 31, 2024, 2023 and 2022 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2024	2023	2022	2024
<b>Operating leases:</b>				
Future lease payments:				
Due within one year	¥ 1,639	¥ 1,596	¥ 1,538	\$ 10,831
Due after one year	41,476	41,866	41,134	274,076
<b>Total</b>	<b>¥ 43,115</b>	<b>¥ 43,462</b>	<b>¥ 42,672</b>	<b>\$ 284,907</b>
Future lease receipts:				
Due within one year	¥ 92,333	¥ 89,980	¥ 87,055	\$ 610,143
Due after one year	150,778	166,227	124,271	996,352
<b>Total</b>	<b>¥243,111</b>	<b>¥256,207</b>	<b>¥211,326</b>	<b>\$1,606,495</b>



**17 Derivative transactions**

Hedge accounting was applied to all derivative transactions for the years ended March 31, 2024 and 2023.

The summary of these transactions is as follows:

**1. Foreign currency-related derivatives**

For 2024

Not applicable

For 2023

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	¥3,214	¥—	¥1

**2. Interest-related derivatives**

For 2024

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	¥ 468,400	¥468,400	¥10,352
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	1,040,300	836,511	— (*)

For 2023

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	¥ 468,400	¥ 468,400	¥8,618
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	1,165,339	1,040,300	— (*)

For 2024

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	\$3,095,222	\$3,095,222	\$68,407
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	6,874,380	5,527,727	— (*)

(\*) 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.

**18 Revenue recognition**

**1. Information for breakdown of revenues from contracts with customers**

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

	Millions of yen					
	Reportable segments					
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total
Office buildings and other properties leasing*	¥358,910	¥ —	¥ —	¥ —	¥ —	¥358,910
Condominiums and detached houses	—	200,358	—	—	—	200,358
Shinchiku Sokkurisan remodeling	—	—	110,749	—	—	110,749
Custom homes	—	—	91,952	—	—	91,952
Real estate brokerage	—	—	—	71,438	—	71,438
Others	64,045	21,595	9,464	2,558	8,836	106,498
Total	¥422,955	¥221,953	¥212,165	¥73,996	¥8,836	¥939,905

	Thousands of U.S. dollars					
	Reportable segments					
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total
Office buildings and other properties leasing*	\$2,437,177	\$ —	\$ —	\$ —	\$ —	\$2,437,177
Condominiums and detached houses	—	1,504,038	—	—	—	1,504,038
Shinchiku Sokkurisan remodeling	—	—	704,018	—	—	704,018
Custom homes	—	—	581,841	—	—	581,841
Real estate brokerage	—	—	—	456,975	—	456,975
Others	481,980	88,984	58,864	14,207	66,497	710,532
Total	\$2,919,157	\$1,593,022	\$1,344,723	\$471,182	\$66,497	\$6,394,581

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

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

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

	Millions of yen				Thousands of U.S. dollars	
	2024		2023		2024	
	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*	¥38,047	¥31,548	¥23,286	¥38,047	\$251,417	\$208,472
Contract liabilities	68,453	86,475	61,180	68,453	452,343	571,433

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

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

contracts in Brokerage business and other advances from customers. Contract liabilities are transferred to revenue upon satisfaction of related performance obligations.

Out of the amount of revenue from operations for the year ended March 31, 2024 and 2023, ¥52,147 million (\$344,591 thousand) and ¥41,562 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
	2024	2023	2024
	2024	2023	2024
Sales business	¥265,626	¥255,446	\$1,755,277
Construction business	123,442	122,731	815,714
Brokerage business	20,308	21,718	134,196
Total	¥409,376	¥399,895	\$2,705,187

**19 Segment information**

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

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

Information by business segment for the years ended March 31, 2024, 2023 and 2022 is summarized as follows:

For 2024	Millions of yen							
	Leasing business	Sales business	Construction business	Brokerage 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 2023	Millions of yen							
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total	Adjustments	Consolidated financial statements amounts
Revenue from operations:								
Customers	¥ 422,955	¥221,953	¥212,165	¥ 73,996	¥ 8,836	¥ 939,905	¥ —	¥ 939,905
Intersegment	2,414	124	1,419	1,111	1,227	6,295	(6,295)	—
Total	425,369	222,077	213,584	75,107	10,063	946,200	(6,295)	939,905
Segment profit	¥ 165,693	¥ 53,928	¥ 21,422	¥ 20,031	¥ 1,181	¥ 262,255	¥ (20,981)	¥ 241,274
Segment assets	¥4,588,063	¥927,788	¥ 22,977	¥230,095	¥153,726	¥5,922,649	¥442,787	¥6,365,436
Other:								
Depreciation and amortization	¥ 61,172	¥ 286	¥ 860	¥ 655	¥ 264	¥ 63,237	¥ 1,398	¥ 64,635
Loss on impairment of fixed assets	7,413	687	—	—	—	8,100	—	8,100
Increase in property and equipment, and intangibles	444,776	16,524	888	1,042	54	463,284	467	463,751

For 2022	Millions of yen							
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total	Adjustments	Consolidated financial statements amounts
Revenue from operations:								
Customers	¥ 422,673	¥233,676	¥203,308	¥ 72,311	¥ 7,463	¥ 939,431	¥ —	¥ 939,431
Intersegment	2,409	112	1,054	1,173	1,621	6,369	(6,369)	—
Total	425,082	233,788	204,362	73,484	9,084	945,800	(6,369)	939,431
Segment profit	¥ 162,650	¥ 50,486	¥ 18,523	¥ 18,026	¥ 617	¥ 250,302	¥ (16,419)	¥ 233,883
Segment assets	¥4,297,595	¥761,443	¥ 23,626	¥193,444	¥125,049	¥5,401,157	¥404,883	¥5,806,040
Other:								
Depreciation and amortization	¥ 57,394	¥ 167	¥ 1,032	¥ 676	¥ 293	¥ 59,562	¥ 1,083	¥ 60,645
Loss on impairment of fixed assets	3,453	—	—	—	—	3,453	—	3,453
Increase in property and equipment, and intangibles	164,430	21,741	281	802	286	187,540	286	187,826

For 2024	Thousands of U.S. dollars							
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total	Adjustments	Consolidated financial statements amounts
Revenue from operations:								
Customers	\$ 2,919,157	\$1,593,022	\$1,344,723	\$ 471,182	\$ 66,497	\$ 6,394,581	\$ —	\$ 6,394,581
Intersegment	17,511	899	10,322	6,635	8,022	43,389	(43,389)	—
Total	2,936,668	1,593,921	1,355,045	477,817	74,519	6,437,970	(43,389)	6,394,581
Segment profit	\$ 1,166,861	\$ 397,859	\$ 137,719	\$ 123,835	\$ 9,370	\$ 1,835,644	\$ (152,785)	\$ 1,682,859
Segment assets	\$30,548,516	\$6,843,104	\$ 144,968	\$1,336,959	\$1,174,170	\$40,047,717	\$4,083,592	\$44,131,309
Other:								
Depreciation and amortization	\$ 453,354	\$ 3,701	\$ 4,764	\$ 4,764	\$ 1,678	\$ 468,261	\$ 14,915	\$ 483,176
Loss on impairment of fixed assets	42,212	4,038	—	—	—	46,250	—	46,250
Increase in property and equipment, and intangibles	970,079	294,542	5,590	11,643	2,036	1,283,890	16,302	1,300,192

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.

**20 Comprehensive income**

Amounts reclassified to profit in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income (loss) for the years ended March 31, 2024, 2023 and 2022 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2024	2023	2022	
Unrealized holding gains (losses) on securities:				
Increase (Decrease) during fiscal year	¥148,780	¥27,560	¥(5,332)	\$ 983,149
Reclassification adjustments	(8,731)	(4,535)	(1,266)	(57,695)
Amounts before tax effects	140,049	23,025	(6,598)	925,454
Tax effects	(42,909)	(7,061)	2,020	(283,546)
Total	¥ 97,140	¥15,964	¥(4,578)	\$ 641,908
Deferred gains (losses) on hedges:				
Increase (Decrease) during fiscal year	¥ 788	¥ 6,654	¥ 4,343	\$ 5,207
Reclassification adjustments	946	948	981	6,251
Amounts before tax effects	1,734	7,602	5,324	11,458
Tax effects	(531)	(2,328)	(1,630)	(3,508)
Total	¥ 1,203	¥ 5,274	¥ 3,694	\$ 7,950
Foreign currency translation adjustments:				
Increase (Decrease) during fiscal year	¥ 2,036	¥ 4,110	¥ 2,816	\$ 13,454
Remeasurements of defined benefit plans:				
Increase (Decrease) during fiscal year	¥ 1,016	¥ 42	¥ (427)	\$ 6,714
Reclassification adjustments	(42)	427	(980)	(278)
Amounts before tax effects	974	469	(1,407)	6,436
Tax effects	(298)	(143)	431	(1,969)
Total	¥ 676	¥ 326	¥ (976)	\$ 4,467
Total other comprehensive income (loss)	¥101,055	¥25,674	¥ 956	\$ 667,779

## 21 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, 2024 is ¥4,381,739 million (\$28,954,860 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, 2024 and 2023 are as follows:

		Millions of yen		Thousands of U.S. dollars	
		2024	2023	2024	
Investment and rental properties	Carrying amount	Balance at beginning of fiscal year	¥4,025,375	¥3,643,736	\$26,599,980
		Changes during fiscal year, net	73,809	381,639	487,736
	Fair value at end of fiscal year	Balance at end of fiscal year	4,099,184	4,025,375	27,087,716
			7,740,824	7,438,152	51,151,946
A portion used as investment and rental properties	Carrying amount	Balance at beginning of fiscal year	¥ 285,253	¥ 301,331	\$ 1,884,973
		Changes during fiscal year, net	(2,699)	(16,078)	(17,835)
	Fair value at end of fiscal year	Balance at end of fiscal year	282,554	285,253	1,867,138
			635,788	609,187	4,201,335

(Notes)  
 1. Carrying amounts on the consolidated balance sheets are the amounts determined by deducting accumulated depreciation and accumulated impairment losses from the acquisition costs.  
 2. Fair values as of March 31, 2024 and 2023 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, 2024 and 2023 are as follows:

		Millions of yen		Thousands of U.S. dollars
		2024	2023	2024
Increase:				
Acquired real estate		¥169,681	¥454,795	\$1,121,265
Transferred from inventories		24,681	—	163,094
Decrease:				
Depreciation and amortization		¥ (59,857)	¥ (53,699)	\$ (395,540)
Transferred to inventories		(44,610)	(32,659)	(294,786)
Loss on impairment of fixed assets		(6,999)	(8,100)	(46,250)

Income and expenses for investment and rental properties for the years ended March 31, 2024 and 2023 are as follows:

		Millions of yen		Thousands of U.S. dollars
		2024	2023	2024
Investment and rental properties	Revenue from operations	¥314,993	¥296,696	\$2,081,497
	Cost of revenue from operations	153,603	145,462	1,015,020
	Operating income	161,390	151,234	1,066,477
	Other income (expenses), net	(4,959)	(8,158)	(32,769)
A portion used as investment and rental properties	Revenue from operations	¥ 28,397	¥ 26,248	\$ 187,650
	Cost of revenue from operations	16,356	16,515	108,082
	Operating income	12,041	9,733	79,568
	Other income (expenses), net	(59)	(368)	(390)

(Notes)  
 1. As a portion used as investment and rental properties includes a portion used by the Company or its certain consolidated subsidiaries for providing services as well as management and administration, revenue from operation for these are not recorded above. On the other hand, cost of revenue from operations for these (mainly rent, depreciation, taxes and dues) is included above.  
 2. Other income (expenses), net for investment and rental properties is mostly loss on impairment of fixed assets and that for a portion used as investment and rental properties is mostly loss on disposal of property and equipment.

## 22 Contingent liabilities

The Group is contingently liable mainly for defects in condominiums, detached houses and other real estate, to our brokerage business customers who bought or sold these, in an amount aggregating to ¥19,812 million (\$130,919 thousand) and ¥16,150 million at March 31, 2024 and 2023, respectively.

## 23 Subsequent events

(Dividends)

On June 27, 2024, the shareholders of the Company approved payments of a year-end cash dividend of ¥31 (\$0.20) per share or a total of ¥14,692 million (\$97,086 thousand) to shareholders of record at March 31, 2024. Such appropriations are recognized in the period in which they are approved by the shareholders.

## Independent Auditor's Report



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

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, 2024 and 2023, 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, 2024, 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, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for each of the years in the three-year period ended March 31, 2024, in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

### Key Audit Matters

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

**Appropriateness of management's judgments concerning the identification of an impairment indicator for the Investment and rental properties**

The key audit matter	How the matter was addressed in our audit
<p>Office buildings, rental apartments and other properties (including construction in progress and those held for development, hereinafter referred to as the "Investment and rental properties") owned by the Group were recognized as property and equipment in the consolidated balance sheet of the Group as of March 31, 2024. As described in Note 21, "Investment and rental properties" to the consolidated financial statements, the Investment and rental properties amounted to ¥4,381,739 million and accounted for approximately 66% of the total assets in the consolidated financial statements.</p> <p>As described in Note 3, "Significant accounting estimates" to the consolidated financial statements, when the profitability of the Investment and rental properties which is recognized as property and equipment has declined and an impairment indicator exists, the Group is required to determine whether an impairment loss should be recognized. Impairment indicators include recurring operating losses, changes that significantly reduce the recoverable amount in the extent to which, or manner in which, a property is used or is expected to be used, a significant deterioration of business environment and a significant decrease in the market prices.</p> <p>The probability of achieving the business plans including the development plans which were basis for estimating the recoverable amount and the assumptions used for calculating the market prices such as expected rents, occupancy rates and discount rates were determined by management with subjective judgments. Also, these judgments are largely influenced by economic trends, corporate performance, trends in land prices, financial market situations, taxation system and other social aspects.</p> <p>Accordingly, these estimates involved a high degree of uncertainty.</p> <p>We, therefore, determined that our assessment of the appropriateness of management's judgments as to whether there was an impairment indicator for the Investment and rental properties was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the appropriateness of management's judgments as to whether there was an impairment indicator for the Investment and rental properties included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of certain of the Group's internal controls to identify impairment indicators for the Investment and rental properties.</p> <p>(2) Assessment of the appropriateness of the judgments concerning the identification of an impairment indicator for the Investment and rental properties.</p> <p>1. The probability of achieving the business plans</p> <ul style="list-style-type: none"> <li>• We inquired of the personnel in the responsible divisions their judgments about the current progress against the business plans, the probability of achieving the business plans and whether any events which cause changes of the business plans incurred. In addition, we inspected the supporting documents including contracts and other relevant materials regarding their judgments about the current progress of the business plans and their responses to our inquiries.</li> <li>• We observed certain properties which have been completed or whose occupancy rates had fluctuated in the current fiscal year, and certain projects in progress, in order to assess if these properties have been actually rented or if the current progress against the business plan was consistent with their judgments.</li> </ul> <p>2. Reasonableness of the calculated market prices</p> <ul style="list-style-type: none"> <li>• We assessed that the expected rents and occupancy rates were determined based on the actual results or current contract rents in the same project, or the observable actual rent data of comparable properties.</li> <li>• With the assistance of our own real-estate valuation specialists, we assessed the appropriateness of the discount rates determined by management and evaluated the reasonableness of the calculated market prices.</li> </ul>

**Reasonableness of the valuation of the Real Estate for Sale**

The key audit matter	How the matter was addressed in our audit
<p>Condominium units, detached houses and land lots for sale (including those in process and those held for development, hereinafter referred to as the "Real Estate for Sale") owned by the Group were recognized as inventories in the consolidated balance sheet of the Group as of March 31, 2024. As described in Note 6 "Inventories" to the consolidated financial statements, real estate for sale and real estate for sale in process amounted to ¥396,807 million and ¥474,633 million, respectively, which accounted for approximately 13% of the total assets in the consolidated financial statements.</p> <p>As described in Note 3, "Significant accounting estimates" to the consolidated financial statements, in case the net realizable value of the Real Estate for Sale is lower than the book value, the profitability is regarded to have declined, and the net realizable value is used as the carrying amount. The difference between the book value and the net realizable value (loss on devaluation of the Real Estate for Sale) is recognized as cost of revenue from operations for the current fiscal year.</p> <p>The probability of achieving the business plans including the development plans which were basis for estimating the net realizable value and the assumptions underlying the business plan including expected selling prices were determined by management with subjective judgments. Also, these judgments are largely influenced by economic trends, trends in personal income, trends in land prices, trends in building costs, financial market situations, taxation system and other social aspects.</p> <p>Accordingly, these estimates involved a high degree of uncertainty.</p> <p>We, therefore, determined that the reasonableness of the valuation of the Real Estate for Sale was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the reasonableness of the valuation of the Real Estate for Sale included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the valuation of the Real Estate for Sale.</p> <p>(2) Assessment of the reasonableness of the valuation of the Real Estate for Sale</p> <p>1. The probability of achieving the business plans</p> <ul style="list-style-type: none"> <li>• We inquired of the personnel in the responsible divisions their judgments about the current progress against the business plans and the probability of achieving the business plans considering the outlook of the expected selling prices and the building costs. In addition, we inspected the supporting documents including contracts and other relevant materials regarding their judgments about the current progress of the business plans and their responses to our inquiries.</li> <li>• We observed certain properties in order to assess if the current progress against the business plan was consistent with their judgments.</li> </ul> <p>2. Appropriateness of the expected selling prices</p> <ul style="list-style-type: none"> <li>• With regard to the Real Estate for Sale whose certain units have been sold or contracted, we assessed that the expected selling prices were determined based on the actual sales results in the same project.</li> <li>• With regard to the Real Estates for Sale which have no sales transaction record, we assessed that the expected selling prices were determined based on the actual price data or observable selling prices of comparable properties in the same sales area.</li> <li>• With the assistance of our own real-estate valuation specialists, we evaluated the appropriateness of the expected selling prices.</li> </ul>

**Other Information**

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 230 million yen and 18 million yen, respectively.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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/ Atsuji Maeno  
Atsuji Maeno  
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, 2024

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.