

Consolidated Financial Statements

Daiwa House Industry Co., Ltd.

*Year ended March 31, 2025
with Independent Auditor's Report*

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2025

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Consolidated Financial Statements

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Independent Auditor's Report

The Board of Directors
Daiwa House Industry Co., Ltd.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Daiwa House Industry Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2025, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Estimates of total construction costs for ordered contract transactions of which revenues are recognized based on the satisfaction of performance obligations over a certain period of time

| Description of Key Audit Matter | Auditor's Response |
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| <p>As described in Note 1 (m) "Revenue recognition," performance obligations related to ordered contract transactions in which contracts for construction work have been entered into with customers for single-family houses, rental housing, commercial facilities, business and corporate facilities and others are satisfied over a certain period of time and revenues are recognized based on the progress of satisfaction of the performance obligations ("progress"). This progress is estimated using the input method based on costs (percentage of costs incurred to total construction costs). Specifically, the amount of revenue to be recognized is determined using the following formula:</p> <p>Total construction revenue × progress (costs incurred ÷ total construction costs)</p> <p>As described in Note 1 (v) "Significant accounting estimates", sales (including construction contracts in progress as at the end of the year) recorded for the year ended March 31, 2025 using the method of recognizing revenue based on the satisfaction of performance obligations over a certain period of time related to construction contracts amounted to ¥1,881,182 million (\$12,581,475 thousand)*.</p> <p>Total construction costs are estimated using execution budgets for each construction contract, and the execution budgets are formulated using cost items such as the quantity of construction materials, labor hours, and procurement unit price as assumptions. These cost items reflect specific factors such as the specifications and status of construction and external factors such as economic conditions and business environment and are aggregated according to construction type such as reinforced steel</p> | <p>We mainly conducted the following audit procedures for the construction works that we selected based on quantitative and qualitative criteria including the construction progress standard abnormality detection tool** established in light of risks, in order to assess the reasonableness of the estimates of total construction costs for ordered contract transactions that were in progress as at the end of the year for which revenues were recognized based on the satisfaction of performance obligations over a certain period of time.</p> <p>** Construction progress standard abnormality detection tool</p> <p>A tool for detecting unusual trends in the progress of construction that applies a method of recognizing revenue based on the satisfaction of performance obligations over a certain period of time based on progress forecasted using machine learning. This tool also allows users to predict which construction projects may have total construction costs that exceed total construction revenue and detect unusual timing of costs occurrence.</p> <p>(1) Evaluation of internal controls</p> <p>We evaluated the design and the effectiveness of the following internal controls of the Group related to the estimates of total construction costs.</p> <ul style="list-style-type: none"> • We evaluated the internal controls that ensure the reliability of execution budgets, which are the basis of the estimates of total construction costs, requiring that such execution budgets are formulated by persons in charge of construction work with specialized knowledge through a detailed cumulative calculation based on |

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| <p>construction, concrete construction, and electrical equipment construction. Of these cost items, construction costs for items not yet ordered that are material involves uncertainty since such costs may differ from the execution budget due to fluctuations in prices and the like at some point in the future and thus have a significant impact on progress. In addition, estimates of execution budgets for construction contracts having a long construction period and unique specifications are complex since there are wide range of cost items.</p> <p>Accordingly, we have determined estimates of total construction costs for ordered contract transactions in progress as at the end of the year for which revenues were recognized based on the progress of satisfaction of performance obligations over a certain period of time to be a key audit matter.</p> | <p>construction drawings, quotations obtained from third parties, and others, and that the necessary approval for such execution budgets is obtained.</p> <ul style="list-style-type: none"> • We evaluated internal controls ensuring that the estimates of total construction costs are revised in a timely and appropriate manner according to the status of construction work, actual costs incurred, or instructions for changes in specification from customers. <p>(2) Estimates of total construction costs</p> <p>We mainly conducted the following audit procedures in order to assess the appropriateness of estimates of total construction costs.</p> <p><Consideration of estimation methods></p> <ul style="list-style-type: none"> • We considered whether the execution budgets were prepared by aggregating data by construction type and considered whether the construction type related to the construction work was incorporated in the execution budgets by making inquiries of persons in charge. • We considered whether the execution budgets contained any material and unusual adjustments for the purpose of reflecting future uncertainties. <p><Consideration of significant assumptions></p> <ul style="list-style-type: none"> • We assessed whether construction costs for items not yet ordered, such as the quantity of construction materials, labor hours, and procurement unit price, were properly estimated by comparing the execution budgets to the quotations obtained from subcontractors, or the actual construction records in the past and actual purchase order records of similar construction works in progress. • We made inquiries of the person in-charge of construction sites regarding the construction progress and the status of orders to subcontractors and considered |
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| | <p>whether there were any significant events requiring a revision of total construction costs.</p> <ul style="list-style-type: none"> • We inspected the documents for internal approvals of the revision of the estimates of the total construction costs and assessed whether the execution budgets were revised in a timely and appropriate manner according to the progress of construction works. • We observed construction sites of certain construction works and assessed whether they are consistent with the progress of construction works and with the details of estimates of the total construction costs. <p><Consideration of data></p> <ul style="list-style-type: none"> • We compared the construction costs for items that were already ordered to subcontractors to the supporting documents proving such orders, such as order acceptances, and considered the consistency between these costs and documents. |
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Revenue recognition of real estate sales transactions to special purpose entities as the transferees

| Description of Key Audit Matter | Auditor's Response |
|--|---|
| <p>The Group is engaged in the real estate development business mainly involving rental housing, business facilities and commercial facilities and records revenue from sales of real estate to special purpose companies as defined in Paragraph 3 under Article 2 of “Act on Securitization of Assets” and entities engaged in similar businesses where changes in the nature of business are restricted (“special purpose entities”) as the transferees. During the year ended March 31, 2025, the Group recorded revenue from sales of real estate to special purpose entities, which is mainly included in net sales, in the amount of ¥430,085 million (\$2,876,441 thousand)*</p> | <p>We mainly conducted the following procedures for certain transactions in which the sales transaction amount exceeded a quantitative threshold in order to assess revenue recognition for real estate sales transactions to special purpose entities as the transferees.</p> <ul style="list-style-type: none"> • In order to consider whether real estate was transferred at appropriate prices, we compared the prices with prices for real estate transactions in the same areas and real estate appraisals. • In order to understand the entire transaction scheme, including the buyers, |

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| <p>arising from sales of development properties.</p> <p>Revenue from sales of real estate to special purpose entities is recognized when the real estate has been transferred at an appropriate price and substantially all the risks and rewards of ownership of the real estate have been transferred. In general, the terms and conditions of real estate sales transactions are highly specific, and each transaction amount is material. In particular, when the transferees are special purpose entities, there is a risk that the real estate will not be transferred at an appropriate price since transferees differ in nature from ordinary counterparties, and transferors leverage this difference in nature to adjust real estate prices to be advantageous for them. In addition, in the event that the underlying transaction schemes between the transferee and transferor are complex and, if the Group retains certain continuing involvement, such as providing management services, granting repurchase options, sale and leaseback transactions or the partial holding of equity interest after the transfer of the real estate is completed, a material amount of revenue may be recognized even though substantially all of the risks and rewards of ownership of the real estate have not been transferred.</p> <p>Accordingly, we have determined revenue recognition for real estate sales transactions to special purpose entities to be a key audit matter.</p> | <p>consider whether the transaction entails the continuing involvement of the Group, and assess the economic rationale of the transaction, we inspected related documents such as the request for approval and the minutes of the Board of Directors' meetings and others and, when necessary, made inquiries of the responsible department.</p> <ul style="list-style-type: none"> • In order to assess whether there are any conditions that demonstrate continuing involvement (degree of risk) in relation to the transferred assets, we inspected related contracts such as sales contracts, investment contracts, and real estate management contracts and, when necessary, made inquiries of the responsible department. • In order to assess the completion of the transfer of the assets, we inspected the evidence of cash receipts and certified copies of the real estate register in addition to the inspection of the certificate of transfer. |
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* The translation of Japanese yen amounts into U.S. dollar amounts has been made on the basis described in Note 3 to the consolidated financial statements.

Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing 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. 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 an 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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing 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 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 in accordance with accounting principles generally accepted in Japan.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to 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 to reduce threats to an acceptable level.

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of Daiwa House Industry Co., Ltd. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2025 are 775 million yen and 47 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners 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.

Ernst & Young ShinNihon LLC
Osaka, Japan

July 22, 2025

Yasuhiro Takata

Designated Engagement Partner
Certified Public Accountant

Satoshi Abe

Designated Engagement Partner
Certified Public Accountant

Kenji Nakamura

Designated Engagement Partner
Certified Public Accountant

Consolidated Balance Sheet

March 31, 2025

| | | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 3)</i> |
|---|-------------|------------------------|------------------|---|
| | <i>Note</i> | 2025 | 2024 | 2025 |
| Assets | | | | |
| Current assets | | | | |
| Cash and bank deposits | 9,24,26 | ¥ 333,198 | ¥ 450,129 | \$ 2,228,455 |
| Trade notes and accounts receivable | 9,24,27 | 474,790 | 493,205 | 3,175,429 |
| Lease receivables and investments in leases | 22 | 142,291 | 124,906 | 951,653 |
| Mortgage notes receivable held for sale | 9 | 54,429 | 25,739 | 364,028 |
| Securities maturing within one year | 4,9,24 | 402 | 449 | 2,694 |
| Costs on construction contracts in progress | 6 | 54,916 | 53,849 | 367,284 |
| Real estate for sale | 6,9 | 1,906,871 | 1,750,539 | 12,753,289 |
| Real estate for sale in process | 6,9 | 563,275 | 437,699 | 3,767,223 |
| Undeveloped land for sale | 6 | 1,119 | 3,984 | 7,486 |
| Merchandise and finished goods | 6 | 20,569 | 19,650 | 137,569 |
| Work in process | 6 | 13,972 | 11,789 | 93,446 |
| Raw materials and supplies | 6 | 10,913 | 10,251 | 72,988 |
| Other current assets | 9 | 309,095 | 271,675 | 2,067,250 |
| Allowance for doubtful accounts | 24 | (3,380) | (3,789) | (22,611) |
| Total current assets | | <u>3,882,464</u> | <u>3,650,081</u> | <u>25,966,189</u> |
| Non-current assets | | | | |
| Property, plant and equipment | 28 | | | |
| Buildings and structures | | 1,513,094 | 1,453,394 | 10,119,680 |
| Accumulated depreciation | | (613,770) | (570,297) | (4,104,941) |
| Buildings and structures, net | 6,7,9,14 | <u>899,323</u> | <u>883,096</u> | <u>6,014,739</u> |
| Machinery, equipment and vehicles | | 193,306 | 170,835 | 1,292,845 |
| Accumulated depreciation | | (118,155) | (110,536) | (790,228) |
| Machinery, equipment and vehicles, net | 6,9,14 | <u>75,151</u> | <u>60,298</u> | <u>502,616</u> |
| Tools, furniture and fixtures | | 95,823 | 88,982 | 640,874 |
| Accumulated depreciation | | (69,976) | (63,911) | (468,009) |
| Tools, furniture and fixtures, net | 6,14 | <u>25,846</u> | <u>25,070</u> | <u>172,864</u> |
| Land | 6,7,9,14 | 858,719 | 816,722 | 5,743,172 |
| Leased assets | | 132,139 | 119,189 | 883,756 |
| Accumulated depreciation | | (41,756) | (34,380) | (279,273) |
| Lease assets, net | 14,22 | <u>90,382</u> | <u>84,809</u> | <u>604,482</u> |
| Construction in progress | 6 | 174,107 | 120,057 | 1,164,440 |
| Other tangible assets | | 23,954 | 22,743 | 160,212 |
| Accumulated depreciation | | (6,132) | (4,769) | (41,017) |
| Other, net | 9 | 17,822 | 17,973 | 119,195 |
| Total property, plant and equipment | | <u>2,141,352</u> | <u>2,008,029</u> | <u>14,321,511</u> |
| Intangible assets | | | | |
| Goodwill | 14,28 | 94,656 | 95,429 | 633,068 |
| Other intangible assets | 6,14 | 110,419 | 108,132 | 738,494 |
| Total intangible assets | | <u>¥ 205,076</u> | <u>¥ 203,561</u> | <u>\$ 1,371,563</u> |

| | | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 3)</i> |
|---|-------------|------------------------|-------------|---|
| | <i>Note</i> | 2025 | 2024 | 2025 |
| Investments and other assets | | | | |
| Investment securities | 4,5,9,24 | ¥ 220,868 | ¥ 224,638 | \$ 1,477,180 |
| Long-term loans receivable | 9 | 9,209 | 5,134 | 61,593 |
| Assets for employees' retirement benefits | 10 | 127,449 | 39,115 | 852,389 |
| Lease deposits | 24 | 253,595 | 252,587 | 1,696,066 |
| Deferred tax assets | 18 | 104,069 | 111,804 | 696,026 |
| Other assets | 5,9,24 | 106,922 | 40,126 | 715,103 |
| Allowance for doubtful accounts | 24 | (1,684) | (1,357) | (11,267) |
| Total investments and other assets | | 820,430 | 672,048 | 5,487,093 |
| Total non-current assets | | 3,166,858 | 2,883,640 | 21,180,168 |
| Total assets | 28 | ¥ 7,049,323 | ¥ 6,533,721 | \$ 47,146,357 |

| | | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 3)</i> |
|--|-------------|------------------------|--------------------|---|
| | <i>Note</i> | 2025 | 2024 | 2025 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Trade notes and accounts payable | | ¥ 353,710 | ¥ 361,313 | \$ 2,365,638 |
| Short-term loans from banks | 8,9 | 170,293 | 122,253 | 1,138,936 |
| Current portion of bonds | 8,24 | 75,000 | 100,000 | 501,605 |
| Current portion of long-term loans from banks | 8,9,24 | 285,287 | 117,675 | 1,908,019 |
| Lease obligation | 8,22 | 11,563 | 9,105 | 77,338 |
| Accounts payable-other | | 106,222 | 95,643 | 710,423 |
| Income taxes payable | 18 | 99,097 | 76,222 | 662,768 |
| Advances received | 27 | 128,665 | 103,529 | 860,521 |
| Advances received on construction projects in progress | 27 | 195,231 | 195,458 | 1,305,723 |
| Accrued bonuses | | 69,176 | 64,991 | 462,653 |
| Provision for warranties for completed construction | | 8,811 | 8,236 | 58,934 |
| Provision for loss on construction contracts | 15 | 18,914 | 7,291 | 126,499 |
| Asset retirement obligations | 11 | 4,953 | 4,394 | 33,129 |
| Other current liabilities | 9 | 306,907 | 265,285 | 2,052,620 |
| Total current liabilities | | 1,833,834 | 1,531,400 | 12,264,812 |
| Non-current liabilities | | | | |
| Bonds | 8,24 | 744,000 | 759,000 | 4,975,922 |
| Long-term loans from banks | 8,9,24, 25 | 1,034,496 | 988,909 | 6,918,782 |
| Lease obligation | 8,22 | 112,189 | 107,236 | 750,329 |
| Lease deposits received | 9,24 | 301,383 | 303,547 | 2,015,673 |
| Deferred tax liabilities on land revaluation | | 17,624 | 18,285 | 117,871 |
| Liabilities for employees' retirement benefits | 10 | 98,504 | 103,003 | 658,806 |
| Asset retirement obligations | 11 | 63,488 | 61,100 | 424,614 |
| Other non-current liabilities | 18 | 127,056 | 137,476 | 849,762 |
| Total non-current liabilities | | 2,498,743 | 2,478,559 | 16,711,764 |
| Total liabilities | | 4,332,577 | 4,009,959 | 28,976,576 |
| Net assets | | | | |
| Shareholders' equity | | | | |
| Common stock | | 162,216 | 161,957 | 1,084,917 |
| Capital surplus | | 299,395 | 301,318 | 2,002,377 |
| Retained earnings | | 2,132,816 | 1,903,326 | 14,264,425 |
| Treasury stock | | (188,335) | (88,320) | (1,259,597) |
| Total shareholders' equity | | 2,406,094 | 2,278,281 | 16,092,122 |
| Accumulated other comprehensive income | | | | |
| Unrealized gain (loss) on securities | | 45,848 | 55,342 | 306,636 |
| Deferred gain (loss) on hedging instruments | | 2,315 | (1,916) | 15,483 |
| Land revaluation reserve | | 10,799 | 10,234 | 72,227 |
| Foreign currency translation adjustments | | 149,181 | 95,919 | 997,735 |
| Total accumulated other comprehensive income | | 208,144 | 159,580 | 1,392,082 |
| Non-controlling interests | | 102,507 | 85,900 | 685,576 |
| Total net assets | 20 | 2,716,745 | 2,523,762 | 18,169,781 |
| Total liabilities and net assets | | ¥ 7,049,323 | ¥ 6,533,721 | \$ 47,146,357 |

Consolidated Statement of Income

Year Ended March 31, 2025

| | | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 3)</i> |
|--|-------------|------------------------|------------------|---|
| | <i>Note</i> | 2025 | 2024 | 2025 |
| Net sales | 27,28 | ¥ 5,434,819 | ¥ 5,202,919 | \$ 36,348,447 |
| Cost of sales | 10,15 | 4,333,754 | 4,210,511 | 28,984,448 |
| Gross profit | | <u>1,101,065</u> | <u>992,407</u> | <u>7,363,998</u> |
| Selling, general and administrative expenses | | | | |
| Sales commission | | 23,104 | 22,741 | 154,527 |
| Advertising expenses | | 27,805 | 28,473 | 185,963 |
| Promotion expenses | | 3,857 | 4,551 | 25,797 |
| Provision of allowance for doubtful accounts | | 1,685 | 2,306 | 11,272 |
| Directors' compensations | | 4,582 | 4,524 | 30,649 |
| Employees' salaries and allowances | | 220,124 | 207,992 | 1,472,205 |
| Provision for bonuses | | 42,770 | 39,496 | 286,051 |
| Retirement benefit expenses | 10 | (33,675) | (1,647) | (225,221) |
| Legal welfare expenses | | 31,870 | 30,782 | 213,149 |
| Office supplies expenses | | 30,723 | 27,250 | 205,479 |
| Communication and transportation expenses | | 21,832 | 20,790 | 146,017 |
| Rent expenses on land and buildings | | 21,333 | 20,037 | 142,682 |
| Depreciation | | 17,844 | 16,703 | 119,343 |
| Taxes and dues | | 47,098 | 45,205 | 315,001 |
| Other | 12 | 93,827 | 82,987 | 627,521 |
| Total selling, general and administrative expenses | | <u>554,785</u> | <u>552,197</u> | <u>3,710,442</u> |
| Operating profit | 28 | <u>546,279</u> | <u>440,210</u> | <u>3,653,556</u> |
| Non-operating income | | | | |
| Interest income | | 5,304 | 2,734 | 35,476 |
| Dividend income | | 4,465 | 5,706 | 29,866 |
| Equity in earnings of affiliates | | 1,676 | 2,411 | 11,214 |
| Insurance claim income | | 2,159 | 1,438 | 14,441 |
| Gain on valuation of derivatives | 25 | 0 | 5,302 | 6 |
| Miscellaneous income | | 13,762 | 13,489 | 92,045 |
| Total non-operating income | | <u>27,369</u> | <u>31,083</u> | <u>183,051</u> |
| Non-operating expenses | | | | |
| Interest expenses | | 41,563 | 31,531 | 277,978 |
| Provision of allowance for doubtful accounts | | — | 53 | — |
| Miscellaneous expenses | | 16,100 | 12,159 | 107,681 |
| Total non-operating expenses | | <u>57,663</u> | <u>43,745</u> | <u>385,660</u> |
| Ordinary profit | | <u>¥ 515,985</u> | <u>¥ 427,548</u> | <u>\$ 3,450,947</u> |

| | | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 3)</i> |
|--|-------------|------------------------|------------------|---|
| | <i>Note</i> | 2025 | 2024 | 2025 |
| Extraordinary income | | | | |
| Gain on sales of non-current assets | 7,13 | ¥ 2,520 | ¥ 7,249 | \$ 16,855 |
| Gain on sales of investment securities | 4 | 13,495 | 16,602 | 90,261 |
| Gain on sales of shares of subsidiaries and affiliates | 16 | — | 23,189 | — |
| Gain on sales of investments in capital of subsidiaries and affiliates | | 115 | — | 773 |
| Gain on a step acquisition | | 739 | — | 4,942 |
| Gain on change in equity interest | | — | 1,983 | — |
| Total extraordinary income | | <u>16,870</u> | <u>49,025</u> | <u>112,832</u> |
| Extraordinary losses | | | | |
| Loss on sales of non-current assets | 7,13 | 196 | 149 | 1,314 |
| Loss on disposal of non-current assets | 7 | 3,347 | 2,975 | 22,386 |
| Impairment loss | 7,14,28 | 38,859 | 10,826 | 259,897 |
| Loss on sales of investment securities | 4 | 0 | 17 | 5 |
| Loss on revaluation of investment securities | 4 | 661 | 1,423 | 4,422 |
| Loss on sales of shares of subsidiaries and affiliates | 17 | 1,007 | 5,345 | 6,740 |
| Other | | — | 0 | — |
| Total extraordinary losses | | <u>44,073</u> | <u>20,738</u> | <u>294,766</u> |
| Profit before income taxes | | <u>488,783</u> | <u>455,834</u> | <u>3,269,014</u> |
| Current | | 156,116 | 132,317 | 1,044,117 |
| Deferred | | 2,788 | 23,263 | 18,651 |
| Total income taxes | 18 | <u>158,905</u> | <u>155,581</u> | <u>1,062,768</u> |
| Profit | | <u>329,877</u> | <u>300,253</u> | <u>2,206,245</u> |
| Profit attributable to non-controlling interests | | 4,818 | 1,500 | 32,228 |
| Profit attributable to owners of the parent | | <u>¥ 325,058</u> | <u>¥ 298,752</u> | <u>\$ 2,174,016</u> |

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2025

| | | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 3)</i> |
|---|-------------|------------------------|-----------|---|
| | <i>Note</i> | 2025 | 2024 | 2025 |
| Profit | | ¥ 329,877 | ¥ 300,253 | \$ 2,206,245 |
| Other comprehensive income: | | | | |
| Unrealized gain (loss) on securities | | (9,515) | 640 | (63,639) |
| Deferred gain (loss) on hedging instruments | | 4,231 | (1,798) | 28,302 |
| Land revaluation reserve | | 631 | 37 | 4,225 |
| Foreign currency translation adjustments | | 60,876 | 35,230 | 407,146 |
| Share of other comprehensive income (loss) of affiliates accounted for by the equity method | | (1,122) | 343 | (7,510) |
| Total other comprehensive income | 19 | 55,101 | 34,452 | 368,524 |
| Comprehensive income | | ¥ 384,979 | ¥ 334,706 | \$ 2,574,769 |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | | ¥ 373,689 | ¥ 329,043 | \$ 2,499,262 |
| Non-controlling interests | | 11,289 | 5,662 | 75,507 |

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2025

| | Thousands | Millions of yen | | | | |
|---|---|-----------------|-----------------|----------------------|-----------------------------|----------------------------------|
| | Number of shares of common stock outstanding (Note 20) | Common stock | Capital surplus | Retained earnings | Treasury stock (Note 20) | Total shareholders' equity |
| Balance, April 1, 2023 | 658,871 | ¥ 161,845 | ¥ 303,741 | ¥ 1,710,582 | ¥ (20,327) | ¥ 2,155,842 |
| Issuance of common stock | 60 | 111 | 111 | — | — | 223 |
| Cash dividends | — | — | — | (87,520) | — | (87,520) |
| Profit attributable to owners of the parent | — | — | — | 298,752 | — | 298,752 |
| Change in equity of parent arising from transaction with non- controlling shareholders | — | — | (926) | — | — | (926) |
| Land revaluation reserve | — | — | — | (919) | — | (919) |
| Purchase of treasury stock | (19,109) | — | — | — | (87,171) | (87,171) |
| Disposal of treasury stock | — | — | 0 | — | 0 | 0 |
| Cancellation of treasury stock | — | — | (1,608) | (17,569) | 19,177 | — |
| Net change in items other than those in shareholders' equity | — | — | — | — | — | — |
| Balance, April 1, 2024 | 639,822 | 161,957 | 301,318 | 1,903,326 | (88,320) | 2,278,281 |
| Issuance of common stock | 127 | 259 | 259 | — | — | 519 |
| Cash dividends | — | — | — | (95,635) | — | (95,635) |
| Profit attributable to owners of the parent | — | — | — | 325,058 | — | 325,058 |
| Change in equity of parent arising from transaction with non- controlling shareholders | — | — | (2,182) | — | — | (2,182) |
| Land revaluation reserve | — | — | — | 66 | — | 66 |
| Purchase of treasury stock | (21,366) | — | — | — | (100,015) | (100,015) |
| Disposal of treasury stock | — | — | — | (0) | 1 | 1 |
| Net change in items other than those in shareholders' equity | — | — | — | — | — | — |
| Balance, March 31, 2025 | 618,583 | ¥ 162,216 | ¥ 299,395 | ¥ 2,132,816 | ¥ (188,335) | ¥ 2,406,094 |

Millions of yen

| | Accumulated other comprehensive income | | | | | | |
|---|---|--|--------------------------------|---|--|----------------------------------|---------------------|
| | Unrealized gain (loss) on securities | Deferred gain (loss) on hedging instruments | Land revaluation reserve | Foreign currency translation adjustments | Total accumulated other comprehensive income | Non- controlling interests | Total net assets |
| Balance, April 1, 2023 | ¥ 54,701 | ¥ (118) | ¥ 9,277 | ¥ 64,508 | ¥ 128,369 | ¥ 104,701 | ¥ 2,388,914 |
| Issuance of common stock | — | — | — | — | — | — | 223 |
| Cash dividends | — | — | — | — | — | — | (87,520) |
| Profit attributable to owners of the parent | — | — | — | — | — | — | 298,752 |
| Change in equity of parent arising from transaction with non- controlling shareholders | — | — | — | — | — | — | (926) |
| Land revaluation reserve | — | — | — | — | — | — | (919) |
| Purchase of treasury stock | — | — | — | — | — | — | (87,171) |
| Disposal of treasury stock | — | — | — | — | — | — | 0 |
| Cancellation of treasury stock | — | — | — | — | — | — | — |
| Net change in items other than those in shareholders' equity | 640 | (1,798) | 956 | 31,410 | 31,210 | (18,801) | 12,408 |
| Balance, April 1, 2024 | ¥ 55,342 | ¥ (1,916) | ¥ 10,234 | ¥ 95,919 | ¥ 159,580 | ¥ 85,900 | ¥ 2,523,762 |
| Issuance of common stock | — | — | — | — | — | — | 519 |
| Cash dividends | — | — | — | — | — | — | (95,635) |
| Profit attributable to owners of the parent | — | — | — | — | — | — | 325,058 |
| Change in equity of parent arising from transaction with non- controlling shareholders | — | — | — | — | — | — | (2,182) |
| Land revaluation reserve | — | — | — | — | — | — | 66 |
| Purchase of treasury stock | — | — | — | — | — | — | (100,015) |
| Disposal of treasury stock | — | — | — | — | — | — | 1 |
| Net change in items other than those in shareholders' equity | (9,494) | 4,231 | 564 | 53,261 | 48,564 | 16,607 | 65,171 |
| Balance, March 31, 2025 | ¥ 45,848 | ¥ 2,315 | ¥ 10,799 | ¥ 149,181 | ¥ 208,144 | ¥ 102,507 | ¥ 2,716,745 |

Thousands of U.S. dollars (Note 3)

| | Common stock | Capital surplus | Retained earnings | Treasury stock (Note 20) | Total shareholders' equity |
|---|--------------|-----------------|-------------------|-----------------------------|----------------------------|
| Balance, April 1, 2024 | \$ 1,083,180 | \$ 2,015,239 | \$ 12,729,578 | \$ (590,693) | \$ 15,237,305 |
| Issuance of common stock | 1,736 | 1,736 | — | — | 3,473 |
| Cash dividends | — | — | (639,616) | — | (639,616) |
| Profit attributable to owners of the parent | — | — | 2,174,016 | — | 2,174,016 |
| Change in equity of parent arising from transaction with non-controlling shareholders | — | (14,598) | — | — | (14,598) |
| Land revaluation reserve | — | — | 446 | — | 446 |
| Purchase of treasury stock | — | — | — | (668,912) | (668,912) |
| Disposal of treasury stock | — | — | (0) | 7 | 7 |
| Net change in items other than those in shareholders' equity | — | — | — | — | — |
| Balance, March 31, 2025 | \$ 1,084,917 | \$ 2,002,377 | \$ 14,264,425 | \$ (1,259,597) | \$ 16,092,122 |

Thousands of U.S. dollars (Note 3)

| Accumulated other comprehensive income | | | | | | | |
|---|--------------------------------------|---|--------------------------|--|--|---------------------------|------------------|
| | Unrealized gain (loss) on securities | Deferred gain (loss) on hedging instruments | Land revaluation reserve | Foreign currency translation adjustments | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| Balance, April 1, 2024 | \$ 370,136 | \$ (12,819) | \$ 68,448 | \$ 641,517 | \$ 1,067,282 | \$ 574,505 | \$ 16,879,093 |
| Issuance of common stock | — | — | — | — | — | — | 3,473 |
| Cash dividends | — | — | — | — | — | — | (639,616) |
| Profit attributable to owners of the parent | — | — | — | — | — | — | 2,174,016 |
| Change in equity of parent arising from transaction with non-controlling shareholders | — | — | — | — | — | — | (14,598) |
| Land revaluation reserve | — | — | — | — | — | — | 446 |
| Purchase of treasury stock | — | — | — | — | — | — | (668,912) |
| Disposal of treasury stock | — | — | — | — | — | — | 7 |
| Net change in items other than those in shareholders' equity | (63,500) | 28,302 | 3,778 | 356,218 | 324,799 | 111,070 | 435,869 |
| Balance, March 31, 2025 | \$ 306,636 | \$ 15,483 | \$ 72,227 | \$ 997,735 | \$ 1,392,082 | \$ 685,576 | \$ 18,169,781 |

Consolidated Statement of Cash Flows

Year Ended March 31, 2025

| | | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 3)</i> |
|---|-------------|------------------------|-----------|---|
| | <i>Note</i> | 2025 | 2024 | 2025 |
| Cash flows from operating activities: | | | | |
| Profit before income taxes | ¥ | 488,783 | ¥ 455,834 | \$ 3,269,014 |
| Depreciation | | 131,786 | 117,204 | 881,396 |
| Net increase (decrease) in assets and liabilities for employees' retirement benefits | | (93,277) | (41,198) | (623,846) |
| Interest and dividend income | | (9,770) | (8,441) | (65,343) |
| Interest expenses | | 41,563 | 31,531 | 277,978 |
| Equity in losses (earnings) of affiliates | | (1,676) | (2,411) | (11,214) |
| Net loss (gain) on sales and disposal of property, plant and equipment | | 1,023 | (4,124) | 6,844 |
| Impairment loss | | 38,859 | 10,826 | 259,897 |
| Loss (gain) on revaluation of investment securities | | 661 | 1,423 | 4,422 |
| Decrease (increase) in trade receivables | | 23,463 | (40,642) | 156,925 |
| Decrease (increase) in inventories | | (92,285) | (101,370) | (617,210) |
| Increase (decrease) in advances received | | 20,201 | (39,469) | 135,112 |
| Increase (decrease) in advances received on construction projects in progress | | (1,827) | 11,275 | (12,222) |
| Increase (decrease) in trade payables | | (14,943) | (22,247) | (99,945) |
| Other | | 48,145 | 63,631 | 321,999 |
| Subtotal | | 580,706 | 431,821 | 3,883,808 |
| Interest and dividends received | | 10,164 | 11,502 | 67,982 |
| Interest paid | | (40,168) | (29,374) | (268,652) |
| Income taxes paid | | (130,141) | (111,655) | (870,393) |
| Net cash provided by (used in) operating activities | ¥ | 420,561 | ¥ 302,294 | \$ 2,812,744 |

| | <i>Note</i> | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 3)</i> |
|--|-------------|------------------------|-------------|---|
| | | 2025 | 2024 | 2025 |
| Cash flows from investing activities: | | | | |
| Purchase of property, plant and equipment and intangible assets | | ¥ (381,786) | ¥ (356,048) | \$ (2,553,412) |
| Proceeds from sales of property, plant and equipment | | 9,694 | 12,670 | 64,838 |
| Purchase of investment securities | | (17,815) | (11,213) | (119,152) |
| Proceeds from sales and redemption of investment securities | | 20,742 | 43,747 | 138,729 |
| Purchase of investments in capital of affiliates | | (67,003) | — | (448,125) |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | | (32,227) | (14,950) | (215,539) |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | | 98 | — | 659 |
| Payments for sales of investments in subsidiaries resulting in change in scope of consolidation | 26 | (386) | (28,108) | (2,588) |
| Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation | | 2,500 | 45,241 | 16,725 |
| Payments for acquisition of businesses | | (15,531) | — | (103,878) |
| Proceeds from collection of leasehold and guarantee deposits | | 22,754 | 18,965 | 152,182 |
| Payments of leasehold and guarantee deposits | | (19,475) | (18,048) | (130,251) |
| Other | | (14,934) | (2,674) | (99,881) |
| Net cash provided by (used in) investing activities | | ¥ (493,370) | ¥ (310,419) | \$ (3,299,693) |

| | <i>Note</i> | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 3)</i> |
|--|-------------|------------------------|-------------|---|
| | | 2025 | 2024 | 2025 |
| Cash flows from financing activities: | | | | |
| Net increase (decrease) in short-term loans from banks | ¥ | 44,576 | ¥ 9,305 | \$ 298,133 |
| Proceeds from long-term loans from banks | | 530,283 | 390,513 | 3,546,571 |
| Repayments of long-term loans from banks | | (373,850) | (354,719) | (2,500,336) |
| Proceeds from issuance of bonds | | 60,000 | 300,000 | 401,284 |
| Redemption of bonds | | (100,000) | (50,000) | (668,806) |
| Repayments of finance lease obligations | | (10,747) | (9,168) | (71,879) |
| Proceeds from share issuance to non-controlling shareholders | | 12,280 | 4,616 | 82,135 |
| Purchase of treasury stock | | (100,015) | (87,171) | (668,912) |
| Proceeds from disposal of treasury stock | | 1 | 0 | 7 |
| Dividends paid | | (95,635) | (87,520) | (639,616) |
| Dividends paid to non-controlling shareholders | | (4,204) | (2,131) | (28,120) |
| Purchase of investments in subsidiaries that do not result in change in scope of consolidation | | (3,409) | (1,440) | (22,801) |
| Other | | (3,961) | (14,884) | (26,497) |
| Net cash provided by (used in) financing activities | | (44,682) | 97,399 | (298,838) |
| Effect of exchange rate changes on cash and cash equivalents | | 4,873 | 4,144 | 32,594 |
| Net increase (decrease) in cash and cash equivalents | | (112,617) | 93,418 | (753,192) |
| Cash and cash equivalents at the beginning of the year | | 439,572 | 346,154 | 2,939,889 |
| Cash and cash equivalents at the end of the year | 26 | ¥ 326,954 | ¥ 439,572 | \$ 2,186,696 |

Notes to Consolidated Financial Statements

March 31, 2025

1. Summary of Significant Accounting Policies

a. Basis of preparation

The accompanying consolidated financial statements of Daiwa House Industry Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded down to the nearest million yen and thousand U.S. dollars, respectively, in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan.

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

b. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

The consolidated financial statements as of March 31, 2025 include the accounts of the Company and its 489 (447 in 2024) significant subsidiaries. Osaka Castle Park Management Co., Ltd. was not consolidated, though the Company owns a majority of its voting rights, because the joint arrangement specifies that unanimous consent of the parties is required to determine the significant financial and business policies.

During the year ended March 31, 2025, 65 subsidiaries were included in the consolidation due to acquisition and others, and 23 subsidiaries were excluded from the consolidation as a result of liquidation and others.

Investments in affiliates (companies over which the Group has the ability to exercise significant influence) are accounted for by the equity method.

Investments in 177 (49 in 2024) affiliates (companies over which the Group has the ability to exercise significant influence) are accounted for by the equity method. During the year ended March 31, 2025, 130 affiliates were included in affiliates that are accounted for by the equity method due to acquisition and others, and 2 affiliates were excluded from affiliates that are accounted for by the equity method as a result of change in scope of consolidation due to additional acquisition.

For consolidation purposes, the financial statements of all significant subsidiaries whose balance sheet dates are prior to December 31, were prepared based on provisional financial statements as of either December 31, January 31 or February 28 while the financial statements of all significant subsidiaries whose balance sheet dates are on or after December 31, were prepared based on the accounts of their individual balance sheet date. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from their balance sheet dates through March 31 have been adjusted, if necessary.

c. Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding forward foreign exchange contract rates. Gain or loss on each translation is credited or charged to income. All assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date except that the components of net assets are translated at their historical exchange rates. The income statement accounts are translated at the average exchange rate during the year. Differences arising from the translations are included in “Foreign currency translation adjustments” and “Non-controlling interests” in the accompanying consolidated balance sheet.

d. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

e. Investments in securities

Securities other than those of affiliates are classified into three categories: trading securities, held-to-maturity debt securities and other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are stated at amortized cost. Securities classified as other securities other than securities without quoted market price are stated at fair value with any changes in unrealized gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income. Cost of securities sold is determined by the moving average method. Securities without quoted market price classified as other securities are carried at cost determined by the moving average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. Inventories

Real estate for sale, cost on construction contracts in progress, real estate for sale in process, work in process and undeveloped land for sale are stated at the lower of cost or net selling value, cost being determined by the individual cost method. The cost of each unit of residential lands that are developed by the Company are determined by the average method. Construction materials and supplies are stated at the lower of cost or net selling value, cost being determined by the average method. Merchandise and products are stated at the lower of cost or net selling value, cost generally being determined by the retail method.

g. Property, plant and equipment

Depreciation of property, plant and equipment is calculated principally by the declining-balance method based on the estimated useful lives and the residual value determined by the Group, except for certain buildings (excluding facilities attached) of the Company and domestic consolidated subsidiaries acquired on or after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016, which are depreciated by the straight-line method.

Leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalized and depreciated or amortized over the respective lease term to a nil residual value by the straight-line method. As allowed under accounting standard for lease, the Group continues to account for leases on or before March 31, 2008 that do not transfer ownership of the leased property to the lessee as operating lease transactions.

h. Intangible assets (except for leased assets)

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

i. Goodwill

Goodwill is amortized by the straight-line method over the estimated useful life not exceeding 20 years. However, immaterial amounts of goodwill are charged to profit or loss in the year of acquisition.

j. Land revaluation

As of March 31, 2002, the Company and certain domestic subsidiaries revalued its land at fair value, pursuant to Article 2 of the “Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land” and its amendments. The related unrealized gain, net of applicable income taxes, has been recorded as “Land revaluation reserve” in net assets.

As of March 31, 2025 and 2024, the difference is not presented as the market value of land subject to revaluation exceeded the carrying amount of the land after the above revaluation.

k. Impairment loss

The Group reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

l. Retirement benefits

Accrued retirement benefits have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date. The retirement benefit obligation for employees is attributed to each period by the benefit formula method. Actuarial gains and losses and past service costs are recognized in profit or loss in the period in which the gains and losses are incurred.

m. Revenue recognition

(a) Revenue from contracts with customers

The main performance obligations in key businesses of the Group concerning revenue from contracts with customers and the typical timing for satisfying such performance obligations (that is, when revenue is recognized) are summarized as follows:

(1) Ordered contract transactions

With respect to ordered contract transactions, the Group concludes construction contracts with customers for single-family houses, rental housing, commercial facilities, logistics, business and corporate facilities and others and has an obligation to perform construction works based on the construction contracts. The Group determines that the performance obligations are satisfied over a certain period of time and recognizes revenues based on the progress of satisfaction of performance obligations.

The progress is estimated using the input method based on cost (percentage of cost incurred to total construction costs).

With respect to construction contracts for which the progress cannot be reasonably estimated but the costs incurred in satisfying the performance obligation are expected to be recovered, revenue is recognized based on a cost recovery method until such time when the progress of satisfaction of performance obligation can be reasonably estimated.

(2) Real estate sales transactions

With respect to real estate transactions, the Group has an obligation to transfer properties developed or purchased by the Group (such as single-family houses, rental housing, condominiums, commercial facilities, and logistics, business and corporate facilities) based on real estate sales contracts with customers. Revenues are recognized at the time of transfer of properties to the customers.

(b) Revenue from finance lease transactions

Revenue from finance lease and related costs are recognized upon receipt of lease payments.

n. Income taxes

Income taxes are calculated based on taxable income and are determined in accordance with the applicable tax laws and charged to income on an accrual basis. Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

o. Consumption taxes

Non-deductible consumption taxes and local consumption taxes are principally charged to income when incurred.

p. Appropriation of retained earnings

Under the Companies Act of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations.

q. Derivative financial instruments

The Group enters into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates. Foreign currency forward contracts, currency swaps and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks.

i) Hedge accounting method

Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to profit or loss, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

When foreign currency forward contracts and currency swap meet certain criteria, receivables and payables covered by the contracts are translated at the contracted rates ("allocation method").

Interest-rate swaps that meet special matching criteria are not remeasured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income ("special treatment").

ii) Hedging instruments and hedged items

Hedging instruments : Interest rate swap contracts
Currency swap contracts
Foreign currency forward contracts and others

Hedged items : Loans
Bonds
Forecast transactions denominated in foreign currencies and others

iii) Hedging policy

Derivative transactions are used to mitigate the risk of adverse fluctuations in interest rates, foreign currency exchange and improve financial cash flows.

iv) Assessing hedge effectiveness

The Group evaluates hedge effectiveness by comparing changes in market fluctuations or in cumulative cash flows of the hedged items with the corresponding changes in the hedging derivative instruments and using the ratio of the fluctuations. However, the evaluation of hedge effectiveness is omitted for interest rate swaps for which special treatment is applied when the substantial terms and conditions of the hedging instruments and the hedged forecasted transactions are the same.

Hedge transactions under “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR”

On March 17, 2022, the Accounting Standards Board of Japan (“ASBJ”) issued “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (Practical Issues Task Force (“PITF”) No.40). PITF No.40 allows an entity to assume that the basic interest rate applicable to the interest rate swaps that meets special matching criteria does not change after the discontinuation of LIBOR. The Group applied the exceptional treatment described in PITF No.40 to all hedge transactions that reference LIBOR and details of those hedge transactions are as follows.

| | |
|------------------------------|---|
| ① Hedge accounting method | Special treatment for interest rate swaps |
| ② Hedging instruments | Interest rate swap contracts |
| ③ Hedged items | Loans denominated in foreign currencies |
| ④ Types of hedge transaction | Fixing cash flows |

r. Allowance for doubtful accounts

The allowance for doubtful accounts is provided based on the actual historical percentage of bad debts and an estimate of uncollectible amounts determined by an assessment of individual receivables, in order to prepare for credit losses on receivables.

s. Accrued bonuses

Accrued employees’ bonuses are provided at the estimated amount of bonuses to be paid to the employees in the following year, in order to prepare for the payment of bonuses to employees.

t. Provision for warranties for completed construction

Provision for warranties for completed construction due to defect warranty and others is provided for anticipated future costs based on past experience arising from warranties for completed construction.

u. Provision for loss on construction contracts

For construction contracts in progress at the end of the year, where a loss is anticipated and the amount of such loss can be reasonably estimated, provision for loss on construction contracts is provided at the estimated amount of anticipated losses, in order to prepare for future losses.

v. Significant accounting estimates

(a) Revenues recognized based on the satisfaction of performance obligations over a certain period of time for construction contracts

(1) Amounts presented in the consolidated financial statements for the years ended March 31, 2025 and 2024

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Sales recorded by the method of recognizing revenue based on the satisfaction of performance obligations over a certain period of time | ¥ 1,881,182 | ¥ 1,950,551 | \$ 12,581,475 |

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements

① Method of measurement

The Group calculates revenues from construction contracts by the method of recognizing revenue over a certain period of time as performance obligations are satisfied. The progress of satisfaction of performance obligations is estimated using the input method based on cost (percentage of cost incurred to total construction costs).

② Significant assumptions

Significant assumptions used to measure the total construction costs include the quantity of construction materials, labor hours, procurement unit price and others based on construction plans. These items are estimated based on specific factors such as the specifications and status of construction works and external factors such as economic conditions and business environment.

③ Impact on the consolidated financial statements for the next year

The amount of revenue recognized in the consolidated financial statements for the year ending March 31, 2026 may be impacted by changes in the progress of the satisfaction of performance obligations if it becomes necessary to revise the total construction costs due to uncertain factors in the future such as delays in construction works and changes in material costs and construction costs during the construction works.

(b) Valuation of real estate for sale including real estate for sales in process and undeveloped land for sale

(1) Amounts presented in the consolidated financial statements for the years ended March 31, 2025 and 2024

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|---|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Real estate for sale in inventories | ¥ 2,471,266 | ¥ 2,192,223 | \$ 16,527,999 |
| Loss on devaluation recognized in cost of sales | 12,684 | 11,662 | 84,837 |

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements

① Method of measurement

The amount of real estate for sales are stated at the lower of cost or net selling value in accordance with “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9). The net selling value is measured based on the selling price used in the business plan at the time of the acquisition of land, commencement of constructions, the commencement of sales and others. The net selling value is revised based on the progress of the business plan and the status of sales activities. The net selling value for certain real estate for sale is measured considering appraisals conducted by real estate appraisers.

② Significant assumptions

Significant assumptions used to measure the net selling value are selling price and construction cost. Those are measured based on the latest business plan with sales records in the past, market trends, the balance between supply and demand in the neighborhood and fluctuation of construction costs such as raw material including steels and labor cost and others being considered. In order to make a business plan for investment and rental property intended for sales in the future, leasing prices and status of leasing activities in the neighborhood are also considered.

③ Impact on the consolidated financial statements for the next year

An incremental loss on devaluation may be recorded in case that net selling value is lower than the carrying amounts due to changes in the market environment, progress of the business plan and the status of sales activities.

(c) Valuation of non-current assets

(1) Amounts presented in the consolidated financial statements for the years ended March 31, 2025 and 2024

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|---|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Property, plant and equipment, goodwill and other intangible assets | ¥ 2,346,428 | ¥ 2,211,591 | \$ 15,693,074 |
| Impairment loss | 38,859 | 10,826 | 259,897 |

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements

① Method of measurement

An impairment loss is recognized if there are events or circumstances indicating that the carrying amount of the asset or asset group may not be recoverable and their carrying amount exceeds the sum of the undiscounted future cash flows of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable value, which is the higher of the net selling value or value in use. Value in use is calculated at the discounted future cash flows. The net selling value is mainly measured considering appraisals conducted by real estate appraisers.

② Significant assumptions

Significant assumptions used to measure the future cash flows are business revenue and expenditures. Leasing price levels in the market are affected by the location, size, similar transactions in the neighborhood, forecasts for the market and transaction records in the past and corresponding expense, occupancy ratio, discount rates and others are considered determining the accounting estimate.

③ Impact on the consolidated financial statements for the next year

An incremental impairment loss may be recorded if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows of the asset or asset group due to changes in the business environment and others.

(d) Measurement of expense related to retirement benefit obligation

(1) Amounts recorded for the years ended March 31, 2025 and 2024

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|-------------------------------|------------------------|-----------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Retirement benefit obligation | ¥ 562,267 | ¥ 637,407 | \$ 3,760,484 |

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements

① Method of measurement

Certain companies within the Group have defined benefit plans. The retirement benefit obligation and corresponding service cost under defined benefit plans are measured by estimating expected amount of the retirement benefit payment by using the actuarial assumptions and discounting it over the prospective period until the payment.

② Significant assumptions

Significant assumptions used to measure the retirement benefit obligation and corresponding service cost under defined benefit plans are the actuarial assumptions such as discount rates, expected rates of return on plan assets and expected rates of pay raises.

③ Impact on the consolidated financial statements for the next year

The amount of assets and liabilities for employees' retirement benefits and retirement benefit expense in the consolidated financial statements may be significantly impacted if any revision of the accounting estimate is required due to changes in uncertain economic conditions and others.

Actuarial gains and losses and past service costs are recognized in profit or loss in the period in which the gains and losses are recognized.

A sensitivity analysis related to changes in discount rates is provided in the table below, while other actuarial assumptions other than the discount rates remain constant. In the table, the negative amount represents a decrease in the retirement benefit obligation and the positive amount represents an increase in the retirement benefit obligation.

| | | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|---------------|---------------------------------|------------------------|------------|----------------------------------|
| | | 2025 | 2024 | 2025 |
| Discount rate | Change in actuarial assumptions | | | |
| | Increase by 0.5% | ¥ (40,015) | ¥ (50,515) | \$ (267,628) |
| | Decrease by 0.5% | 45,228 | 57,595 | 302,491 |

The significant actuarial assumptions used to measure the retirement benefit obligation are presented in Note 10 “Retirement Benefit Plans”.

w. Accounting standards issued but not yet effective

“Accounting standard for Leases, etc.”

- *“Accounting Standard for Leases”*
(ASBJ Statement No. 34, September 13, 2024)
- *“Implementation Guidance on Accounting Standard for Leases”*
(ASBJ Guidance No. 33, September 13, 2024)

In addition, amendments to related Accounting Standards, Implementation Guidance, Practical Solutions, and Transferred Guidance

(1) Overview

The standards set forth treatment whereby lessees record assets and liabilities for all leases, etc. consistent with international accounting standards.

(2) Scheduled date of application

The Company and certain subsidiaries expect to apply the accounting standards and related implementation guidance from the beginning of the year ending March 31, 2028.

(3) Impact of the application of the accounting standards

The Company and certain subsidiaries are currently evaluating the impact of the application of the “Accounting Standard for Leases” and related implementation guidance on its consolidated financial statements.

2. Accounting Changes

Changes in Accounting Policies

(Adoption of the Accounting Standard for Current Income Taxes and others)

The Company and certain subsidiaries have adopted the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022, hereinafter referred to as the “Revised Accounting Standard 2022”) and others from the beginning of the year ended March 31, 2025.

The revisions related to the classification of income taxes (taxes on other comprehensive income) were made in accordance with the transitional treatment provided for in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso to Paragraph 65-2(2) of the Guidance on Accounting Standard for Tax Effect Accounting ((ASBJ Guidance No. 28, October 28, 2022), hereinafter, “2022 Revised Application Guidance”). This has no impact on the consolidated financial statements for the year ended March 31, 2025.

In addition, the 2022 Revised Application Guidance has been adopted from the beginning of the year ended March 31, 2025 for the revisions related to the changes in the treatment in the consolidated financial statements of tax deferral of gains or losses arising from intragroup sales of shares of subsidiaries.

This change has not been adopted retrospectively since the impact attributed to this change is not material.

(Changes in the method for converting revenues and expenses of overseas subsidiaries)

The Company converted revenues and expenses of its overseas subsidiaries from foreign currencies into yen using the rate of exchange in effect at the consolidated balance sheet date. However, the Company has adopted the method for converting revenues and expenses into yen using the average exchange rate for the period from the beginning of the year ended March 31, 2025.

The Group's overseas operations, particularly those in the U.S., are expanding, and sales and earnings at overseas subsidiaries are expected to have a greater impact. This change is intended to ease the influence of short-term exchange rate fluctuations on profit or loss for a particular period and to enable the Company to more appropriately represent the results of overseas subsidiaries in its consolidated financial statements throughout the period.

This change has not been adopted retrospectively since the impact attributed to this change is not material.

3. U.S. Dollar Amounts

Translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥149.52 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2025. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

4. Marketable and Investment Securities

- (1) Information regarding securities classified as held-to-maturity debt securities and other securities

Held-to-maturity debt securities

| <i>Millions of yen</i> | | |
|---|------------|------------|
| 2025 | | |
| Carrying value | Fair value | Difference |
| Securities whose fair value exceeds their carrying value: | | |
| Government bonds and others | ¥ 8 | ¥ 8 |
| Securities whose fair value does not exceed their carrying value: | | |
| Government bonds and others | 542 | 542 |
| Total | ¥ 550 | ¥ 0 |

| <i>Millions of yen</i> | | |
|---|------------|------------|
| 2024 | | |
| Carrying value | Fair value | Difference |
| Securities whose fair value exceeds their carrying value: | | |
| Government bonds and others | ¥ 709 | ¥ 711 |
| Securities whose fair value does not exceed their carrying value: | | |
| Government bonds and others | 1 | 1 |
| Total | ¥ 710 | ¥ 2 |

| <i>Thousands of U.S. dollars</i> | | |
|---|------------|------------|
| 2025 | | |
| Carrying value | Fair value | Difference |
| Securities whose fair value exceeds their carrying value: | | |
| Government bonds and others | \$ 53 | \$ 55 |
| Securities whose fair value does not exceed their carrying value: | | |
| Government bonds and others | 3,627 | 3,625 |
| Total | \$ 3,680 | \$ 0 |

Other securities

| <i>Millions of yen</i> | | | | | |
|---|-------------------|---|---------------------|---|------------|
| 2025 | | | | | |
| | Carrying value | | Acquisition cost | | Difference |
| Securities whose carrying value exceeds their acquisition cost: | | | | | |
| Stock | ¥ 97,153 | ¥ | 39,020 | ¥ | 58,132 |
| Other | | | | | |
| Preferred fund certificates | 22,247 | | 11,021 | | 11,225 |
| Investment trusts | 9,228 | | 8,269 | | 958 |
| Securities whose carrying value does not exceed their acquisition cost: | | | | | |
| Stock | 9,740 | | 10,658 | | (917) |
| Corporate bonds | 3,034 | | 3,170 | | (135) |
| Other | | | | | |
| Preferred fund certificates | 1,216 | | 1,221 | | (4) |
| Investment trusts | 3 | | 4 | | (0) |
| Total | ¥ 142,623 | ¥ | 73,366 | ¥ | 69,257 |

Note: Unlisted stocks in the amount of ¥11,460 million (\$76,649 thousand) and investments in limited liability partnership and others in the amount of ¥17,389 million (\$116,304 thousand) are not subject to disclosure of fair value in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020) and Paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Measurement of Fair Value” (ASBJ Guidance No. 31, June 17, 2021), respectively, therefore these items are not included “Other securities” in the table above.

| <i>Millions of yen</i> | | | | | |
|---|-------------------|---|---------------------|---|------------|
| 2024 | | | | | |
| | Carrying value | | Acquisition cost | | Difference |
| Securities whose carrying value exceeds their acquisition cost: | | | | | |
| Stock | ¥ 113,106 | ¥ | 41,575 | ¥ | 71,530 |
| Other | | | | | |
| Preferred fund certificates | 21,485 | | 11,590 | | 9,895 |
| Investment trusts | 8,306 | | 7,558 | | 748 |
| Securities whose carrying value does not exceed their acquisition cost: | | | | | |
| Stock | 8,670 | | 8,889 | | (219) |
| Corporate bonds | 3,649 | | 3,718 | | (68) |
| Other | | | | | |
| Preferred fund certificates | — | | — | | — |
| Investment trusts | 4 | | 4 | | (0) |
| Total | ¥ 155,222 | ¥ | 73,336 | ¥ | 81,886 |

Note: Unlisted stocks in the amount of ¥8,144 million and investments in limited liability partnership and others in the amount of ¥13,532 million are not subject to disclosure of fair value in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020) and Paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Measurement of Fair Value” (ASBJ Guidance No. 31, June 17, 2021), respectively, therefore these items are not included “Other securities” in the table above.

| <i>Thousands of U.S. dollars</i> | | | |
|---|-------------------|-------------------|-------------------|
| 2025 | | | |
| | Carrying value | Acquisition cost | Difference |
| Securities whose carrying value exceeds their acquisition cost: | | | |
| Stock | \$ 649,768 | \$ 260,972 | \$ 388,795 |
| Other | | | |
| Preferred fund certificates | 148,791 | 73,715 | 75,075 |
| Investment trusts | 61,718 | 55,308 | 6,410 |
| Securities whose carrying value does not exceed their acquisition cost: | | | |
| Stock | 65,144 | 71,283 | (6,139) |
| Corporate bonds | 20,292 | 21,201 | (908) |
| Other | | | |
| Preferred fund certificates | 8,134 | 8,166 | (31) |
| Investment trusts | 25 | 31 | (6) |
| Total | <u>\$ 953,876</u> | <u>\$ 490,679</u> | <u>\$ 463,196</u> |

- (2) Sales of securities classified as other securities and the aggregate gain and loss for the years ended March 31, 2025 and 2024

| <i>Millions of yen</i> | | | |
|-----------------------------------|----------------|----------------|----------------|
| | Sales proceeds | Aggregate gain | Aggregate loss |
| For the year ended March 31, 2025 | | | |
| Stock | ¥ 16,104 | ¥ 13,495 | ¥ 0 |

| <i>Millions of yen</i> | | | |
|-----------------------------------|----------------|----------------|----------------|
| | Sales proceeds | Aggregate gain | Aggregate loss |
| For the year ended March 31, 2024 | | | |
| Stock | ¥ 31,818 | ¥ 16,602 | ¥ 17 |

| <i>Thousands of U.S. dollars</i> | | | |
|-----------------------------------|----------------|----------------|----------------|
| | Sales proceeds | Aggregate gain | Aggregate loss |
| For the year ended March 31, 2025 | | | |
| Stock | \$ 107,704 | \$ 90,261 | \$ 5 |

- (3) Impairment of investment securities

The impairment losses on investment securities classified as other securities for the years ended March 31, 2025 and 2024 were ¥661 million (\$4,422 thousand) and ¥1,423 million, stated as loss on revaluation of investments in securities in other expenses, respectively.

5. Investments in Affiliates

Investments in affiliates included in “Investments and other assets” as of March 31, 2025 and 2024 were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> | |
|--|------------------------|----------|----------------------------------|--|
| | 2025 | 2024 | 2025 | |
| Shares of affiliates accounted for by the equity method in “Investment securities” | ¥ 38,782 | ¥ 37,872 | \$ 259,379 | |
| (Investment in jointly controlled entities included above) | (1,537) | (1,155) | 10,284 | |
| Investments in preferred fund certificate of affiliates in “Investment securities” | 10,463 | 9,605 | 69,982 | |
| Investments in capital of affiliates in “Other assets” | 72,350 | 1,330 | 483,884 | |

6. Change in Holding Purpose

Land, buildings and structures and others held as investment and rental properties in the amount of ¥89,818 million (\$600,713 thousand) and ¥203,934 million, in property, plant and equipment in the consolidated balance sheets as of March 31, 2024 and 2023, respectively, have been reclassified to “Real estate for sale” and others in current assets due to the change in holding purpose during the years ended March 31, 2025 and 2024.

7. Investment and Rental Property

The Group owns rental properties such as rental housing, commercial facilities and business facilities in Tokyo and other areas. The net of rental income and operating expenses, net gain on sales and disposal, and impairment loss for those rental properties were ¥23,212 million (\$155,245 thousand), ¥526 million (\$3,521 thousand) and ¥19,123 million (\$127,897 thousand), respectively, for the year ended March 31, 2025. The net of rental income and operating expenses, net gain on sales and disposal, and impairment loss for those rental properties were ¥21,784 million, ¥514 million and ¥6,259 million, respectively, for the year ended March 31, 2024.

The rental income for those rental properties was included in net sales. The operating expenses for those rental properties was included in cost of sales or selling, general and administrative expenses. The net gain on sales and disposal and impairment loss for those rental properties were included in extraordinary income (losses).

In addition, the carrying value, changes in such amounts and fair value of such properties are as follows:

| <i>Millions of yen</i> | | | |
|------------------------|-------------------|----------------|----------------|
| Carrying value | | | Fair value |
| April 1, 2024 | Increase/decrease | March 31, 2025 | March 31, 2025 |
| ¥ 1,280,086 | ¥ 110,163 | ¥ 1,390,250 | ¥ 1,579,219 |

| <i>Millions of yen</i> | | | |
|------------------------|-------------------|----------------|----------------|
| Carrying value | | | Fair value |
| April 1, 2023 | Increase/decrease | March 31, 2024 | March 31, 2024 |
| ¥ 1,348,067 | ¥ (67,980) | ¥ 1,280,086 | ¥ 1,472,318 |

| <i>Thousands of U.S. dollars</i> | | | |
|----------------------------------|-------------------|----------------|----------------|
| Carrying value | | | Fair value |
| April 1, 2024 | Increase/decrease | March 31, 2025 | March 31, 2025 |
| \$ 8,561,308 | \$ 736,781 | \$ 9,298,090 | \$ 10,561,926 |

Notes: 1) Carrying value recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses included in property, plant and equipment.

2) Increase during the year ended March 31, 2025 primarily represents the acquisition of certain properties of ¥288,013 million (\$1,926,251 thousand) and decrease primarily represents depreciation of ¥43,123 million (\$288,412 thousand) and the transfer to inventories of ¥121,576 million (\$813,109 thousand).

3) Increase during the year ended March 31, 2024 primarily represents the acquisition of certain properties of ¥198,843 million and decrease primarily represents depreciation of ¥38,069 million and the transfer to inventories of ¥255,418 million.

4) The fair value of properties was primarily measured by the Group in accordance with its Real Estate Appraisal Standard including adjustments based on certain indexes.

8. Short-Term Bank Loans and Long-Term Debt

The annual weighted-average interest rates applicable to short-term loans from banks as of March 31, 2025 and 2024 were 4.81% and 5.56%, respectively. The annual weighted-average interest rates applicable to current portion of long-term loans from banks as of March 31, 2025 and 2024 were 2.12% and 2.07%, respectively. Long-term debt consists of bonds, long-term loans from banks, and lease obligation.

Long-term debt and loans from banks as of March 31, 2025 and 2024 consisted of the following:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Bonds, –% to 2.00% (–% to 2.00% in 2024), due on various dates through 2059: | | | |
| Collateralized | ¥ 1,000 | ¥ 1,000 | \$ 6,688 |
| Unsecured | 508,000 | 508,000 | 3,397,538 |
| Subordinated | 110,000 | 150,000 | 735,687 |
| With share acquisition rights | 200,000 | 200,000 | 1,337,613 |
| Loans from banks, 0.05% to 8.78% (0.05% to 10.20% in 2024), due on various dates through 2059: | | | |
| Collateralized | 106,043 | 64,840 | 709,223 |
| Unsecured | 1,213,740 | 1,041,744 | 8,117,578 |
| Obligations under finance leases, due on various date through 2056 | 123,752 | 116,341 | 827,667 |
| Total | 2,262,536 | 2,081,927 | 15,131,997 |
| Less current portion | 371,850 | 226,780 | 2,486,962 |
| Long-term debt – net of current portion | ¥ 1,890,685 | ¥ 1,855,146 | \$ 12,645,035 |

(1) The description of bonds with share acquisition rights is as follows:

| Name of issue | Zero Coupon Convertible Bonds due 2029 (bonds with share acquisition rights) | Zero Coupon Convertible Bonds due 2030 (bonds with share acquisition rights) |
|--|---|---|
| | | |
| Shares to be issued | Common stock | Common stock |
| Share acquisition right issue price | Gratis issue | Gratis issue |
| Conversion price | ¥ 5,349.3 (\$35.77) (*2) | ¥ 5,256.4 (\$35.15) (*3) |
| Total issued amount (Millions of yen) | ¥ 100,000 (\$ 668,806 thousand) | ¥ 100,000 (\$ 668,806 thousand) |
| Total amount of shares issued upon exercise of share acquisition rights (Millions of yen) | ¥ – | ¥ – |
| Grant percentage of share acquisition rights (%) | 100% | 100% |
| Exercise period of share acquisition rights | February 13, 2024 through March 16, 2029 | February 13, 2024 through March 15, 2030 |
| Substitute payment | (*1) | (*1) |

Notes: (*1) When a bondholder of the bonds with share acquisition rights exercises the rights, the bond shall be contributed, and the amount is equal to the face amount.

(*2) At the Shareholders' meeting held on June 27, 2024, the proposal of year end dividends of ¥80 per share was approved and the annual dividends for the year ended March 31, 2024, have been determined at ¥143 per share. As a result, in accordance with the conversion price adjustment provisions of the Zero Coupon Convertible Bonds due 2029 (bonds with share acquisition rights), the conversion price has been adjusted from ¥5,353 to ¥5,349.3 effective April 1, 2024. Furthermore, at the Shareholders' meeting held on June 27, 2025, the proposal of year end dividends of ¥80 (\$0.53) per share was approved and the annual dividends for the year ended March 31, 2025, have been determined at ¥150 (\$1.00) per share. As a result, in accordance with the conversion price adjustment provisions of the Zero Coupon Convertible Bonds due 2029 (bonds with share acquisition rights), the conversion price has been retrospectively adjusted from ¥5,349.3 (\$35.77) to ¥5,338.3 (\$35.70) effective April 1, 2025.

(*3) At the Shareholders' meeting held on June 27, 2024, the proposal of year end dividends of ¥80 per share was approved and the annual dividends for the year ended March 31, 2024, have been determined at ¥143 per share. As a result, in accordance with the conversion price adjustment provisions of the Zero Coupon Convertible Bonds due 2030 (bonds with share acquisition rights), the conversion price has been adjusted from ¥5,260 to ¥5,256.4 effective April 1, 2024. Furthermore, at the Shareholders' meeting held on June 27, 2025, the proposal of year end dividends of ¥80 (\$0.53) per share was approved and the annual dividends for the year ended March 31, 2025, have been determined at ¥150 (\$1.00) per share. As a result, in accordance with the conversion price adjustment provisions of the Zero Coupon Convertible Bonds due 2030 (bonds with share acquisition rights), the conversion price has been retrospectively adjusted from ¥5,256.4 (\$35.15) to ¥5,245.6 (\$35.08) effective April 1, 2025.

(2) The aggregate annual maturities of long-term debt subsequent to March 31, 2025 were as follows:

| <u>Years Ending March 31</u> | <u>Millions of yen</u> | <u>Thousands of U.S. dollars</u> |
|------------------------------|------------------------|--------------------------------------|
| 2026 | ¥ 371,850 | \$ 2,486,962 |
| 2027 | 280,119 | 1,873,456 |
| 2028 | 381,510 | 2,551,565 |
| 2029 | 310,063 | 2,073,723 |
| 2030 | 272,993 | 1,825,799 |
| 2031 and thereafter | 645,999 | 4,320,490 |
| Total | ¥ 2,262,536 | \$ 15,131,997 |

9. Mortgaged and Pledged Assets

The assets pledged as collateral for short-term loans from banks of ¥57,113 million (\$381,982 thousand) and ¥30,936 million, current portion of long-term loans from banks of ¥30,294 million (\$202,611 thousand) and ¥23,365 million, other current liabilities of ¥1 million (\$8 thousand) and ¥1 million, long-term loans from banks of ¥75,748 million (\$506,612 thousand) and ¥41,474 million and lease deposits received of ¥6 million (\$42 thousand) and ¥7 million as of March 31, 2025 and 2024, respectively, were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|---|------------------------|------------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Cash and bank deposits | ¥ 1,396 | ¥ 1,715 | \$ 9,341 |
| Trade notes and accounts receivable | 13,906 | 16,778 | 93,007 |
| Mortgage notes receivable held for sale | 53,373 | 24,062 | 356,966 |
| Real estate for sale | 126,065 | 132,559 | 843,133 |
| Real estate for sale in process | 85,004 | 97,938 | 568,518 |
| Other current assets | 6,763 | 9,152 | 45,232 |
| Buildings and structures | 11,809 | 9,318 | 78,985 |
| Machinery, equipment and vehicles | 6,143 | — | 41,088 |
| Land | 8,359 | 8,397 | 55,908 |
| Other tangible assets | 202 | 3 | 1,356 |
| Total | ¥ 313,026 | ¥ 299,927 | \$ 2,093,540 |

The carrying amounts of assets pledged as collateral for guarantees of liabilities of investees as of March 31, 2025 and 2024 were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|---|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Investment securities | ¥ 369 | ¥ 369 | \$ 2,468 |
| Short-term loans receivable in other current assets | 1 | 1 | 8 |
| Long-term loans receivable | 5 | 6 | 33 |

The carrying amounts of assets pledged as collateral in substitutes for deposits of certain construction and advertisement contracts were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Cash and bank deposits | ¥ 73 | ¥ 75 | \$ 488 |
| Securities maturing within one year | — | 0 | — |
| Investment securities | 138 | — | 926 |
| Investments in capital in other assets | 116 | 60 | 777 |

Securities maturing within one year deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥402 million (\$2,694 thousand) and ¥299 million as of March 31, 2025 and 2024, respectively.

Investment securities deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥8 million (\$53 thousand) and ¥410 million as of March 31, 2025 and 2024, respectively.

Shares of consolidated subsidiaries used as collateral amounted to ¥186 million (\$1,250 thousand) and ¥199 million as of March 31, 2025 and 2024, respectively, which have been eliminated in the consolidated financial statements.

10. Retirement Benefit Plans

The Company and certain subsidiaries have adopted defined benefit plans, which consist of corporate pension funds and lump-sum payment retirement plan and defined contribution pension plans. In certain cases, special retirement benefits may be paid to employees.

- (1) The changes in defined benefit obligation for the years ended March 31, 2025 and 2024, were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|-------------|--------------------------------------|
| | 2025 | 2024 | 2025 |
| Balance at the beginning of year | ¥ 637,407 | ¥ 619,254 | \$ 4,263,026 |
| Service cost | 24,546 | 24,546 | 164,171 |
| Interest cost | 9,433 | 8,879 | 63,090 |
| Actuarial losses (gains) | (92,981) | 3,237 | (621,865) |
| Retirement benefits paid | (16,067) | (15,635) | (107,463) |
| Past service cost | (431) | (232) | (2,886) |
| Adjustments for business restructuring and others | 360 | (2,642) | 2,411 |
| Balance at the end of year | ¥ 562,267 | ¥ 637,407 | \$ 3,760,484 |

- (2) The changes in plan assets for the years ended March 31, 2025 and 2024, were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|-------------|--------------------------------------|
| | 2025 | 2024 | 2025 |
| Balance at the beginning of year | ¥ 573,520 | ¥ 515,636 | \$ 3,835,741 |
| Actuarial gains | 7,825 | 42,797 | 52,337 |
| Contributions from the employer | 21,133 | 23,213 | 141,342 |
| Retirement benefits paid | (11,266) | (10,743) | (75,353) |
| Adjustments for business restructuring and others | — | 2,616 | — |
| Balance at the end of year | ¥ 591,212 | ¥ 573,520 | \$ 3,954,067 |

- (3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2025 and 2024, were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Funded retirement benefit obligation ¥ | 463,946 | ¥ 533,978 | \$ 3,102,908 |
| Plan assets | (591,212) | (573,520) | (3,954,067) |
| | (127,265) | (39,541) | (851,159) |
| Unfunded retirement benefit obligation | 98,320 | 103,429 | 657,576 |
| Net amount of liability and asset recorded in the consolidated balance sheet | ¥ (28,944) | ¥ 63,887 | \$ (193,583) |

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Liabilities for retirement benefits ¥ | 98,504 | ¥ 103,003 | \$ 658,806 |
| Assets for retirement benefits | (127,449) | (39,115) | (852,389) |
| Net amount of liability and asset recorded in the consolidated balance sheet | ¥ (28,944) | ¥ 63,887 | \$ (193,583) |

- (4) The components of retirement benefit expense for the years ended March 31, 2025 and 2024, were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|---|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Service cost ¥ | 24,546 | ¥ 24,546 | \$ 164,171 |
| Interest cost | 9,433 | 8,879 | 63,090 |
| Amortization of actuarial gain | (100,806) | (39,559) | (674,202) |
| Past service cost | (431) | (232) | (2,886) |
| Adjustments for business restructuring and others | (84) | (6,723) | (567) |
| Retirement benefit expense | ¥ (67,343) | ¥ (13,089) | \$ (450,394) |

(5) Plan assets

a. Components of plan assets

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2025 and 2024 was as follows:

| | 2025 | 2024 |
|---------------------------|-------------|-------------|
| Domestic debt instruments | 1% | 1% |
| Overseas debt instruments | 6 | 6 |
| Domestic stocks | 10 | 11 |
| Overseas stocks | 7 | 7 |
| Cash and cash equivalents | 13 | 10 |
| Private equity fund | 29 | 32 |
| Hedge fund | 14 | 14 |
| General accounts | 7 | 7 |
| Others | 13 | 12 |
| Total | 100% | 100% |

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined based on the current and forecast allocation of plan assets and the long-term rates of return which are expected currently and in the future from their various components.

(6) Assumptions used for the years ended March 31, 2025 and 2024, were set forth as follows:

| | 2025 | 2024 |
|--|-------------------------|------------------|
| Discount rate | Principally 2.6% | Principally 1.5% |
| Expected rate of return on plan assets | 0.0% | 0.0% |
| Expected rate of pay raises | 2.6% | 2.6% |

(7) Amortization of actuarial gain, past service cost and others for employees' retirement benefits

Amortization of actuarial gain, past service cost and others for employees' retirement benefits included in cost of sales and selling, general and administrative expenses was ¥101,238 million (\$677,089 thousand) and ¥46,515 million for the years ended March 31, 2025 and 2024, respectively.

(8) Defined contribution plans

Required contributions to defined contribution plans of the Company and certain subsidiaries were ¥7,486 million (\$50,071 thousand) and ¥7,631 million for the years ended March 31, 2025 and 2024, respectively.

11. Asset Retirement Obligations

Asset retirement obligations mainly consist of the obligations to remove leasehold improvements attached to the rental property and return the property to its original state after vacating the premises.

The liability has been calculated with expected useful lives ranging from 0 to 63 years and discount rates ranging from 0.00% to 2.13%.

The changes in asset retirement obligations for the years ended March 31, 2025 and 2024 were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Balance at the beginning of year | ¥ 65,495 | ¥ 62,140 | \$ 438,036 |
| Increase due to the acquisition of property, plant and equipment | 3,314 | 4,639 | 22,165 |
| Increase due to change in accounting estimates | 707 | 915 | 4,734 |
| Adjustment due to the elapse of time | 695 | 680 | 4,648 |
| Decrease due to fulfillment of asset retirement obligations | (1,770) | (2,880) | (11,841) |
| Balance at the end of year | ¥ 68,441 | ¥ 65,495 | \$ 457,744 |

12. Research and Development Costs

Research and development costs included in “Selling, general and administrative expenses” were ¥10,816 million (\$72,338 thousand) and ¥10,915 million for the years ended March 31, 2025 and 2024, respectively.

13. Gain (Loss) on Sales of Non-current Assets

Gain (loss) on sales of non-current assets for the years ended March 31, 2025 and 2024 consists of the following:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|---|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Gain on sales of property, plant and equipment, and other assets: | | | |
| Buildings and structures | ¥ 1,267 | ¥ 5,014 | \$ 8,478 |
| Machinery, equipment and vehicles | 141 | 46 | 946 |
| Tools, furniture and fixtures | 14 | 2 | 99 |
| Land | 1,096 | 1,978 | 7,330 |
| Other intangible assets | — | 208 | — |
| Total | ¥ 2,520 | ¥ 7,249 | \$ 16,855 |

Loss on sales of property, plant and equipment, and other assets:

| | | | | | | |
|-----------------------------------|---|-------|---|-------|----|---------|
| Buildings and structures | ¥ | (93) | ¥ | (93) | \$ | (628) |
| Machinery, equipment and vehicles | | (78) | | (5) | | (523) |
| Tools, furniture and fixtures | | (24) | | (29) | | (162) |
| Land | | — | | (19) | | — |
| Other intangible assets | | — | | (0) | | — |
| Total | ¥ | (196) | ¥ | (149) | \$ | (1,314) |

14. Impairment Loss

The Group classified non-current assets by managerial accounting unit such as branch office, location and individual property, which are utilized as a basis of continuous monitoring of revenue and expenditures. The carrying amounts of the below assets were written down to recoverable amounts due to decreases in the prices of real estate or significant declines in profitability caused by severe competition. The recoverable value of impaired non-current assets was measured at the higher of the net selling value or the value in use. The net selling value amount is mainly measured at appraisals in accordance with real estate appraisal standards. The value in use is calculated at the discounted future cash flows by discounting future cash flows mainly at 5%.

The Group recognized impairment losses of the following groups of assets for the years ended March 31, 2025 and 2024:

| Use | Type of Assets | Location | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> | |
|-------------------------------|--|---------------------------------|------------------------|--------|----------------------------------|---------|
| | | | 2025 | | 2025 | |
| Real estate for lease | Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, leased assets, other intangible assets | Hokkaido Prefecture and others | ¥ | 19,421 | \$ | 129,890 |
| Hotel | Buildings and structures, tools, furniture and fixtures, other intangible assets | Miyagi Prefecture | | 412 | | 2,761 |
| Health and leisure facilities | Buildings and structures, tools, furniture and fixtures, leased assets, other intangible assets | Kanagawa Prefecture and others | | 2,373 | | 15,875 |
| Offices, factories and others | Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, leased assets, other intangible assets | Kagoshima Prefecture and others | | 146 | | 981 |
| Others | Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, other intangible assets, goodwill | Fukuoka Prefecture and others | | 16,505 | | 110,388 |
| Total | | | ¥ | 38,859 | \$ | 259,897 |

| Use | Type of Assets | Location | <i>Millions of yen</i> 2024 |
|-------------------------------|--|---------------------------------|--------------------------------|
| Real estate for lease | Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, leased assets, other tangible assets and other intangible assets | Hiroshima Prefecture and others | ¥ 7,449 |
| Hotel | Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, other intangible assets | Hyogo Prefecture and others | 61 |
| Health and leisure facilities | Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, leased assets, other intangible assets | Tokyo Prefecture and others | 426 |
| Offices, factories and others | Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures | Okinawa Prefecture and others | 217 |
| Others | Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, leased assets, other intangible assets | Kanagawa Prefecture and others | 2,672 |
| Total | | | ¥ <u>10,826</u> |

15. Provision for Loss on Construction Contracts

Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2025 and 2024 was ¥18,030 million (\$120,587 thousand) and ¥7,235 million, respectively.

16. Gain on Sales of Stocks of Subsidiaries and Affiliates

Gain on sales of stocks of subsidiaries and affiliates for the year ended March 31, 2024 was recognized due to transfer of all shares of the Company's former consolidated subsidiary, Daiwa Resort Co., Ltd.

17. Loss on Sales of Stocks of Subsidiaries and Affiliates

Loss on sales of stocks of subsidiaries and affiliates for the year ended March 31, 2024 was due to the transfer of part of the shares of Cosmos Initia Co., Ltd., which was a consolidated subsidiary of the Company.

18. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 30.6% for the years ended March 31, 2025 and 2024. Overseas subsidiaries are subject to the income taxes of the countries in which they operate.

The significant components of the Group's deferred tax assets (liabilities) at March 31, 2025 and 2024 were summarized as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|----------|--------------------------------------|
| | 2025 | 2024 | 2025 |
| Deferred tax assets: | | | |
| Loss on devaluation of real estate for sale | ¥ 4,918 | ¥ 3,754 | \$ 32,893 |
| Accrued bonuses | 20,586 | 19,484 | 137,682 |
| Accrued enterprise tax | 5,882 | 5,639 | 39,342 |
| Liabilities for employees' retirement benefits | 31,115 | 27,302 | 208,100 |
| Unrealized gains on property, plant and equipment by consolidation | 14,312 | 14,660 | 95,721 |
| Excess of depreciation of property, plant and equipment | 39,525 | 26,733 | 264,349 |
| Impairment loss | 12,198 | 11,933 | 81,583 |
| Tax loss carryforwards | 33,694 | 26,851 | 225,354 |
| Other | 92,099 | 85,097 | 615,968 |
| Total of tax loss carryforwards and temporary differences | 254,332 | 221,458 | 1,700,995 |
| Less valuation allowance | (66,612) | (54,290) | (445,508) |
| Deferred tax assets | 187,720 | 167,167 | 1,255,486 |
| Deferred tax liabilities: | | | |
| Retained earnings appropriated for tax allowable reserves | (1,120) | (2,284) | (7,496) |
| Net unrealized gain on securities | (20,714) | (23,357) | (138,536) |
| Assets for employees' retirement benefits | (40,135) | (7,692) | (268,431) |
| Other | (34,518) | (40,683) | (230,862) |
| Deferred tax liabilities | (96,489) | (74,018) | (645,326) |
| Net deferred tax assets | ¥ 91,231 | ¥ 93,149 | \$ 610,160 |

(Change in Presentation)

Effective from the year ended March 31, 2025, "Assets for employees' retirement benefits" which was included in "Other" under "Deferred tax liabilities" as of March 31, 2024, is now presented separately since it became more significant.

Therefore, ¥(48,376) million previously presented in "Other" under "Deferred tax liabilities" as of March 31, 2024 has been reclassified as "Assets for employees' retirement benefits" of ¥(7,692) million and "Other" under "Deferred tax liabilities" of ¥(40,683) million.

A reconciliation between the statutory tax rate and the effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2025 and 2024 were as follows:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Statutory tax rate | 30.6% | 30.6% |
| Effect of: | | |
| Non-deductible expenses for tax purpose | 0.4 | 0.4 |
| Per capita portion of inhabitant tax | 0.3 | 0.3 |
| Equity in earnings of affiliates | (0.1) | (0.2) |
| Change in valuation allowances | 2.0 | 1.8 |
| Expiration of tax loss carry forwards | 0.0 | 0.0 |
| Tax credits | (0.7) | (0.6) |
| Reversal of land revaluation reserve | (0.0) | (0.1) |
| Other | 0.0 | 1.9 |
| Effective tax rates | <u>32.5%</u> | <u>34.1%</u> |

(Adjustment of deferred tax assets and deferred tax liabilities due to changes in income tax rates)

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) was enacted by the National Diet of Japan on March 31, 2025, under which the Group will be subject to the “Special Defense Corporate Tax” beginning April 1, 2026.

Accordingly, deferred tax assets and liabilities related to temporary differences expected to be reversed on or after April 1, 2026 have been recalculated using the revised effective tax rate, which was changed from 30.6% to 31.5%.

As a result of this change of tax rate, the amount of deferred tax assets, net of deferred tax liabilities increased by ¥1,607 million (\$10,753 thousand), income taxes—deferred decreased by ¥2,154 million (\$14,410 thousand), unrealized gain (loss) on securities decreased by ¥579 million (\$3,876 thousand), and deferred gain (loss) on hedging instruments increased by ¥32 million (\$218 thousand).

In addition, deferred tax liabilities related to land revaluation increased by ¥526 million (\$3,523 thousand) while land revaluation reserve under other comprehensive income decreased by ¥526 million (\$3,523 thousand).

19. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2025 and 2024 were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|----------|--------------------------------------|
| | 2025 | 2024 | 2025 |
| Unrealized gain (loss) on securities: | | | |
| Amount arising during the year | ¥ 101 | ¥ 16,847 | \$ 680 |
| Reclassification adjustments | (13,423) | (16,441) | (89,778) |
| Before income taxes and tax effect adjustment | (13,321) | 405 | (89,097) |
| Income taxes and tax effect | 3,806 | 234 | 25,458 |
| Unrealized gain (loss) on securities | (9,515) | 640 | (63,639) |
| Deferred gain (loss) on hedging instruments: | | | |
| Amount arising during the year | 6,179 | (2,590) | 41,330 |
| Reclassification adjustments | (10) | — | (72) |
| Before income taxes and tax effect adjustment | 6,168 | (2,590) | 41,257 |
| Income taxes and tax effect | (1,937) | 792 | (12,955) |
| Deferred gain (loss) on hedging instruments: | 4,231 | (1,798) | 28,302 |
| Land revaluation reserve: | | | |
| Income taxes and tax effect | 631 | 37 | 4,225 |
| Foreign currency translation adjustments: | | | |
| Amount arising during the year | 60,876 | 35,365 | 407,146 |
| Reclassification adjustments | — | (135) | — |
| Foreign currency translation adjustments: | 60,876 | 35,230 | 407,146 |
| Share of other comprehensive income (loss) of affiliates accounted for by the equity method: | | | |
| Amount arising during the year | (550) | 342 | (3,682) |
| Reclassification adjustments | (572) | 1 | (3,827) |
| Share of other comprehensive income (loss) of affiliates accounted for by the equity method: | (1,122) | 343 | (7,510) |
| Total other comprehensive income | ¥ 55,101 | ¥ 34,452 | \$ 368,524 |

20. Net Assets

Shareholders' equity

The Companies Act of Japan (the“Act”) requires the Company to transfer an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met. The Company's legal reserve included in retained earnings at March 31, 2025 and 2024 amounted to ¥17,690 million (\$118,311 thousand). Under the Act, upon the issuance and sales of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as capital surplus.

Shares issued and outstanding / treasury stock

For the year ended March 31, 2025

| Types of shares | <i>Thousands of shares</i> | | | Number of shares as of March 31, 2025 |
|------------------------------|--------------------------------------|---------------|----------|---------------------------------------|
| | Number of shares as of April 1, 2024 | Increase | Decrease | |
| Shares issued: | | | | |
| Common stock (Notes 1) | 659,351 | 127 | — | 659,478 |
| Treasury stock: | | | | |
| Common stock (Notes 2 and 3) | 19,529 | 21,366 | 0 | 40,895 |

Notes: 1) Details of the increase are as follows:

| | <i>Thousands of shares</i> |
|---|----------------------------|
| Increase due to issuance of common stock as restricted stock awards | 127 |

2) Details of the increase are as follows:

| | <i>Thousands of shares</i> |
|---|----------------------------|
| Increase due to purchase of the treasury stock approved by resolution of the Board of Directors | 21,362 |
| Increase due to purchase of shares of less than standard unit | 3 |

3) Details of the decrease are as follows:

| | <i>Thousands of shares</i> |
|--|----------------------------|
| Decrease due to sale of shares less than one unit by the Company | 0 |

For the year ended March 31, 2024

| Types of shares | <i>Thousands of shares</i> | | | Number of shares as of March 31, 2024 |
|------------------------------|--------------------------------------|----------|----------|---------------------------------------|
| | Number of shares as of April 1, 2023 | Increase | Decrease | |
| Shares issued: | | | | |
| Common stock (Notes 1 and 2) | 666,290 | 60 | 7,000 | 659,351 |
| Treasury stock: | | | | |
| Common stock (Notes 3 and 4) | 7,419 | 19,109 | 7,000 | 19,529 |

Notes: 1) Details of the increase are as follows:

| | <i>Thousands of shares</i> |
|---|----------------------------|
| Increase due to issuance of common stock as restricted stock awards | 60 |

2) Details of the decrease are as follows:

| | <i>Thousands of shares</i> |
|--|----------------------------|
| Decrease due to cancellation of treasury stock | 7,000 |

3) Details of the increase are as follows:

| | <i>Thousands of shares</i> |
|---|----------------------------|
| Increase due to purchase of the treasury stock approved by resolution of the Board of Directors | 19,105 |
| Increase due to purchase of shares of less than standard unit | 3 |

4) Details of the decrease are as follows:

| | <i>Thousands of shares</i> |
|--|----------------------------|
| Decrease due to sale of shares less than one unit by the Company | 0 |
| Decrease due to cancellation of treasury stock | 7,000 |

Stock Acquisition Rights

Not applicable

Dividends paid

For the year ended March 31, 2025

| Resolution | Types of shares | Total dividends (Millions of yen) | Total dividends (Thousands of U.S. dollars) | Dividends per share (Yen) | Dividends per share (U.S. dollars) | Record date | Effective date |
|---|-----------------|--------------------------------------|--|------------------------------|---------------------------------------|--------------------|------------------|
| Shareholders' meeting held on June 27, 2024 | Common stock | ¥ 51,185 | \$ 342,334 | ¥ 80.0 | \$ 0.53 | March 31, 2024 | June 28, 2024 |
| Meeting of the Board of Directors held on November 12, 2024 | Common stock | ¥ 44,449 | \$ 297,281 | ¥ 70.0 | \$ 0.46 | September 30, 2024 | December 5, 2024 |

For the year ended March 31, 2024

| Resolution | Types of shares | Total dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|-----------------|--------------------------------------|------------------------------|--------------------|------------------|
| Shareholders' meeting held on June 29, 2023 | Common stock | ¥ 46,120 | ¥ 70.0 | March 31, 2023 | June 30, 2023 |
| Meeting of the Board of Directors held on November 10, 2023 | Common stock | ¥ 41,399 | ¥ 63.0 | September 30, 2023 | December 5, 2023 |

21. Amounts Per Share

Amounts per share as of and for the years ended March 31, 2025 and 2024 were as follows:

| | Yen | | U.S. dollars |
|--|------------|------------|--------------|
| | 2025 | 2024 | 2025 |
| Profit attributable to owners of parent: | | | |
| Net assets | ¥ 4,226.17 | ¥ 3,810.21 | \$ 28.26 |
| Basic | 514.00 | 457.16 | 3.43 |

Basic profit per share is computed by dividing profit attributable to owners of the parent in the amount of ¥325,058 million (\$2,174,016 thousand) and ¥298,752 million for the years ended March 31, 2025 and 2024, respectively by the weighted-average number of common shares outstanding for the corresponding year.

The average number of shares outstanding for the years ended March 31, 2025 and 2024 was 632,409 thousand shares and 653,501 thousand shares, respectively.

Diluted profit per share is not presented because there were no potential shares with dilutive effect outstanding for the years ended March 31, 2025 and 2024.

In addition, zero coupon convertible bonds with share acquisition rights subject to call due 2029 (face value: ¥100,000 million and number of share acquisition rights: 10,000) and zero coupon convertible bonds with share acquisition rights subject to call due 2030 (face value: ¥100,000 million and number of share acquisition rights: 10,000) are excluded from the computation of diluted profit per share, since such bonds do not have a dilutive effect.

22. Leases

Finance leases:

(Lessee)

The Group leases certain city hotels, commercial facilities, city hotel equipment, system server, computer equipment and intangible assets in other assets.

Pro forma information of leased property whose lease inception was on or before March 31, 2008

ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. However, ASBJ Statement No. 13 permits leases that do not transfer ownership of the leased property to the lessee whose lease inception was on or before March 31, 2008 to continue to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the consolidated financial statements. The Group applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information regarding leased property whose lease inception was on or before March 31, 2008 was as follows:

| | <i>Millions of yen</i> | | |
|-----------------------------|-----------------------------|---|----------|
| | 2025 | | |
| | Buildings and structures | Machinery, equipment and vehicles | Total |
| Acquisition cost | ¥ 70,586 | ¥ 59 | ¥ 70,646 |
| Accumulated depreciation | (54,444) | (55) | (54,499) |
| Accumulated impairment loss | (1,343) | — | (1,343) |
| Net leased property | ¥ 14,798 | ¥ 4 | ¥ 14,802 |

| | <i>Millions of yen</i> | | |
|-----------------------------|-----------------------------|---|----------|
| | 2024 | | |
| | Buildings and structures | Machinery, equipment and vehicles | Total |
| Acquisition cost | ¥ 89,458 | ¥ 59 | ¥ 89,517 |
| Accumulated depreciation | (69,400) | (52) | (69,452) |
| Accumulated impairment loss | (1,324) | — | (1,324) |
| Net leased property | ¥ 18,733 | ¥ 7 | ¥ 18,741 |

| | <i>Thousands of U.S. dollars</i> | | |
|-----------------------------|----------------------------------|---|------------|
| | 2025 | | |
| | Buildings and structures | Machinery, equipment and vehicles | Total |
| Acquisition cost | \$ 472,090 | \$ 397 | \$ 472,488 |
| Accumulated depreciation | 364,129 | 368 | 364,497 |
| Accumulated impairment loss | 8,987 | — | 8,987 |
| Net leased property | \$ 98,973 | \$ 29 | \$ 99,003 |

Future minimum lease payments subsequent to March 31, 2025 for finance leases were as follows:

| | <i>Millions of yen</i> | <i>Thousands of U.S. dollars</i> |
|------------------------------|------------------------|--------------------------------------|
| Years Ending March 31 | 2025 | 2025 |
| 2026 | ¥ 4,453 | \$ 29,786 |
| 2027 and thereafter | 14,111 | 94,381 |
| Total | ¥ 18,565 | \$ 124,167 |

The allowance for impairment loss on leased property of ¥994 million (\$6,649 thousand) and ¥922 million as of March 31, 2025 and 2024, respectively, is not included in the obligations under finance leases.

Lease payments, reversal of allowance for impairment loss on leased property, depreciation, interest expenses, and impairment loss for the years ended March 31, 2025 and 2024, were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|---|------------------------|-------------|--------------------------------------|
| | 2025 | 2024 | 2025 |
| Lease payments | ¥ 6,452 | ¥ 7,446 | \$ 43,155 |
| Reversal of allowance for impairment loss on leased property | 179 | 246 | 1,199 |
| Depreciation | 3,415 | 4,411 | 22,843 |
| Interest expenses | 1,544 | 1,996 | 10,331 |
| Impairment loss | 251 | 143 | 1,681 |

(Lessor)

The net investments in leases as of March 31, 2025 and 2024, were summarized as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--------------------------------|------------------------|-----------------|--------------------------------------|
| | 2025 | 2024 | 2025 |
| Gross lease receivables | ¥ 129,043 | ¥ 103,003 | \$ 863,053 |
| Unguaranteed residual values | 2,246 | 2,237 | 15,025 |
| Unearned interest income | (41,429) | (31,772) | (277,086) |
| Investments in leases, current | <u>¥ 89,860</u> | <u>¥ 73,468</u> | <u>\$ 600,992</u> |

Contractual maturities of lease receivables from finance lease transactions subsequent to March 31, 2025 in which the ownership of the leased assets is transferred to the lessee are as follows:

| <u>Years Ending March 31</u> | <i>Millions of yen</i> | <i>Thousands of U.S. dollars</i> |
|------------------------------|------------------------|--------------------------------------|
| 2026 | ¥ 11,395 | \$ 76,212 |
| 2027 | 11,940 | 79,855 |
| 2028 | 10,573 | 70,713 |
| 2029 | 8,614 | 57,611 |
| 2030 | 7,068 | 47,271 |
| 2031 and thereafter | 25,101 | 167,877 |
| Total | <u>¥ 74,691</u> | <u>\$ 499,541</u> |

Contractual maturities of the above gross lease receivables subsequent to March 31, 2025 in which the ownership of the leased assets is not transferred to the lessee are as follows:

| <u>Years Ending March 31</u> | <i>Millions of yen</i> | <i>Thousands of U.S. dollars</i> |
|------------------------------|-------------------------|--------------------------------------|
| 2026 | ¥ 18,616 | \$ 124,505 |
| 2027 | 16,890 | 112,961 |
| 2028 | 14,252 | 95,322 |
| 2029 | 12,451 | 83,278 |
| 2030 | 9,722 | 65,022 |
| 2031 and thereafter | 57,111 | 381,962 |
| Total | <u>¥ 129,043</u> | <u>\$ 863,053</u> |

Depreciation and interest expenses, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

Operating Leases:

(Lessee)

Future minimum lease payments subsequent to March 31, 2025 for noncancelable operating leases were as follows:

| Years Ending March 31 | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|------------------------------|
| | 2025 | 2025 |
| 2026 | ¥ 80,813 | \$ 540,487 |
| 2027 and thereafter | 673,185 | 4,502,308 |
| Total | ¥ 753,998 | \$ 5,042,795 |

Lease transactions of lessees subject to IFRS 16 and ASC 842 “Leases” for overseas subsidiaries, were not included in the above amount for the year ended March 31, 2025.

(Lessor)

Future minimum lease income subsequent to March 31, 2025 for noncancelable operating lease were as follows:

| Years Ending March 31 | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|------------------------------|
| | 2025 | 2025 |
| 2026 | ¥ 15,899 | \$ 106,338 |
| 2027 and thereafter | 271,563 | 1,816,237 |
| Total | ¥ 287,463 | \$ 1,922,576 |

Penalty income for early cancelation is included in the amount for 2027 and thereafter.

23. Contingent Liabilities

As of March 31, 2025 and 2024, the Group had the following contingent liabilities:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|--------|------------------------------|
| | 2025 | 2024 | 2025 |
| Trade notes receivable discounted | ¥ 857 | ¥ — | \$ 5,733 |
| Electronically recorded monetary claims transferred | — | 269 | — |
| Electronically recorded monetary claims discounted | 225 | — | 1,505 |
| Guarantees and similar items of loans from banks: | | | |
| House purchasers’ loans from banks | 9,998 | 12,388 | 66,871 |
| Loans of affiliates from banks | 22,906 | 36,632 | 153,198 |

24. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

The Group manages cash surpluses mainly through low-risk financial assets. The Group raises funds mainly through loans from banks and direct finance such as issuance of bonds and commercial paper. The Group enters into derivative transactions for the purpose of managing exposure to financial risks and does not enter into derivative transactions for speculative or trading purposes.

(2) Nature and extent of risks arising from financial instruments, and risk management for financial instruments

Receivables, such as trade notes and accounts receivable and lease deposits, are exposed to customer credit risk. The Group manages its credit risk by monitoring payment status, payment due and balances by customers to identify the default risk such as making financial positions of customers worse at an early stage.

Marketable and investment securities, such as stock, certificates of deposit, debt securities, investment trusts and investments in capital of partnership, are exposed to issuers' credit risk and market price fluctuation risk. The Group manages its credit risk and market price fluctuation risk by monitoring market values and the financial position of issuers and reviews the holding status on a regular basis with considering the business relationships with issuers.

Payment terms of payables, such as trade notes and accounts payable, are mainly less than one year. Lease deposits received consist mainly of the deposits of the real estate business. The loans from banks and bonds are used mainly for investment in plant, equipment and leased property. Some of such loans from banks and payables are exposed to liquidity risk. The Group manages liquidity risk by maintaining appropriate amounts of bank deposits along with sufficient financial planning by the financial and IR department of the Group based on the reports from each section and consolidated subsidiaries.

Loans with floating interest rates from banks and foreign currency receivables and payables denominated in foreign currencies are exposed to the fluctuation risks of interest rate or exchange rate. Derivative transactions such as interest swap contracts, foreign currency swap contracts and foreign currency forward contracts are used for certain transactions as heading instruments by individual contracts. Certain consolidated subsidiaries utilize bond future contracts to hedge interest fluctuation risk of loans receivable.

The Group enters into derivative transactions described above based on internal guidelines. To minimize credit risks, the counterparties to those derivatives are mainly limited to major financial institutions with higher credit ratings and status of derivative transactions are reported to and obtained approvals by Director of the Financing Department on a regular basis. Please see Note 1 "q. Derivative financial instruments".

(3) Supplemental information for fair values of financial instruments

As various factors are incorporated into fair value calculations, the resulting values may vary if different assumptions are used. In addition, the contract amounts as shown in Note 25 “Derivatives” do not indicate the market risk associated with derivative transactions.

The carrying values of financial instruments on the accompanying consolidated balance sheets as of March 31, 2025 and 2024 and their estimated fair values are shown in the following table. The following table does not include stocks with no market prices and investments in limited liability partnership and others.

Cash and bank deposits, trade notes and accounts payables, payables-other, short-term loans from banks, and income taxes payable are omitted since they are cash, or their fair values approximate their carrying values because of their short-term maturities.

| | <i>Millions of yen</i> | | |
|---------------------------------------|------------------------|--------------------|-------------------|
| | 2025 | | |
| | Carrying value | Fair value | Difference |
| Assets | | | |
| Trade notes and accounts receivable | ¥ 201,007 | ¥ | ¥ |
| Allowance for doubtful accounts (*1) | (1,467) | | |
| | <u>199,540</u> | <u>196,949</u> | <u>(2,590)</u> |
| Marketable and investment securities: | | | |
| Held-to-maturity debt securities | 550 | 550 | 0 |
| Shares of affiliates | 18,595 | 14,731 | (3,864) |
| Other securities | 142,623 | 142,623 | — |
| Lease deposits | 253,595 | 229,985 | (23,610) |
| Total assets | <u>¥ 614,905</u> | <u>¥ 584,840</u> | <u>¥ (30,064)</u> |
| Liabilities | | | |
| Bonds | ¥ 819,000 | ¥ 804,930 | ¥ (14,069) |
| Long-term loans from banks | 1,319,783 | 1,299,143 | (20,640) |
| Lease deposits received | 301,383 | 271,338 | (30,044) |
| Total liabilities | <u>¥ 2,440,166</u> | <u>¥ 2,375,412</u> | <u>¥ (64,754)</u> |
| Derivative transactions (*2) | ¥ 4,470 | ¥ 4,470 | ¥ — |

| <i>Millions of yen</i> | | | |
|---------------------------------------|-----------------------|--------------------|-------------------|
| 2024 | | | |
| | <u>Carrying value</u> | <u>Fair value</u> | <u>Difference</u> |
| Assets | | | |
| Trade notes and accounts receivable | ¥ 225,348 | ¥ | ¥ |
| Allowance for doubtful accounts (*1) | (1,470) | | |
| | <u>223,877</u> | <u>222,621</u> | <u>(1,255)</u> |
| Marketable and investment securities: | | | |
| Held-to-maturity debt securities | 710 | 712 | 2 |
| Shares of affiliates | 17,437 | 12,583 | (4,854) |
| Other securities | 155,222 | 155,222 | — |
| Lease deposits | 252,587 | 238,208 | (14,379) |
| Total assets | <u>¥ 649,836</u> | <u>¥ 629,349</u> | <u>¥ (20,487)</u> |
| Liabilities | | | |
| Bonds | ¥ 859,000 | ¥ 850,560 | ¥ (8,439) |
| Long-term loans from banks | 1,106,585 | 1,081,884 | (24,701) |
| Lease deposits received | 303,547 | 282,971 | (20,575) |
| Total liabilities | <u>¥ 2,269,132</u> | <u>¥ 2,215,415</u> | <u>¥ (53,716)</u> |
| Derivative transactions (*2) | ¥ 4,793 | ¥ 4,793 | ¥ — |

| <i>Thousands of U.S. dollars</i> | | | |
|---------------------------------------|-----------------------|----------------------|---------------------|
| 2025 | | | |
| | <u>Carrying value</u> | <u>Fair value</u> | <u>Difference</u> |
| Assets | | | |
| Trade notes and accounts receivable | \$ 1,344,350 | \$ | \$ |
| Allowance for doubtful accounts (*1) | (9,813) | | |
| | <u>1,334,537</u> | <u>1,317,213</u> | <u>(17,323)</u> |
| Marketable and investment securities: | | | |
| Held-to-maturity debt securities | 3,680 | 3,681 | 0 |
| Shares of affiliates | 124,368 | 98,524 | (25,843) |
| Other securities | 953,876 | 953,876 | — |
| Lease deposits | 1,696,066 | 1,538,157 | (157,908) |
| Total assets | <u>\$ 4,112,528</u> | <u>\$ 3,911,454</u> | <u>\$ (201,074)</u> |
| Liabilities | | | |
| Bonds | \$ 5,477,528 | \$ 5,383,428 | \$ (94,099) |
| Long-term loans from banks | 8,826,801 | 8,688,758 | (138,043) |
| Lease deposits received | 2,015,673 | 1,814,732 | (200,941) |
| Total liabilities | <u>\$ 16,320,003</u> | <u>\$ 15,886,918</u> | <u>\$ (433,084)</u> |
| Derivative transactions (*2) | \$ 29,897 | \$ 29,897 | \$ — |

(*1) Trade notes and accounts receivable are net of allowance for doubtful accounts.

(*2) Assets and liabilities arising from derivative transactions are shown at net value with the amount in parentheses a net liability position.

Notes: 1) The carrying value of investments in securities without a quoted market price and investments in limited liability partnership and others are shown in the following table.

| | Carrying amount | | |
|--|------------------------|----------|----------------------------------|
| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
| | 2025 | 2024 | 2025 |
| Marketable and investment securities: | | | |
| Investments in securities without a quoted market price (*1) | ¥ 42,111 | ¥ 38,183 | \$ 281,644 |
| Investments in limited liability partnership and others (*2) | 17,389 | 13,532 | 116,304 |
| Other assets in investments and other assets: | | | |
| Investments in securities without a quoted market price (*1) | 72,350 | 1,330 | 483,884 |

(*1) Investments in securities without a quoted market price include unlisted stocks, investments in capital of affiliates and others are not subject to disclosure of fair value in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

(*2) Investments in limited liability partnership and others are mainly investments in partnership, investments in anonymous associations and others. These are not subject to disclosure of fair value in accordance with Paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Measurement of Fair Value” (ASBJ Guidance No. 31, June 17, 2021).

(Change in Presentation)

Effective from the year ended March 31, 2025, “Investments in capital of subsidiaries and affiliates,” which is included in “Other assets” under investments and other assets have been disclosed in the notes to the consolidated financial statements since it became more quantitatively significant. The respective amount for the year ended March 31, 2024 has been disclosed in the notes to reflect this change in the presentation.

Notes: 2) Redemption schedule for receivables and marketable and investment securities with maturities as of March 31, 2025 and 2024 were as follows:

| <i>Millions of yen</i> | | | | |
|---|-------------------------------|--|--|-----------------------|
| 2025 | | | | |
| | Due in one year or less | Due after one year through five years | Due after five years through 10 years | Due after 10 years |
| Cash and bank deposits | ¥ 333,198 | ¥ — | ¥ — | ¥ — |
| Trade notes and accounts receivable | 170,558 | 12,872 | 9,592 | 7,982 |
| Marketable and investment securities: | | | | |
| Held-to-maturity debt securities | 403 | 139 | — | 10 |
| Other securities with contractual maturities (*) | — | 50 | — | 120 |
| Lease deposits | 29,868 | 82,248 | 47,291 | 97,531 |
| Total | ¥ 534,029 | ¥ 95,310 | ¥ 56,883 | ¥ 105,644 |

| <i>Millions of yen</i> | | | | |
|---|-------------------------------|--|--|-----------------------|
| 2024 | | | | |
| | Due in one year or less | Due after one year through five years | Due after five years through 10 years | Due after 10 years |
| Cash and bank deposits | ¥ 450,129 | ¥ — | ¥ — | ¥ — |
| Trade notes and accounts receivable | 198,578 | 10,198 | 8,684 | 7,886 |
| Marketable and investment securities: | | | | |
| Held-to-maturity debt securities | 300 | 404 | — | 10 |
| Other securities with contractual maturities (*) | 150 | 448 | — | 120 |
| Lease deposits | 23,034 | 89,862 | 46,417 | 95,414 |
| Total | ¥ 672,193 | ¥ 100,912 | ¥ 55,102 | ¥ 103,431 |

| <i>Thousands of U.S. dollars</i> | | | | |
|---|-------------------------------|--|--|-----------------------|
| 2025 | | | | |
| | Due in one year or less | Due after one year through five years | Due after five years through 10 years | Due after 10 years |
| Cash and bank deposits | \$ 2,228,455 | \$ — | \$ — | \$ — |
| Trade notes and accounts receivable | 1,140,710 | 86,095 | 64,155 | 53,389 |
| Marketable and investment securities: | | | | |
| Held-to-maturity debt securities | 2,695 | 931 | — | 66 |
| Other securities with contractual maturities (*) | — | 334 | — | 802 |
| Lease deposits | 199,764 | 550,085 | 316,286 | 652,298 |
| Total | \$ 3,571,625 | \$ 637,446 | \$ 380,442 | \$ 706,558 |

- (*) Other securities with contractual maturities do not include perpetual subordinated bonds with no redemption date and bonds for which redemption amounts are not expected to be collectable.

Notes: 3) The redemption schedule for bonds and loans from banks is presented in Note 8 “Short-Term Bank Loans and Long-Term Debt.”

(4) Breakdown by level of fair values of financial instruments

Fair values of financial instruments are categorized into three levels as described below on the basis of the observability and the materiality of the inputs used in the fair value measurement.

Level 1: Fair values measured using (unadjusted) quoted prices of identical assets or liabilities in active markets

Level 2: Fair values measured using inputs other than inputs included within Level 1 that are observable, either directly or indirectly

Level 3: Fair values measured using unobservable valuation inputs

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

1) Financial assets and liabilities at fair value on the consolidated balance sheets

For the years ended March 31, 2025 and 2024

| <i>Millions of yen</i> | | | | |
|---------------------------------------|------------------|----------------|-----------------|------------------|
| 2025 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Marketable and investment securities: | | | | |
| Stocks | ¥ 106,884 | ¥ 9 | ¥ – | ¥ 106,893 |
| Preferred fund certificates | – | – | 23,463 | 23,463 |
| Bonds | – | – | 3,034 | 3,034 |
| Investment trusts | – | 172 | – | 172 |
| Derivatives: | | | | |
| Interest rates and currency related | – | 4,470 | – | 4,470 |
| Total | ¥ 106,884 | ¥ 4,652 | ¥ 26,497 | ¥ 138,034 |
| <i>Millions of yen</i> | | | | |
| 2024 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Marketable and investment securities: | | | | |
| Stocks | ¥ 121,776 | ¥ – | ¥ – | ¥ 121,776 |
| Preferred fund certificates | – | – | 21,485 | 21,485 |
| Bonds | – | – | 3,649 | 3,649 |
| Investment trusts | – | 139 | – | 139 |
| Derivatives: | | | | |
| Interest rates and currency related | – | 4,793 | – | 4,793 |
| Total | ¥ 121,776 | ¥ 4,932 | ¥ 25,135 | ¥ 151,844 |

| <i>Thousands of U.S. dollars</i> | | | | |
|---------------------------------------|-------------------|------------------|-------------------|-------------------|
| 2025 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Marketable and investment securities: | | | | |
| Stocks | \$ 714,849 | \$ 63 | \$ – | \$ 714,913 |
| Preferred fund certificates | – | – | 156,926 | 156,926 |
| Bonds | – | – | 20,292 | 20,292 |
| Investment trusts | – | 1,155 | – | 1,155 |
| Derivatives: | | | | |
| Interest rates and currency related | – | 29,897 | – | 29,897 |
| Total | <u>\$ 714,849</u> | <u>\$ 31,116</u> | <u>\$ 177,218</u> | <u>\$ 923,185</u> |

Notes: Investment trusts in the amount of ¥9,059 million (\$60,589 thousand) and ¥8,171 million as of March 31, 2025 and 2024, respectively, of which net asset values are considered as fair values in accordance with Paragraph 24-9 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 31, June 17, 2021), are not included in “Investment trusts” in the table above.

- 2) Financial assets and liabilities which are not stated at fair value on the consolidated balance sheets

For the years ended March 31, 2025 and 2024

| <i>Millions of yen</i> | | | | |
|---------------------------------------|-----------------|--------------------|-----------------|--------------------|
| 2025 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Trade notes and accounts receivable | ¥ – | ¥ 196,949 | ¥ – | ¥ 196,949 |
| Marketable and investment securities: | | | | |
| Held-to-maturity debt securities | 410 | 139 | – | 550 |
| Shares of affiliates | 14,731 | – | – | 14,731 |
| Lease deposits | – | 229,985 | – | 229,985 |
| Total assets | <u>¥ 15,142</u> | <u>¥ 427,074</u> | <u>¥ –</u> | <u>¥ 442,217</u> |
| Liabilities | | | | |
| Bonds | ¥ – | ¥ 804,930 | ¥ – | ¥ 804,930 |
| Long-term loans from banks | – | 1,281,447 | 17,695 | 1,299,143 |
| Lease deposits received | – | 257,489 | 13,849 | 271,338 |
| Total liabilities | <u>¥ –</u> | <u>¥ 2,343,866</u> | <u>¥ 31,545</u> | <u>¥ 2,375,412</u> |

| <i>Millions of yen</i> | | | | |
|---------------------------------------|-------------------|----------------------|-------------------|----------------------|
| 2024 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Trade notes and accounts receivable | ¥ — | ¥ 222,621 | ¥ — | ¥ 222,621 |
| Marketable and investment securities: | | | | |
| Held-to-maturity debt securities | 712 | — | — | 712 |
| Shares of affiliates | 12,583 | — | — | 12,583 |
| Lease deposits | — | 238,208 | — | 238,208 |
| Total assets | ¥ 13,296 | ¥ 460,830 | ¥ — | ¥ 474,126 |
| Liabilities | | | | |
| Bonds | ¥ — | ¥ 850,560 | ¥ — | ¥ 850,560 |
| Long-term loans from banks | — | 1,063,336 | 18,547 | 1,081,884 |
| Lease deposits received | — | 268,532 | 14,438 | 282,971 |
| Total liabilities | ¥ — | ¥ 2,182,430 | ¥ 32,985 | ¥ 2,215,415 |
| <i>Thousands of U.S. dollars</i> | | | | |
| 2025 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Trade notes and accounts receivable | \$ — | \$ 1,317,213 | \$ — | \$ 1,317,213 |
| Marketable and investment securities: | | | | |
| Held-to-maturity debt securities | 2,748 | 932 | — | 3,681 |
| Shares of affiliates | 98,524 | — | — | 98,524 |
| Lease deposits | — | 1,538,157 | — | 1,538,157 |
| Total assets | \$ 101,273 | \$ 2,856,304 | \$ — | \$ 2,957,577 |
| Liabilities | | | | |
| Bonds | \$ — | \$ 5,383,428 | \$ — | \$ 5,383,428 |
| Long-term loans from banks | — | 8,570,407 | 118,350 | 8,688,758 |
| Lease deposits received | — | 1,722,106 | 92,625 | 1,814,732 |
| Total liabilities | \$ — | \$ 15,675,942 | \$ 210,976 | \$ 15,886,918 |

Note: Description of the valuation techniques and inputs used in fair value measurement and supplemental information for securities and derivatives.

Assets

Trade notes and accounts receivable

The fair values of trade notes and accounts receivable are measured at present value calculated by maturity periods to collection using discount rates with credit risks, and are categorized as Level 2.

Marketable and investment securities

Securities for which unadjusted quoted market prices in active markets are available, such as listed stocks and government bonds, are categorized into Level 1. In addition, listed stocks on the TOKYO PRO Market are categorized into Level 2 due to market liquidity and other considerations. Foreign bonds are also categorized into Level 2 because their market prices are not considered as ones in active markets. For preferred fund certificates, the fair value is measured based on the book value net assets reflecting the fair value of real estate held by the investee, and for bonds without a quoted market price, the fair value is measured based on the price calculated by the option pricing method. These items are categorized as Level 3 because the impact of unobservable inputs on fair value is significant. For investment trusts without a quoted market price, if there is no material restriction on cancellation or purchase from market participants to require consideration for risk, the fair value is measured based on the net asset value and is categorized as Level 2. Fair value information for marketable and investment securities by classification is included in Note 4 “Marketable and Investment Securities.”

Lease deposits

The fair values of lease deposits are measured at present value calculated by maturity periods to collection and discount rates with credit risks and is categorized as Level 2.

Liabilities

Bonds

The fair value of bonds is measured at the value calculating by prices and yield information published by industry associations and others, and is categorized as Level 2.

Long-term loans from banks

The carrying values of long-term loans from banks with floating rates (other than those accounted by “Exceptional treatment” described in 1. Summary of Significant Accounting Policies, q. Derivative financial instruments) approximate fair value because they reflect the market interest rates in a timely manner.

The fair values of loans from banks with fixed rates are determined at the present value by discounting the cash flows related to the debt, the total amounts of principal and interest payments, at the Group’s assumed corporate discount rates corresponding to loan periods. The fair values of loans from banks with the interest rate swap or currency swap transactions are determined at the present value by discounting the total amounts of principal and interest payments related to the debt at the Group’s assumed corporate discount rates corresponding to loan periods.

If the impact of unobservable inputs is significant, the fair value is categorized as Level 3, otherwise the fair value is categorized as Level 2.

Lease deposits received

The fair value of lease deposits received is measured at present value calculated by maturity periods to payment and discount rate with credit risks.

If the impact of unobservable inputs is significant, the fair value is categorized as Level 3, otherwise the fair value is categorized as Level 2.

Derivatives

The fair value of derivative transactions is measured based on the prices provided by counterparty financial institutions, and is categorized as Level 2.

25. Derivatives

Derivative transactions to which hedge accounting was not applied as of March 31, 2025 and 2024 were as follows:

| | | <i>Millions of yen</i> | | | |
|---|---|------------------------|---|-------------------|-------------------------------|
| | | 2025 | | | |
| <u>Classification</u> | <u>Transaction type</u> | <u>Contract amount</u> | <u>Contract amount due after one year</u> | <u>Fair value</u> | <u>Recognized gain (loss)</u> |
| Transactions other than market transactions | Interest rate and currency swaps: Floating rate payment in yen, floating rate receipt in U.S. dollars | ¥ 35,884 | ¥ 35,884 | ¥ 4,470 | ¥ 4,470 |

| | | <i>Millions of yen</i> | | | |
|---|---|------------------------|---|-------------------|-------------------------------|
| | | 2024 | | | |
| <u>Classification</u> | <u>Transaction type</u> | <u>Contract amount</u> | <u>Contract amount due after one year</u> | <u>Fair value</u> | <u>Recognized gain (loss)</u> |
| Transactions other than market transactions | Interest rate and currency swaps: Floating rate payment in yen, floating rate receipt in U.S. dollars | ¥ 36,338 | ¥ 36,338 | ¥ 4,793 | ¥ 4,793 |

| | | <i>Thousands of U.S. dollars</i> | | | |
|---|---|----------------------------------|---|-------------------|-------------------------------|
| | | 2025 | | | |
| <u>Classification</u> | <u>Transaction type</u> | <u>Contract amount</u> | <u>Contract amount due after one year</u> | <u>Fair value</u> | <u>Recognized gain (loss)</u> |
| Transactions other than market transactions | Interest rate and currency swaps: Floating rate payment in yen, floating rate receipt in U.S. dollars | \$ 240,000 | \$ 240,000 | \$ 29,897 | \$ 29,897 |

Derivative transactions to which hedge accounting was applied as of March 31, 2025 and 2024 were as follows:

| | | <i>Millions of yen</i> | | | |
|---|----------------------------|------------------------|---|------------------------|---|
| | | 2025 | | 2024 | |
| <u>Transaction type</u> | <u>Hedged item</u> | <u>Contract amount</u> | <u>Contract amount due after one year</u> | <u>Contract amount</u> | <u>Contract amount due after one year</u> |
| Interest rate swaps: | | | | | |
| Fixed rate payment, floating rate receipt | Long-term loans from banks | ¥ — | ¥ — | ¥ 18,028 | ¥ — |

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expenses or income, and long-term loans from banks denominated in a foreign currency are translated at the contracted rates (allocation method and special treatment). In addition, the fair values of such interest rate swaps and interest rate and currency swaps in Note 24 “Financial Instruments and Related Disclosures” are included in those of the hedged items (i.e., long-term loans from banks).

26. Supplemental Cash Flow Information

Cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2025 and 2024 are reconciled to cash and bank deposits in the consolidated balance sheets as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|---|------------------------|------------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Cash and bank deposits | ¥ 333,198 | ¥ 450,129 | \$ 2,228,455 |
| Time deposits with maturities of more than three months | (6,243) | (10,557) | (41,758) |
| Cash and cash equivalents | <u>¥ 326,954</u> | <u>¥ 439,572</u> | <u>\$ 2,186,696</u> |

Year Ended March 31, 2024

Following the sale of its shares, Cosmos Initia Co., Ltd. was excluded from consolidation for the year ended March 31, 2024. The breakdown of its assets and liabilities at the time of sale, the amount of the sale of shares, and payments for sales of investments in subsidiaries resulting in change in scope of consolidation are as follows:

| | <i>Millions of yen</i> |
|---|------------------------|
| | <u>2024</u> |
| Current assets | ¥ 161,163 |
| Non-current assets | 12,368 |
| Current liabilities | (74,327) |
| Non-current liabilities | (53,621) |
| Accumulated other comprehensive income | (42) |
| Non-controlling interests | (16,830) |
| Investment account after the sale of the shares | (17,437) |
| Loss on sales of shares | (5,345) |
| Amount of the sale of shares | |
| (After commission deduction) | 5,927 |
| Cash and cash equivalents in subsidiaries resulting in change in scope of consolidation | (34,035) |
| Less: Payments for sales of investments in subsidiaries resulting in change in scope of consolidation | ¥ (28,108) |

27. Revenue Recognition

- Information on disaggregated revenue arising from contracts with customers is for the years ended March 31, 2025 and 2024 were as follows:

| | <i>Millions of yen</i> | | | | | | | |
|--|------------------------|----------------|---------------|-----------------------|--|------------------------|------------|-------------|
| | <u>2025</u> | | | | | | | |
| | Reportable segment | | | | | | | |
| | Single-family houses | Rental housing | Condo-miniums | Commercial facilities | Logistics, business and corporate facilities | Environment and energy | Other (*1) | Total |
| Ordered contract transactions | ¥ 311,428 | ¥ 363,236 | ¥ 34,672 | ¥ 378,211 | ¥ 765,364 | ¥ 28,190 | ¥ 78 | ¥ 1,881,182 |
| Real estate sales transactions | 778,699 | 253,787 | 146,210 | 261,741 | 135,442 | — | — | 1,575,881 |
| Other related business transactions (*2) | 1,862 | 92,426 | 69,204 | 232,586 | 107,715 | 54,344 | 23,082 | 581,222 |
| Revenue from contracts with customers | ¥ 1,091,990 | ¥ 709,450 | ¥ 250,087 | ¥ 872,539 | ¥ 1,008,521 | ¥ 82,535 | ¥ 23,160 | ¥ 4,038,285 |
| Other revenue (*3) | ¥ 43,316 | ¥ 664,520 | ¥ 10,704 | ¥ 348,877 | ¥ 323,653 | ¥ 3,423 | ¥ 2,039 | ¥ 1,396,533 |
| Sales to third parties | 1,135,306 | 1,373,970 | 260,791 | 1,221,417 | 1,332,175 | 85,958 | 25,200 | 5,434,819 |

| Millions of yen | | | | | | | | |
|--|----------------------|----------------|---------------|-----------------------|--|------------------------|------------|-------------|
| 2024 | | | | | | | | |
| Reportable segment | | | | | | | | |
| | Single-family houses | Rental housing | Condo-miniums | Commercial facilities | Logistics, business and corporate facilities | Environment and energy | Other (*1) | Total |
| Ordered contract transactions | ¥ 291,779 | ¥ 399,880 | ¥ 42,060 | ¥ 410,283 | ¥ 769,080 | ¥ 37,387 | ¥ 80 | ¥ 1,950,551 |
| Real estate sales transactions | 616,440 | 174,779 | 294,406 | 222,514 | 138,994 | — | — | 1,447,134 |
| Other related business transactions (*2) | 2,094 | 81,989 | 63,943 | 219,827 | 97,197 | 55,523 | 37,739 | 558,314 |
| Revenue from contracts with customers | ¥ 910,313 | ¥ 656,648 | ¥ 400,409 | ¥ 852,624 | ¥ 1,005,272 | ¥ 92,910 | ¥ 37,820 | ¥ 3,956,000 |
| Other revenue (*3) | ¥ 34,147 | ¥ 592,025 | ¥ 32,559 | ¥ 323,090 | ¥ 253,967 | ¥ 8,836 | ¥ 2,292 | ¥ 1,246,918 |
| Sales to third parties | 944,461 | 1,248,673 | 432,969 | 1,175,715 | 1,259,239 | 101,746 | 40,112 | 5,202,919 |

| Thousands of U.S. dollars | | | | | | | | |
|--|----------------------|----------------|---------------|-----------------------|--|------------------------|------------|---------------|
| 2025 | | | | | | | | |
| Reportable segment | | | | | | | | |
| | Single-family houses | Rental housing | Condo-miniums | Commercial facilities | Logistics, business and corporate facilities | Environment and energy | Other (*1) | Total |
| Ordered contract transactions | \$ 2,082,857 | \$ 2,429,348 | \$ 231,891 | \$ 2,529,502 | \$ 5,118,809 | \$ 188,541 | \$ 524 | \$ 12,581,475 |
| Real estate sales transactions | 5,207,995 | 1,697,349 | 977,864 | 1,750,546 | 905,846 | — | — | 10,539,602 |
| Other related business transactions (*2) | 12,455 | 618,155 | 462,845 | 1,555,555 | 720,407 | 363,458 | 154,377 | 3,887,255 |
| Revenue from contracts with customers | \$ 7,303,308 | \$ 4,744,854 | \$ 1,672,601 | \$ 5,835,604 | \$ 6,745,063 | \$ 552,000 | \$ 154,901 | \$ 27,008,333 |
| Other revenue (*3) | \$ 289,701 | \$ 4,444,356 | \$ 71,589 | \$ 2,333,317 | \$ 2,164,615 | \$ 22,895 | \$ 13,638 | \$ 9,340,114 |
| Sales to third parties | 7,593,010 | 9,189,210 | 1,744,191 | 8,168,922 | 8,909,678 | 574,895 | 168,539 | 36,348,447 |

Notes: (*1) “Other” includes financial business and others.

(*2) “Other related business transactions” include real estate management transactions, electric power retail business, home center business, logistics service business, and hotel business.

(*3) “Other revenue” includes lease income recognized based on “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and revenue from sales of real estate recognized based on “Practical Guidelines on Accounting by Transferors for Derecognition of Real Estate Securitized by means of Special-Purpose Companies” (JICPA Accounting Practice Committee Statement No. 15 for the year ended March 31, 2024, which was replaced by Transferred Guidance, No.10 for the year ended March 31,2025).

2. Information providing a basis for understanding revenue arising from contracts with customers

The Group operates in the business consisting of ordered constructions of residences, commercial and office buildings, and sales of real estate developed by the Group and other related business that are relevant to these businesses. Revenues from these businesses are recorded based on contracts with customers.

(1) Ordered contract transactions

Description of main transaction of each reportable segment is as follows:

| Reportable segment | Description of main transaction |
|--|--|
| Single-family houses | Ordered constructions of single-family houses |
| Rental housing | Ordered constructions of rental housing |
| Condominiums | Large-scale repair work for condominiums |
| Commercial facilities | Ordered constructions for stores, commercial complexes, and others |
| Logistics, business and corporate facilities | Ordered constructions for logistics and manufacturing facilities, medical and nursing care facilities and others |
| Environment and energy | Ordered constructions for power generation facilities for renewable energy |

With respect to ordered contract transactions, the Group concludes construction contracts with customers (general consumers or companies) and has an obligation to perform construction works based on the construction contracts.

The Group determines that the performance obligations are satisfied over a certain period of time and recognizes revenues based on the progress of satisfaction of performance obligations because the value of the property increases, and the customer comes to control the property according to the progress of construction works.

The progress is estimated using the input method based on cost (percentage of cost incurred to total construction costs) because costs incurred contribute to and are recorded generally in proportion to the progress of satisfaction of performance obligations.

With respect to construction contracts for which the progress cannot be reasonably estimated but the costs incurred in satisfying the performance obligation are expected to be recovered, revenue is recognized on a cost recovery method until such time when the progress of satisfaction of performance obligation can be reasonably estimated.

The consideration for transactions is normally paid in full by the time of transfer of the real estate based on contract terms and therefore no significant financing component are included in receivables arising from contracts with customers. There are no significant variable considerations that could change the amount of the consideration.

(2) Real estate sales transactions

Description of main transaction of each reportable segment is as follows:

| Reportable segment | Description of main transaction |
|--|--|
| Single-family houses | Sales of single-family houses |
| Rental housing | Sales of rental housing |
| Condominiums | Sales of condominiums |
| Commercial facilities | Sales of development properties for stores, commercial complexes, and others |
| Logistics, business and corporate facilities | Sales of development properties for logistics and others |

With respect to real estate sales transactions, the Group concludes real estate sales contracts with customers (general consumers, companies and investors) and has an obligation to transfer properties developed or purchased by the Group.

Since legal ownership, physical possession, and significant risks and rewards are transferred to the customer at the time of transfer of the properties, performance obligation is satisfied at the time the properties are transferred, and therefore revenues are recognized at the time of transfer of properties to the customers.

The consideration for transactions is normally paid in full by the time of transfer of the properties and therefore no significant financing components are included in the amount of consideration for transactions. There are no significant variable considerations that could change the amount of the consideration.

(3) “Other” related business transactions

A description of main transactions in “Other” related business transaction is as follows. The consideration for transactions is normally paid in full within one month after the satisfaction of performance obligations and therefore no significant financing components are included. In addition, there are no significant variable considerations that could change the amount of the consideration.

① Real estate management transactions

With respect to real estate management transactions, the Group concludes management service consignment contracts with customers, and has an obligation to provide renovation services and general facility management services (administrative management services, cleaning services, security services, facility management services and others) for rental housing, condominiums, commercial facilities, and logistics, business and corporate facilities. Depending on the nature of the performance obligation related to these services, performance obligations are satisfied at a point of time or over a certain period of time and revenues are recognized.

② Electric power retail business

With respect to electric power retail business, the Group concludes supply and demand contracts with customers, and has an obligation to supply electric power. For such contracts, the Group recognizes revenue when electricity is supplied to customers. Revenues are calculated based on actual amount of electricity used collected on the meter reading date, and the revenues from the meter reading date to the date of fiscal year end are recorded on an estimation basis based on the amount of electricity used and unit prices.

3. Information for understanding the amounts of revenue in the next year

(1) Balances of contract assets and contract liabilities

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|-----------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Receivables arising from contracts with customers (balance at the beginning of the year) | ¥ 204,252 | ¥ 173,500 | \$ 1,366,052 |
| Receivables arising from contracts with customers (balance at the end of the year) | 177,712 | 204,252 | 1,188,554 |
| Contract assets (balance at the beginning of the year) | 267,856 | 260,274 | 1,791,445 |
| Contract assets (balance at the end of the year) | 273,782 | 267,856 | 1,831,079 |
| Contract liabilities (balance at the beginning of the year) | 242,951 | 275,393 | 1,624,876 |
| Contract liabilities (balance at the end of the year) | 257,104 | 242,951 | 1,719,534 |

Contract assets relate to the rights of the Group in respect of construction contracts to consideration for which revenues are recognized based on the progress of the performance obligation but unbilled as of March 31, 2025 and 2024.

Contract assets are reclassified as receivables arising from contracts with customers when the rights of the Group to the consideration become unconditional.

Consideration related to construction contracts is billed and received in full by the time the relevant properties are transferred.

Contract liabilities relate to the advances received on construction projects in progress from customers and advances received as deposits from customers on real estate sales contracts. Contract liabilities are reversed when revenues are recognized.

The revenues recognized during the years ended March 31, 2025 and 2024 that were included in the balance of contract liabilities at the beginning of the years ended March 31, 2025 and 2024 were ¥224,371 million (\$1,500,612 thousand) and ¥238,249 million, respectively.

There were no significant changes in the balances of contract assets and liabilities during the years ended March 31, 2025 and 2024 and no significant matters regarding revenues recognized during the years ended March 31, 2025 and 2024 for the performance obligations satisfied in prior fiscal years.

Notes: Balances of receivables arising from contracts with customers, contract assets and contract liabilities

Receivables arising from contracts with customers and contract assets in Trade notes and accounts receivable are as follows.

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|---|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Notes receivable | ¥ 3,595 | ¥ 15,155 | \$ 24,048 |
| Electronically recorded monetary claims | 7,946 | 12,025 | 53,149 |
| Accounts receivable | 166,170 | 177,071 | 1,111,357 |
| Contract assets | 273,782 | 267,856 | 1,831,079 |
| Total | ¥ 451,495 | ¥ 472,109 | \$ 3,019,633 |

Contract liabilities in advances received and advances received on construction projects in progress are as follows.

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Advances received | ¥ 61,873 | ¥ 47,493 | \$ 413,811 |
| Advances received on construction projects in progress | 195,231 | 195,458 | 1,305,723 |
| Total | ¥ 257,104 | ¥ 242,951 | \$ 1,719,534 |

(2) Transaction price allocated to the remaining performance obligations

The total transaction prices allocated to the remaining performance obligation are as follows. These performance obligations are mainly related to ordered contract transactions and real estate sales transactions.

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Single-family houses | ¥ 295,551 | ¥ 206,437 | \$ 1,976,666 |
| Rental housing | 205,585 | 187,781 | 1,374,968 |
| Condominiums | 83,922 | 84,687 | 561,281 |
| Commercial facilities | 255,039 | 207,948 | 1,705,722 |
| Logistics, business and corporate facilities | 834,038 | 1,030,245 | 5,578,109 |
| Environment and energy | 1,011 | 3,525 | 6,765 |
| Other | 0 | 9 | 6 |
| Total | ¥ 1,675,150 | ¥ 1,720,635 | \$ 11,203,519 |

(For the year ended March 31, 2025)

With respect to Single-family houses, approximately 80% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2025, and the remaining approximately 20% of revenues are expected to be recognized in more than one year and within three years after the end of the year ended March 31, 2025.

With respect to Rental housing, and Commercial facilities, approximately 90% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2025, and the remaining approximately 10% of revenues are expected to be recognized in more than one year and within two years after the end of the year ended March 31, 2025.

With respect to Condominiums, approximately 80% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2025, and the remaining approximately 20% of revenues are expected to be recognized in more than one year and within two years after the end of the year ended March 31, 2025.

With respect to Logistics, business and corporate facilities, approximately 60% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2025, approximately 30% of revenues are expected to be recognized in more than one year and within three years after the end of the year ended March 31, 2025 and remaining approximately 10% of revenues are expected to be recognized thereafter.

With respect to Environment and energy, and Other, revenues are expected to be recognized within one year after the end of the year ended March 31, 2025.

With respect to notes to transaction prices allocated to remaining performance obligations for other related business, the practical expedient is applied and contracts with an initially expected contract term of one year or less are not included in the notes.

(For the year ended March 31, 2024)

With respect to Single-family houses, Rental housing, Condominiums, and Environment and energy, approximately 90% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2024, and the remaining approximately 10% of revenues are expected to be recognized in more than one year and within two years after the end of the year ended March 31, 2024.

With respect to Commercial facilities, approximately 90% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2024, approximately 5% of revenues are expected to be recognized in more than one year and within three years after the end of the year ended March 31, 2024, and the remaining approximately 5% of revenues are expected to be recognized thereafter.

With respect to Logistics, business and corporate facilities, approximately 60% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2024, approximately 30% of revenues are expected to be recognized in more than one year and within three years after the end of the year ended March 31, 2024 and remaining approximately 10% of revenues are expected to be recognized thereafter.

With respect to Other, revenues are expected to be recognized within one year after the end of the year ended March 31, 2024.

With respect to notes to transaction prices allocated to remaining performance obligations for other related business, the practical expedient is applied and contracts with an initially expected contract term of one year or less are not included in the notes.

28. Segment Information

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and evaluated regularly by the Company's management in order to decide how resources are allocated among the Group and evaluate its performance. The Group operates in diversified and comprehensive business areas such as housing construction as well as the construction of commercial and office buildings. The Group has divided its operations into seven business domains and conducts its business activities by developing comprehensive business plans for each business domain in order to complement core competencies with timely decision-making, professionalism, value chain integration, leveraging of the customer base and others. The Group's reportable segments consist of the following six core businesses as reportable segments; Single-family houses, Rental housing, Condominiums, Commercial facilities, Logistics, business and corporate facilities and Environment and energy. The Single-family houses consist of order constructions of single-family houses and sales of packages of new houses with land. The Rental housing consists of the Group's operations in rental housing development, construction, management, operation and real estate agency services. The Condominiums consist of development, sale and management of condominiums. The Commercial facilities consist of development, construction, management and operation of commercial facilities. The Logistics, business and corporate facilities consist of development, construction, management and operation of logistics, manufacturing facilities and medical and nursing care facilities. The Environment and energy consist of development and construction of renewable energy power plants, renewable energy generation, and electricity retailing.

2. Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 1 "Summary of Significant Accounting Policies"

Profits by reportable segments are figures of operating profit of the segments. Intersegment sales and transfers are based on prevailing market values.

3. Information about sales, profit, assets and other items is as follows:

| <i>Millions of yen</i> | | | | | | | |
|--|-------------------------|-------------------|-------------------|--------------------------|---|---------------------------|-------------|
| 2025 | | | | | | | |
| Reportable segments | | | | | | | |
| | Single-family houses | Rental housing | Condo- miniums | Commercial facilities | Logistics, business and corporate facilities | Environment and energy | Sub-total |
| Sales: | | | | | | | |
| Sales to third parties | ¥ 1,135,306 | ¥ 1,373,970 | ¥ 260,791 | ¥ 1,221,417 | ¥ 1,332,175 | ¥ 85,958 | ¥ 5,409,619 |
| Intersegment sales and transfers | 9,198 | 2,118 | 8,635 | 5,728 | 37,555 | 45,222 | 108,458 |
| Total | ¥ 1,144,505 | ¥ 1,376,089 | ¥ 269,427 | ¥ 1,227,145 | ¥ 1,369,730 | ¥ 131,180 | ¥ 5,518,078 |
| Segment profit | ¥ 69,826 | ¥ 129,960 | ¥ 10,908 | ¥ 145,928 | ¥ 159,655 | ¥ 12,420 | ¥ 528,700 |
| Segment assets | 1,347,127 | 951,410 | 555,090 | 1,808,698 | 1,947,520 | 84,319 | 6,694,166 |
| Other: | | | | | | | |
| Depreciation | 11,858 | 21,763 | 3,322 | 62,134 | 26,541 | 3,088 | 128,708 |
| Investments in affiliates accounted for by the equity method | 1,592 | 69,759 | 18,630 | 2,960 | 22,679 | 1,909 | 117,531 |
| Increase in property, plant and equipment and intangible assets | 13,686 | 48,709 | 8,236 | 119,878 | 209,197 | 4,199 | 403,907 |

| <i>Millions of yen</i> | | | | |
|--|----------|-------------|------------------------------------|--------------|
| 2025 | | | | |
| | Other | Total | Adjustments and eliminations | Consolidated |
| Sales: | | | | |
| Sales to third parties | ¥ 25,200 | ¥ 5,434,819 | ¥ — | ¥ 5,434,819 |
| Intersegment sales and transfers | 25,718 | 134,177 | (134,177) | — |
| Total | ¥ 50,918 | ¥ 5,568,997 | ¥ (134,177) | ¥ 5,434,819 |
| Segment profit | ¥ 2,840 | ¥ 531,541 | ¥ 14,738 | ¥ 546,279 |
| Segment assets | 160,070 | 6,854,236 | 195,086 | 7,049,323 |
| Other: | | | | |
| Depreciation | 1,002 | 129,711 | 2,075 | 131,786 |
| Investments in affiliates accounted for by the equity method | 4,089 | 121,621 | (24) | 121,596 |
| Increase in property, plant and equipment and intangible assets | 6,804 | 410,711 | 5,831 | 416,543 |

| <i>Millions of yen</i> | | | | | | | |
|--|-------------------------|-------------------|-------------------|--------------------------|---|---------------------------|-------------|
| 2024 | | | | | | | |
| Reportable segments | | | | | | | |
| | Single-family houses | Rental housing | Condo- miniums | Commercial facilities | Logistics, business and corporate facilities | Environment and energy | Sub-total |
| Sales: | | | | | | | |
| Sales to third parties | ¥ 944,461 | ¥ 1,248,673 | ¥ 432,969 | ¥ 1,175,715 | ¥ 1,259,239 | ¥ 101,746 | ¥ 5,162,806 |
| Intersegment sales and transfers | 6,622 | 1,614 | 8,898 | 5,845 | 35,215 | 37,694 | 95,891 |
| Total | ¥ 951,083 | ¥ 1,250,288 | ¥ 441,867 | ¥ 1,181,561 | ¥ 1,294,455 | ¥ 139,441 | ¥ 5,258,697 |
| Segment profit | ¥ 35,164 | ¥ 115,791 | ¥ 37,372 | ¥ 143,630 | ¥ 123,244 | ¥ 9,131 | ¥ 464,335 |
| Segment assets | 983,493 | 769,308 | 547,970 | 1,704,237 | 1,925,779 | 86,632 | 6,017,420 |
| Other: | | | | | | | |
| Depreciation | 10,479 | 18,105 | 3,274 | 55,201 | 23,957 | 3,139 | 114,157 |
| Investments in affiliates accounted for by the equity method | 1,330 | 74 | 19,816 | 13 | 21,334 | 2,267 | 44,836 |
| Increase in property, plant and equipment and intangible assets | 9,028 | 48,128 | 4,960 | 125,889 | 153,188 | 2,351 | 343,546 |

| <i>Millions of yen</i> | | | | |
|--|----------|-------------|------------------------------------|--------------|
| 2024 | | | | |
| | Other | Total | Adjustments and eliminations | Consolidated |
| Sales: | | | | |
| Sales to third parties | ¥ 40,112 | ¥ 5,202,919 | ¥ — | ¥ 5,202,919 |
| Intersegment sales and transfers | 27,930 | 123,821 | (123,821) | — |
| Total | ¥ 68,043 | ¥ 5,326,740 | ¥ (123,821) | ¥ 5,202,919 |
| Segment profit | ¥ 2,450 | ¥ 466,786 | ¥ (26,575) | ¥ 440,210 |
| Segment assets | 133,976 | 6,151,397 | 382,324 | 6,533,721 |
| Other: | | | | |
| Depreciation | 1,197 | 115,355 | 1,849 | 117,204 |
| Investments in affiliates accounted for by the equity method | 3,981 | 48,817 | (10) | 48,807 |
| Increase in property, plant and equipment and intangible assets | 7,606 | 351,152 | 4,628 | 355,780 |

Thousands of U.S. dollars

| 2025 | | | | | | | |
|--|-------------------------|-------------------|-------------------|--------------------------|---|---------------------------|---------------|
| Reportable segments | | | | | | | |
| | Single-family houses | Rental housing | Condo- miniums | Commercial facilities | Logistics, business and corporate facilities | Environment and energy | Sub-total |
| Sales: | | | | | | | |
| Sales to third parties | \$ 7,593,010 | \$ 9,189,210 | \$ 1,744,191 | \$ 8,168,922 | \$ 8,909,678 | \$ 574,895 | \$ 36,179,907 |
| Intersegment sales and transfers | 61,520 | 14,168 | 57,757 | 38,311 | 251,172 | 302,447 | 725,377 |
| Total | \$ 7,654,530 | \$ 9,203,378 | \$ 1,801,948 | \$ 8,207,234 | \$ 9,160,850 | \$ 877,343 | \$ 36,905,285 |
| Segment profit | \$ 467,004 | \$ 869,187 | \$ 72,953 | \$ 975,980 | \$ 1,067,789 | \$ 83,068 | \$ 3,535,984 |
| Segment assets | 9,009,677 | 6,363,095 | 3,712,482 | 12,096,702 | 13,025,153 | 563,932 | 44,771,043 |
| Other: | | | | | | | |
| Depreciation | 79,308 | 145,556 | 22,222 | 415,560 | 177,510 | 20,656 | 860,814 |
| Investments in affiliates accounted for by the equity method | 10,649 | 466,557 | 124,598 | 19,799 | 151,682 | 12,774 | 786,060 |
| Increase in property, plant and equipment and intangible assets | 91,537 | 325,773 | 55,088 | 801,752 | 1,399,123 | 28,086 | 2,701,361 |

Thousands of U.S. dollars

| 2025 | | | | |
|--|------------|---------------|------------------------------------|---------------|
| | Other | Total | Adjustments and eliminations | Consolidated |
| Sales: | | | | |
| Sales to third parties | \$ 168,539 | \$ 36,348,447 | \$ — | \$ 36,348,447 |
| Intersegment sales and transfers | 172,008 | 897,386 | (897,386) | — |
| Total | \$ 340,547 | \$ 37,245,833 | \$ (897,386) | \$ 36,348,447 |
| Segment profit | \$ 18,999 | \$ 3,554,984 | \$ 98,571 | \$ 3,653,556 |
| Segment assets | 1,070,560 | 45,841,603 | 1,304,753 | 47,146,357 |
| Other: | | | | |
| Depreciation | 6,703 | 867,517 | 13,879 | 881,396 |
| Investments in affiliates accounted for by the equity method | 27,352 | 813,412 | (165) | 813,247 |
| Increase in property, plant and equipment and intangible assets | 45,507 | 2,746,868 | 39,002 | 2,785,871 |

Notes: 1) “Other” includes financial business and others.

- 2) Adjustments and eliminations for segment profit (loss) of ¥14,738 million (\$98,571 thousand) and ¥(26,575) million include an elimination of intersegment transactions of ¥(5,759) million (\$38,521 thousand) and ¥(1,359) million, the amortization of goodwill and others of ¥699 million (\$4,680 thousand) and ¥822 million, and the corporate expenses not allocated to each business segment of ¥19,798 million (\$132,413 thousand) and ¥(26,038) million for the years ended March 31, 2025 and 2024, respectively. Corporate expenses for the year ended March 31, 2025 mainly consist of the amortization of actuarial gain for employees’ retirement benefits (a decrease in operating expenses), general and administrative expenses and experiment and research expenses not attributable to any reportable business segments. Corporate expenses for the year ended March 31, 2024 mainly consist of general and administrative expenses and experiment and research expenses not attributable to any reportable business segments.

Adjustments and eliminations for segment assets of ¥195,086 million (\$1,304,753 thousand) and ¥382,324 million include an elimination of intersegment transactions of ¥(53,749) million (\$359,481 thousand) and ¥(32,156) million, and the corporate assets of ¥248,836 million (\$1,664,235 thousand) and ¥414,480 million for the years ended March 31, 2025 and 2024, respectively. Corporate assets primarily consist of the Group’s surplus funds (cash and bank deposits), the Group’s long-term investment funds (investment securities) and the assets associated with administration headquarters of the Company.

Adjustments and eliminations for depreciation of ¥2,075 million (\$13,879 thousand) and ¥1,849 million include an elimination of intersegment transactions of ¥(496) million (\$3,320 thousand) and ¥(499) million, and the depreciation attributable to corporate assets of ¥2,571 million (\$17,199 thousand) and ¥2,348 million for the years ended March 31, 2025 and 2024, respectively.

Adjustments for investments in affiliates accounted for by the equity method of ¥(24) million (\$165 thousand) and ¥(10) million represent an elimination of intersegment transactions for the years ended March 31, 2025 and 2024, respectively.

Adjustments and eliminations for increase in property, plant and equipment and intangible assets of ¥5,831 million (\$39,002 thousand) and ¥4,628 million include an elimination of intersegment transactions of ¥(2,201) million (\$14,722 thousand) and ¥(718) million, and the headquarters’ capital investments in properties and equipment of ¥8,033 million (\$53,725 thousand) and ¥5,346 million for the years ended March 31, 2025 and 2024, respectively.

- 3) Consolidated amounts of segment profit as mentioned above are adjusted to the amounts of operating profit in the consolidated statement of income.

Impairment losses

| <i>Millions of yen</i> | | | | | | | | | |
|------------------------|----------------------|----------------|--------------|-----------------------|--|------------------------|----------|------------------------------|--------------|
| 2025 | | | | | | | | | |
| | Single-family houses | Rental housing | Condominiums | Commercial facilities | Logistics, business and corporate facilities | Environment and energy | Other | Adjustments and eliminations | Consolidated |
| Impairment losses | ¥ 13 | ¥ 2,766 | ¥ 419 | ¥ 20,146 | ¥ 3,372 | ¥ 3 | ¥ 12,137 | ¥ – | ¥ 38,859 |

| <i>Millions of yen</i> | | | | | | | | | |
|------------------------|----------------------|----------------|--------------|-----------------------|--|------------------------|---------|------------------------------|--------------|
| 2024 | | | | | | | | | |
| | Single-family houses | Rental housing | Condominiums | Commercial facilities | Logistics, business and corporate facilities | Environment and energy | Other | Adjustments and eliminations | Consolidated |
| Impairment losses | ¥ 58 | ¥ 73 | ¥ 32 | ¥ 7,959 | ¥ 359 | ¥ 9 | ¥ 2,334 | ¥ – | ¥ 10,826 |

| <i>Thousands of U.S. dollars</i> | | | | | | | | | |
|----------------------------------|----------------------|----------------|--------------|-----------------------|--|------------------------|-----------|------------------------------|--------------|
| 2025 | | | | | | | | | |
| | Single-family houses | Rental housing | Condominiums | Commercial facilities | Logistics, business and corporate facilities | Environment and energy | Other | Adjustments and eliminations | Consolidated |
| Impairment losses | \$ 91 | \$ 0 | \$ 2,806 | \$ 134,744 | \$ 22,552 | \$ 25 | \$ 81,176 | \$ – | \$ 259,897 |

Amortization of goodwill

| <i>Millions of yen</i> | | | | | | | | | |
|------------------------------|----------------------|----------------|---------------|-----------------------|--|------------------------|-------|------------------------------|--------------|
| 2025 | | | | | | | | | |
| | Single-family houses | Rental housing | Condo-miniums | Commercial facilities | Logistics, business and corporate facilities | Environment and energy | Other | Adjustments and eliminations | Consolidated |
| Amortization | ¥ 2,757 | ¥ 821 | ¥ 1,075 | ¥ 961 | ¥ 3,041 | ¥ (490) | ¥ 431 | ¥ – | ¥ 8,598 |
| Balance as of March 31, 2025 | 38,980 | 12,916 | 9,539 | 5,260 | 29,171 | (1,192) | (19) | – | 94,656 |

| <i>Millions of yen</i> | | | | | | | | | |
|------------------------------|----------------------|----------------|---------------|-----------------------|--|------------------------|-------|------------------------------|--------------|
| 2024 | | | | | | | | | |
| | Single-family houses | Rental housing | Condo-miniums | Commercial facilities | Logistics, business and corporate facilities | Environment and energy | Other | Adjustments and eliminations | Consolidated |
| Amortization | ¥ 3,491 | ¥ 788 | ¥ 1,013 | ¥ 994 | ¥ 3,135 | ¥ (490) | ¥ 757 | ¥ – | ¥ 9,691 |
| Balance as of March 31, 2024 | 29,552 | 13,123 | 5,861 | 6,027 | 34,096 | (1,683) | 8,450 | – | 95,429 |

Thousands of U.S. dollars

| | 2025 | | | | | | | | |
|------------------------------|----------------------|----------------|---------------|-----------------------|--|------------------------|----------|------------------------------|--------------|
| | Single-family houses | Rental housing | Condo-miniums | Commercial facilities | Logistics, business and corporate facilities | Environment and energy | Other | Adjustments and eliminations | Consolidated |
| Amortization | \$ 18,445 | \$ 5,494 | \$ 7,189 | \$ 6,432 | \$ 20,342 | \$ (3,278) | \$ 2,883 | \$ — | \$ 57,510 |
| Balance as of March 31, 2025 | 260,707 | 86,385 | 63,799 | 35,182 | 195,100 | (7,978) | (129) | — | 633,068 |

Gain on negative goodwill was nil for the years ended March 31, 2025 and 2024.

4. Information by product and service

This information is omitted because the same information is disclosed in segment information.

5. Information by geographic segment

(Sales)

Geographical information on net sales is as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|---------------|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Japan | ¥ 4,534,375 | ¥ 4,501,860 | \$ 30,326,211 |
| United States | 687,985 | — | 4,601,295 |
| Overseas | 212,458 | 701,058 | 1,420,939 |
| Total | ¥ 5,434,819 | ¥ 5,202,919 | \$ 36,348,447 |

Notes: 1) Net sales are categorized based on the region in which business activities are conducted.

2) Net sales attributable to the United States for year ended March 31, 2024 are not separately presented and included in overseas because they are less than 10% of consolidated sales.

(Property, plant and equipment)

Geographical information on property, plant and equipment is as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|----------|------------------------|-------------|----------------------------------|
| | 2025 | 2024 | 2025 |
| Japan | ¥ 1,803,684 | ¥ 1,737,353 | \$ 12,063,168 |
| Overseas | 337,667 | 270,676 | 2,258,343 |
| Total | ¥ 2,141,352 | ¥ 2,008,029 | \$ 14,321,511 |

6. Information by major customer

This information is omitted because there is no specific external customer that accounts for 10% or more of consolidated sales.

29. Related Party Transactions

The Group has related party transactions with directors and their relatives of the Company. None of those transactions were above the threshold for the disclosure requirements for the year ended March 31, 2025. Principal transactions and balances between the Group and its related parties as of and for the year ended March 31, 2024 were as follows:

Millions of yen

| Name | Location | Amount of capital | Nature of the business | Ownership ratio of voting shares | Relationship with the related party | Nature of transactions | Transaction amount | Account | Balance outstanding as of March 31, 2024 |
|--------------------------------|----------|-------------------|--|----------------------------------|-------------------------------------|-------------------------------|--------------------|---------|--|
| Yoshinori Ariyoshi's relatives | — | — | Director and Managing Executive Officer | 0.0% owned by the related party | Sales of condominium | Sales of condominium (Note 1) | ¥ 21 | — | ¥ — |
| Keisuke Shimonishi | — | — | Director and Senior Managing Executive Officer | 0.0% owned by the related party | House construction | House construction (Note 2) | ¥ — | — | ¥ — |

- Notes: 1) This transaction is sales of condominium, and the transaction amount is calculated by multiplying the joint venture ratio.
- 2) The corresponding house construction in the transaction amount of ¥36 million has been transferred in the year ended March 31, 2024.
- 3) Business transactions with related parties except exercise of the acquisition rights are carried out on the same method as for third party transactions.

30. Subsequent Event

Dividends

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2025, was approved at a shareholders' meeting of the Company held on June 27, 2025:

| Resolution | Types of shares | Total dividends (Millions of yen) | Total dividends (Thousands of U.S. dollars) | Dividends per share (yen) | Dividends per share (U.S. dollars) | Record date | Effective date |
|---|-----------------|--------------------------------------|--|------------------------------|---------------------------------------|----------------|----------------|
| Shareholders' meeting held on June 27, 2025 | Common stock | ¥ 49,486 | \$ 330,970 | ¥ 80 | \$ 0.53 | March 31, 2025 | June 30, 2025 |