

Consolidated Financial Statements

Daiwa House Industry Co., Ltd.

*Year ended March 31, 2026
with Independent Auditor's Report*

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2026

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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, 2026, 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, 2026, 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, including those applicable to audits of financial statements of public interest entities, 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
<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. 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, 2026 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 ¥1,820,089 million.</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 construction, concrete construction, and</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

electrical equipment construction. Of these cost items, material construction costs for items not yet ordered involve uncertainty, as such costs may differ from the execution budget due to future price fluctuations and may therefore have a significant impact on the measurement of progress. In addition, estimates of execution budgets for construction contracts having a long construction period and unique specifications are complex since there is a wide range of cost items.

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.

construction drawings, quotations obtained from third parties, and others, and that the necessary approval for such execution budgets is obtained.

- 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.

(2) Estimates of total construction costs

We mainly conducted the following audit procedures in order to assess the appropriateness of estimates of total construction costs.

<Consideration of estimation methods>

- 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.

<Consideration of significant assumptions>

- 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

	<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, including remote observations, of certain construction works to assess the progress of construction works and consistency with the 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 involving 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 real estate sales transactions involving 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, 2026, the Group recorded revenue from real estate sales transactions involving special purpose entities as the transferees, which is mainly included in net sales, in the amount of</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 involving 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,

<p>¥333,706 million arising from sales of development properties.</p> <p>Revenue from real estate sales transactions involving special purpose entities as the transferees 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 involving special purpose entities as the transferees 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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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, 2026 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 2 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, 2026 are 752 million yen and 43 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

June 25, 2026

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, 2026

	Note	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
		2026	2025	2026
Assets				
Current assets				
Cash and bank deposits	8,22,24	¥ 434,371	¥ 333,198	\$ 2,716,859
Trade notes and accounts receivable	8,22,26	552,672	474,790	3,456,797
Lease receivables and investments in leases	20	150,722	142,291	942,720
Mortgage notes receivable held for sale	8	39,743	54,429	248,580
Securities maturing within one year	3,8,22	195	402	1,224
Costs on construction contracts in progress	5	74,010	54,916	462,910
Real estate for sale	5,6,8	2,303,351	1,906,871	14,406,750
Real estate for sale in process	5,8	760,317	563,275	4,755,553
Undeveloped land for sale	5,6	710	1,119	4,442
Merchandise and finished goods	5	22,342	20,569	139,745
Work in process	5	9,313	13,972	58,250
Raw materials and supplies	5	9,596	10,913	60,025
Other current assets	8	348,538	309,095	2,180,000
Allowance for doubtful accounts	22	(3,188)	(3,380)	(19,945)
Total current assets		4,702,696	3,882,464	29,413,915
Non-current assets				
Property, plant and equipment				
Buildings and structures	27	1,671,419	1,513,094	10,454,211
Accumulated depreciation		(660,178)	(613,770)	(4,129,210)
Buildings and structures, net	5,6,8,12, 13	1,011,241	899,323	6,325,001
Machinery, equipment and vehicles		201,931	193,306	1,263,020
Accumulated depreciation		(126,190)	(118,155)	(789,280)
Machinery, equipment and vehicles, net	5,8,12,13	75,741	75,151	473,740
Tools, furniture and fixtures		105,117	95,823	657,477
Accumulated depreciation		(77,370)	(69,976)	(483,931)
Tools, furniture and fixtures, net	5,12,13	27,746	25,846	173,545
Land	5,6,8,12, 13	933,879	858,719	5,841,130
Leased assets		146,622	132,139	917,075
Accumulated depreciation		(49,799)	(41,756)	(311,480)
Lease assets, net	13,20	96,822	90,382	605,595
Construction in progress	5,13	178,321	174,107	1,115,343
Other tangible assets		27,621	23,954	172,760
Accumulated depreciation		(8,302)	(6,132)	(51,930)
Other, net	8	19,318	17,822	120,830
Total property, plant and equipment		2,343,071	2,141,352	14,655,187
Intangible assets				
Goodwill	13,24,25, 27	159,917	94,656	1,000,236
Other intangible assets	5,12,13	222,849	110,419	1,393,855
Total intangible assets		¥ 382,767	¥ 205,076	\$ 2,394,091

		<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<i>Note</i>	2026	2025	2026
Investments and other assets				
Investment securities	3,4,8,22	¥ 303,797	¥ 220,868	\$ 1,900,162
Long-term loans receivable	8,22	9,195	9,209	57,515
Assets for employees' retirement benefits	9	237,745	127,449	1,487,026
Lease deposits	22	257,030	253,595	1,607,644
Deferred tax assets	16	70,790	104,069	442,775
Other assets	4,8,22	108,203	106,922	676,776
Allowance for doubtful accounts	22	(2,878)	(1,684)	(18,007)
Total investments and other assets		983,884	820,430	6,153,892
Total non-current assets		3,709,723	3,166,858	23,203,172
Total assets	27	¥ 8,412,419	¥ 7,049,323	\$ 52,617,087

	Note	Millions of yen		Thousands of U.S. dollars (Note 2)
		2026	2025	2026
Liabilities				
Current liabilities				
Trade notes and accounts payable		¥ 395,523	¥ 353,710	\$ 2,473,879
Short-term loans from banks	7,8	757,904	170,293	4,740,458
Current portion of bonds	7,22	65,000	75,000	406,554
Current portion of long-term loans from banks	7,8,22	154,993	285,287	969,435
Commercial papers	7	179,000	—	1,119,589
Lease obligation	7,20	13,586	11,563	84,980
Accounts payable-other		89,056	106,222	557,023
Income taxes payable	16	93,233	99,097	583,145
Advances received	26	140,055	128,665	876,004
Advances received on construction projects in progress	26	243,683	195,231	1,524,167
Accrued bonuses		98,340	69,176	615,088
Provision for warranties for completed construction		13,543	8,811	84,709
Provision for loss on construction contracts	14	25,037	18,914	156,599
Asset retirement obligations	10	5,620	4,953	35,156
Other current liabilities	8	387,554	306,907	2,424,031
Total current liabilities		2,662,133	1,833,834	16,650,825
Non-current liabilities				
Bonds	7,22	714,000	744,000	4,465,849
Long-term loans from banks	7,8,22	1,205,808	1,034,496	7,541,961
Lease obligation	7,20	120,866	112,189	755,981
Lease deposits received	8,22	315,410	301,383	1,972,794
Deferred tax liabilities on land revaluation		16,960	17,624	106,085
Liabilities for employees' retirement benefits	9	97,857	98,504	612,070
Asset retirement obligations	10	65,929	63,488	412,370
Other non-current liabilities		191,176	127,056	1,195,749
Total non-current liabilities		2,728,010	2,498,743	17,062,862
Total liabilities		5,390,144	4,332,577	33,713,687
Net assets				
Shareholders' equity				
Common stock		162,602	162,216	1,017,030
Capital surplus		293,897	299,395	1,838,238
Retained earnings		2,387,104	2,132,816	14,930,600
Treasury stock		(185,546)	(188,335)	(1,160,533)
Total shareholders' equity		2,658,058	2,406,094	16,625,337
Accumulated other comprehensive income				
Unrealized gain (loss) on securities		64,810	45,848	405,370
Deferred gain (loss) on hedging instruments		(794)	2,315	(4,966)
Land revaluation reserve		11,520	10,799	72,055
Foreign currency translation adjustments		163,148	149,181	1,020,445
Total accumulated other comprehensive income		238,685	208,144	1,492,904
Non-controlling interests		125,531	102,507	785,157
Total net assets		3,022,275	2,716,745	18,903,400
Total liabilities and net assets		¥ 8,412,419	¥ 7,049,323	\$ 52,617,087

Consolidated Statement of Income

Year Ended March 31, 2026

	<i>Note</i>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
		2026	2025	2026
Net sales	6,26,27	¥ 5,576,861	¥ 5,434,819	\$ 34,881,545
Cost of sales	5,6,9,14	4,335,041	4,333,754	27,114,344
Gross profit		1,241,820	1,101,065	7,767,201
Selling, general and administrative expenses				
Sales commission		23,611	23,104	147,680
Advertising expenses		31,643	27,805	197,920
Promotion expenses		3,553	3,857	22,228
Provision of allowance for doubtful accounts		1,621	1,685	10,143
Directors' compensations		5,344	4,582	33,427
Employees' salaries and allowances		241,446	220,124	1,510,171
Provision for bonuses		77,360	42,770	483,868
Retirement benefit expenses	9	(38,396)	(33,675)	(240,159)
Legal welfare expenses		35,057	31,870	219,273
Office supplies expenses		32,985	30,723	206,314
Communication and transportation expenses		22,303	21,832	139,499
Rent expenses on land and buildings		22,399	21,333	140,100
Depreciation		19,512	17,844	122,042
Taxes and dues		52,086	47,098	325,783
Other		96,412	93,827	603,028
Total selling, general and administrative expenses	6,11	626,940	554,785	3,921,321
Operating profit	27	614,879	546,279	3,845,879
Non-operating income				
Interest income		4,769	5,304	29,834
Dividend income		5,358	4,465	33,518
Equity in earnings of affiliates		709	1,676	4,436
Insurance claim income		1,198	2,159	7,494
Gain on valuation of derivatives		2,259	0	14,133
Miscellaneous income		14,625	13,762	91,477
Total non-operating income		28,921	27,369	180,894
Non-operating expenses				
Interest expenses		44,314	41,563	277,175
Provision of allowance for doubtful accounts		587	-	3,677
Miscellaneous expenses		26,925	16,100	168,413
Total non-operating expenses		71,828	57,663	449,266
Ordinary profit		¥ 571,971	¥ 515,985	\$ 3,577,507

	Note	Millions of yen		Thousands of U.S. dollars (Note 2)
		2026	2025	2026
Extraordinary income				
Gain on sales of non-current assets	6,12	¥ 2,771	¥ 2,520	\$ 17,333
Gain on sales of investment securities	3	1,881	13,495	11,767
Gain on sales of shares of subsidiaries and affiliates		1,634	—	10,223
Gain on sales of investments in capital of subsidiaries and affiliates		—	115	—
Gain on a step acquisition		—	739	—
Total extraordinary income		<u>6,287</u>	<u>16,870</u>	<u>39,324</u>
Extraordinary losses				
Loss on sales of non-current assets	6,12	558	196	3,494
Loss on disposal of non-current assets	6	2,171	3,347	13,582
Impairment loss	6,13	30,647	38,859	191,693
Loss on sales of investment securities		3	0	19
Loss on revaluation of investment securities	3	324	661	2,029
Loss on sales of shares of subsidiaries and affiliates		52	1,007	331
Special retirement benefit expenses related to employee career support after retirement	15	2,051	—	12,828
Total extraordinary losses		<u>35,809</u>	<u>44,073</u>	<u>223,979</u>
Profit before income taxes		<u>542,449</u>	<u>488,783</u>	<u>3,392,852</u>
Current		152,461	156,116	953,596
Deferred		30,486	2,788	190,684
Total income taxes	16	<u>182,947</u>	<u>158,905</u>	<u>1,144,280</u>
Profit		<u>359,501</u>	<u>329,877</u>	<u>2,248,571</u>
Profit attributable to non-controlling interests		8,933	4,818	55,873
Profit attributable to owners of the parent		<u>¥ 350,568</u>	<u>¥ 325,058</u>	<u>\$ 2,192,697</u>

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2026

	<i>Note</i>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
		2026	2025	2026
Profit		¥ 359,501	¥ 329,877	\$ 2,248,571
Other comprehensive income:				
Unrealized gain (loss) on securities		18,947	(9,515)	118,508
Deferred gain (loss) on hedging instruments		(3,109)	4,231	(19,446)
Land revaluation reserve		332	631	2,076
Foreign currency translation adjustments		11,952	60,876	74,761
Share of other comprehensive income (loss) of affiliates accounted for by the equity method		868	(1,122)	5,430
Total other comprehensive income	17	28,991	55,101	181,330
Comprehensive income		¥ 388,492	¥ 384,979	\$ 2,429,902
Total comprehensive income attributable to:				
Owners of the parent		¥ 380,721	¥ 373,689	\$ 2,381,293
Non-controlling interests		7,771	11,289	48,608

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2026

	<i>Thousands</i>	<i>Millions of yen</i>				
	Number of shares of common stock outstanding <i>(Note 18)</i>	Common stock	Capital surplus	Retained earnings	Treasury stock <i>(Note 18)</i>	Total 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, April 1, 2025	618,583	162,216	299,395	2,132,816	(188,335)	2,406,094
Issuance of common stock	157	386	386	-	-	772
Cash dividends	-	-	-	(95,892)	-	(95,892)
Profit attributable to owners of the parent	-	-	-	350,568	-	350,568
Change in equity of parent arising from transaction with non- controlling shareholders	-	-	(6,264)	-	-	(6,264)
Land revaluation reserve	-	-	-	(388)	-	(388)
Purchase of treasury stock	(2)	-	-	-	(14)	(14)
Disposal of treasury stock	608	-	380	-	2,803	3,183
Net change in items other than those in shareholders' equity	-	-	-	-	-	-
Balance, March 31, 2026	619,347	¥ 162,602	¥ 293,897	¥ 2,387,104	¥ (185,546)	¥ 2,658,058

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, 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, April 1, 2025	45,848	2,315	10,799	149,181	208,144	102,507	2,716,745
Issuance of common stock	-	-	-	-	-	-	772
Cash dividends	-	-	-	-	-	-	(95,892)
Profit attributable to owners of the parent	-	-	-	-	-	-	350,568
Change in equity of parent arising from transaction with non- controlling shareholders	-	-	-	-	-	-	(6,264)
Land revaluation reserve	-	-	-	-	-	-	(388)
Purchase of treasury stock	-	-	-	-	-	-	(14)
Disposal of treasury stock	-	-	-	-	-	-	3,183
Net change in items other than those in shareholders' equity	18,962	(3,109)	720	13,967	30,541	23,023	53,565
Balance, March 31, 2026	¥ 64,810	¥ (794)	¥ 11,520	¥ 163,148	¥ 238,685	¥ 125,531	¥ 3,022,275

Thousands of U.S. dollars (Note 2)

	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 18)	Total shareholders' equity
Balance, April 1, 2025	\$ 1,014,616	\$ 1,872,626	\$ 13,340,110	\$ (1,177,977)	\$ 15,049,375
Issuance of common stock	2,414	2,414	—	—	4,829
Cash dividends	—	—	(599,776)	—	(599,776)
Profit attributable to owners of the parent	—	—	2,192,697	—	2,192,697
Change in equity of parent arising from transaction with non-controlling shareholders	—	(39,180)	—	—	(39,180)
Land revaluation reserve	—	—	(2,431)	—	(2,431)
Purchase of treasury stock	—	—	—	(90)	(90)
Disposal of treasury stock	—	2,378	—	17,535	19,913
Net change in items other than those in shareholders' equity	—	—	—	—	—
Balance, March 31, 2026	\$ 1,017,030	\$ 1,838,238	\$ 14,930,600	\$ (1,160,533)	\$ 16,625,337

Thousands of U.S. dollars (Note 2)

	Accumulated other comprehensive income						Total net assets
	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	
Balance, April 1, 2025	\$ 286,766	\$ 14,479	\$ 67,546	\$ 933,084	\$ 1,301,877	\$ 641,151	\$ 16,992,404
Issuance of common stock	—	—	—	—	—	—	4,829
Cash dividends	—	—	—	—	—	—	(599,776)
Profit attributable to owners of the parent	—	—	—	—	—	—	2,192,697
Change in equity of parent arising from transaction with non-controlling shareholders	—	—	—	—	—	—	(39,180)
Land revaluation reserve	—	—	—	—	—	—	(2,431)
Purchase of treasury stock	—	—	—	—	—	—	(90)
Disposal of treasury stock	—	—	—	—	—	—	19,913
Net change in items other than those in shareholders' equity	118,603	(19,446)	4,508	87,361	191,027	144,006	335,033
Balance, March 31, 2026	\$ 405,370	\$ (4,966)	\$ 72,055	\$ 1,020,445	\$ 1,492,904	\$ 785,157	\$ 18,903,400

Consolidated Statement of Cash Flows

Year Ended March 31, 2026

	<i>Note</i>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
		2026	2025	2026
Cash flows from operating activities:				
Profit before income taxes	¥	542,449	¥ 488,783	\$ 3,392,852
Depreciation		140,339	131,786	877,777
Net increase (decrease) in assets and liabilities for employees' retirement benefits		(107,673)	(93,277)	(673,461)
Interest and dividend income		(10,128)	(9,770)	(63,352)
Interest expenses		44,314	41,563	277,175
Equity in losses (earnings) of affiliates		(709)	(1,676)	(4,436)
Net loss (gain) on sales and disposal of property, plant and equipment		(40)	1,023	(255)
Impairment loss		30,647	38,859	191,693
Loss (gain) on revaluation of investment securities		324	661	2,029
Decrease (increase) in trade receivables		5,357	23,463	33,511
Decrease (increase) in inventories		(500,642)	(92,285)	(3,131,361)
Increase (decrease) in advances received		10,297	20,201	64,409
Increase (decrease) in advances received on construction projects in progress		33,820	(1,827)	211,539
Increase (decrease) in trade payables		4,661	(14,943)	29,157
Other		190,987	48,145	1,194,566
Subtotal		384,006	580,706	2,401,843
Interest and dividends received		11,776	10,164	73,657
Interest paid		(43,231)	(40,168)	(270,397)
Income taxes paid		(163,274)	(130,141)	(1,021,229)
Net cash provided by (used in) operating activities	¥	189,277	¥ 420,561	\$ 1,183,874

	Note	Millions of yen		Thousands of U.S. dollars (Note 2)
		2026	2025	2026
Cash flows from investing activities:				
Purchase of property, plant and equipment and intangible assets		¥ (493,832)	¥ (381,786)	\$ (3,088,771)
Proceeds from sales of property, plant and equipment		12,027	9,694	75,230
Purchase of investment securities		(23,356)	(17,815)	(146,090)
Proceeds from sales and redemption of investment securities		7,472	20,742	46,736
Purchase of investments in capital of affiliates		—	(67,003)	—
Purchase of shares of affiliates		(140,445)	—	(878,444)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	24	(54,146)	(32,227)	(338,671)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation		—	98	—
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation		(596)	(386)	(3,732)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation		267	2,500	1,672
Payments for acquisition of businesses		(27,197)	(15,531)	(170,110)
Proceeds from collection of leasehold and guarantee deposits		23,068	22,754	144,287
Payments of leasehold and guarantee deposits		(23,903)	(19,475)	(149,509)
Other		(5,409)	(14,934)	(33,836)
Net cash provided by (used in) investing activities		¥ (726,053)	¥ (493,370)	\$ (4,541,239)

	<i>Note</i>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
		2026	2025	2026
Cash flows from financing activities:				
Net increase (decrease) in short-term loans from banks	¥	583,918	¥ 44,576	\$ 3,652,228
Net increase (decrease) in commercial papers		179,000	—	1,119,589
Proceeds from long-term loans from banks		579,238	530,283	3,622,956
Repayments of long-term loans from banks		(545,482)	(373,850)	(3,411,825)
Proceeds from issuance of bonds		35,000	60,000	218,914
Redemption of bonds		(75,000)	(100,000)	(469,101)
Repayments of finance lease obligations		(15,408)	(10,747)	(96,375)
Proceeds from share issuance to non-controlling shareholders		9,429	12,280	58,976
Purchase of treasury stock		(14)	(100,015)	(90)
Proceeds from disposal of treasury stock		3,183	1	19,913
Dividends paid		(95,892)	(95,635)	(599,776)
Dividends paid to non-controlling shareholders		(6,728)	(4,204)	(42,087)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation		(13,144)	(3,409)	(82,213)
Other		(7,039)	(3,961)	(44,031)
Net cash provided by (used in) financing activities		631,058	(44,682)	3,947,076
Effect of exchange rate changes on cash and cash equivalents		3,351	4,873	20,959
Net increase (decrease) in cash and cash equivalents		97,633	(112,617)	610,669
Cash and cash equivalents at the beginning of the year		326,954	439,572	2,045,001
Cash and cash equivalents at the end of the year	24	¥ 424,588	¥ 326,954	\$ 2,655,671

Notes to Consolidated Financial Statements

March 31, 2026

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 IFRS Accounting 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, 2026 include the accounts of the Company and its 507 (489 in 2025) 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, 2026, 49 subsidiaries were included in the consolidation due to acquisition and others, and 31 subsidiaries were excluded from the consolidation as a result of liquidation and others.

CRC Holdings LLC and Sumitomo Densetsu Co., Ltd. were included in the scope of consolidation during the year ended March 31, 2026 due to establishment of a company and acquisition of equity interests, respectively.

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

Investments in 207 (177 in 2025) 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, 2026, 48 affiliates were included in affiliates that are accounted for by the equity method due to acquisition and others, and 18 affiliates were excluded from affiliates that are accounted for by the equity method as a result of liquidation and others.

Seibu Denko Co., Ltd. was excluded from the scope of equity method because the impact on consolidated financial statements is deemed immaterial in terms of its profit (amount corresponding to the Group's ownership interest) and retained earnings (amount corresponding to the Group's ownership interest), and they were not significant as a whole.

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 profit or loss. 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 profit or loss. 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, 2026 and 2025, 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 profit or loss 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 profit or loss 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 the cumulative changes in market fluctuations of the hedged items and the hedging instruments from the inception of the hedge to the date of effectiveness assessment, and makes judgments based on the amounts of such changes. However, when the requirements for special treatment are met, the evaluation of hedge effectiveness is omitted.

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, 2026 and 2025

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2026	2025	2026
Sales recorded by the method of recognizing revenue based on the satisfaction of performance obligations over a certain period of time for construction contracts	¥ 1,820,089	¥ 1,881,182	\$ 11,384,099

(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, 2027 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, 2026 and 2025

	<i>Millions of yen</i>		<i>Thousands of</i>
	2026	2025	<i>U.S. dollars</i>
Real estate for sales and others	¥ 3,064,379	¥ 2,471,266	\$ 19,166,746
Loss on devaluation recognized in cost of sales	17,979	12,684	112,453

(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 is 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, construction costs and others used in the business plan at the time of the acquisition of land, commencement of constructions, the commencement of sales. 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, 2026 and 2025

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2026	2025	2026
Property, plant and equipment, goodwill and other intangible assets	¥ 2,725,838	¥ 2,346,428	\$ 17,049,279
Impairment loss	30,647	38,859	191,693

- (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 in measuring future cash flows include business revenues and expenditures. In particular, when measuring future cash flows for investment and rental properties, estimates are based on leasing price levels in the market that are affected by factors such as location, size, leasing transactions in the neighborhood, market forecasts, and historical sales transaction record as well as corresponding expenses, occupancy rates, discount rates, and others.

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, 2026 and 2025

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2026	2025	2026
Retirement benefit obligation	¥ 528,001	¥ 562,267	\$ 3,302,488

(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 and others.

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>
	Change in actuarial assumptions	2026	2025	2026
Discount rate	Increase by 0.5%	¥ (33,935)	¥ (40,015)	\$ (212,255)
	Decrease by 0.5%	38,140	45,228	238,558

The significant actuarial assumptions used to measure the retirement benefit obligation are presented in Note 9 "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. 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 ¥159.88 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2026. 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.

3. 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>		
		2026		
		<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Securities whose fair value exceeds their carrying value:				
Government bonds and others	¥	145	¥	147
Securities whose fair value does not exceed their carrying value:				
Government bonds and others		9		8
Total	¥	<u>154</u>	¥	<u>156</u>
			¥	<u>1</u>

		<i>Millions of yen</i>		
		2025		
		<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
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	¥	<u>550</u>	¥	<u>550</u>
			¥	<u>0</u>

		<i>Thousands of U.S. dollars</i>		
		2026		
		<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Securities whose fair value exceeds their carrying value:				
Government bonds and others	\$	911	\$	924
Securities whose fair value does not exceed their carrying value:				
Government bonds and others		58		55
Total	\$	<u>969</u>	\$	<u>979</u>
			\$	<u>10</u>

Other securities

	<i>Millions of yen</i>		
	2026		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 167,704	¥ 55,743	¥ 111,961
Other			
Preferred fund certificates	19,998	10,171	9,826
Investment trusts	10,062	8,867	1,194
Securities whose carrying value does not exceed their acquisition cost:			
Stock	6,967	7,590	(622)
Corporate bonds	2,943	3,170	(226)
Total	<u>¥ 207,676</u>	<u>¥ 85,542</u>	<u>¥ 122,133</u>

Note: Unlisted stocks in the amount of ¥22,674 million (\$141,824 thousand) and investments in partnerships and others in the amount of ¥21,130 million (\$132,164 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 in “Other securities” in the table above.

	<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	<u>¥ 142,623</u>	<u>¥ 73,366</u>	<u>¥ 69,257</u>

Note: Unlisted stocks in the amount of ¥11,460 million and investments in partnerships and others in the amount of ¥17,389 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 in “Other securities” in the table above.

	<i>Thousands of U.S. dollars</i>		
	2026		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:			
Stock	\$ 1,048,941	\$ 348,658	\$ 700,282
Other			
Preferred fund certificates	125,082	63,619	61,462
Investment trusts	62,935	55,465	7,469
Securities whose carrying value does not exceed their acquisition cost:			
Stock	43,576	47,473	(3,896)
Corporate bonds	18,413	19,827	(1,413)
Total	<u>\$ 1,298,949</u>	<u>\$ 535,044</u>	<u>\$ 763,904</u>

- (2) Sales of securities classified as other securities and the aggregate gain and loss for the years ended March 31, 2026 and 2025

	<i>Millions of yen</i>		
	Sales proceeds	Aggregate gain	Aggregate loss
For the year ended March 31, 2026			
Stock	¥ 2,687	¥ 1,796	¥ 1
Other	2,141	84	1
Total	<u>¥ 4,829</u>	<u>¥ 1,881</u>	<u>¥ 3</u>

	<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>Thousands of U.S. dollars</i>		
	Sales proceeds	Aggregate gain	Aggregate loss
For the year ended March 31, 2026			
Stock	\$ 16,808	\$ 11,238	\$ 9
Other	13,397	528	9
Total	<u>\$ 30,205</u>	<u>\$ 11,767</u>	<u>\$ 19</u>

- (3) Impairment of investment securities

The impairment losses on investment securities classified as other securities for the years ended March 31, 2026 and 2025 were ¥324 million (\$2,029 thousand) and ¥661 million, stated as loss on revaluation of investment securities in extraordinary losses, respectively.

4. Investments in Affiliates

Investments in affiliates included in “Investments and other assets” as of March 31, 2026 and 2025 were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<u>2026</u>	<u>2025</u>	<u>U.S. dollars</u>
Shares of affiliates accounted for by the equity method in “Investment securities”	¥ 40,199	¥ 38,782	\$ 251,433
(Investment in jointly controlled entities included above)	(2,038)	(1,537)	(12,750)
Investments in preferred fund certificate of affiliates in “Investment securities”	12,157	10,463	76,044
Shares of affiliates which are not accounted for by the equity method	0	—	0
Investments in capital of affiliates in “Other assets”	68,791	72,350	430,270

5. Change in Holding Purpose

Land, buildings and structures and others held as investment properties in the amount of ¥93,697 million (\$586,048 thousand) and ¥89,818 million, in property, plant and equipment in the consolidated balance sheets as of March 31, 2025 and 2024, 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, 2026 and 2025.

6. Investment and Rental Property

The Company and certain subsidiaries own 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 loss on sales and disposal, and impairment loss for those rental properties were ¥29,515 million (\$184,612 thousand), ¥67 million (\$420 thousand) and ¥2,310 million (\$14,451 thousand), respectively, for the year ended March 31, 2026. 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, ¥526 million and ¥19,123 million, respectively, for the year ended March 31, 2025.

The rental income for those rental properties was included in net sales. The operating expenses for those rental properties were included in cost of sales or selling, general and administrative expenses. The net gain or loss on sales and disposal and impairment loss for those rental properties were included in extraordinary income or 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, 2025	Increase/decrease	March 31, 2026	April 1, 2025	Increase/decrease	March 31, 2026
¥ 1,390,250	¥ 133,827	¥ 1,524,077	¥ 1,390,250	¥ 1,747,268	¥ 1,747,268

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

<i>Thousands of U.S. dollars</i>					
Carrying value			Fair value		
April 1, 2025	Increase/decrease	March 31, 2026	April 1, 2025	Increase/decrease	March 31, 2026
\$ 8,695,586	\$ 837,049	\$ 9,532,636	\$ 8,695,586	\$ 10,928,622	\$ 10,928,622

- 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, 2026 primarily represents the acquisition of certain properties of ¥331,012 million (\$2,070,383 thousand) and decrease primarily represents depreciation of ¥45,110 million (\$282,151 thousand) and the transfer to inventories of ¥162,128 million (\$1,014,062 thousand).
- 3) Increase during the year ended March 31, 2025 primarily represents the acquisition of certain properties of ¥288,013 million and decrease primarily represents depreciation of ¥43,123 million and the transfer to inventories of ¥121,576 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.

7. 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, 2026 and 2025 were 1.65% and 4.81%, respectively. The annual weighted-average interest rates applicable to current portion of long-term loans from banks as of March 31, 2026 and 2025 were 2.16% and 2.12%, respectively. The annual weighted-average interest rate applicable to current portion of commercial papers as of March 31, 2026 was 0.76%. The annual weighted-average interest rates applicable to short-term lease liabilities as of March 31, 2026 and 2025 were 4.38% and 4.93%, respectively. Long-term debt consists of bonds, long-term loans from banks, lease obligation and lease liabilities.

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2026	2025	2026
Bonds, –% to 2.00% (–% to 2.00% in 2025), due on various dates through 2060:			
Collateralized	¥ 1,000	¥ 1,000	\$ 6,254
Unsecured	433,000	508,000	2,708,281
Subordinated	145,000	110,000	906,930
With share acquisition rights	200,000	200,000	1,250,938
Loans from banks, 0.05% to 8.86% (0.05% to 8.78% in 2025), due on various dates through 2060:			
Collateralized	93,984	106,043	587,844
Unsecured	1,266,817	1,213,740	7,923,552
Obligations under finance leases, due on various date through 2056	134,453	123,752	840,962
Lease liabilities, 0.41% to 8.60% (1.03% to 9.40% in 2025), due on various date through 2076	31,412	23,176	196,473
Total	<u>2,305,667</u>	<u>2,285,712</u>	<u>14,421,236</u>
Less current portion	<u>239,652</u>	<u>378,365</u>	<u>1,498,953</u>
Long-term debt – net of current portion	<u>¥ 2,066,014</u>	<u>¥ 1,907,347</u>	<u>\$ 12,922,283</u>

(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	¥ 5,338.3 (\$33.38) (*2)	¥ 5,245.6 (\$32.80) (*3)
Total issued amount (Millions of yen)	¥ 100,000 (\$ 625,469 thousand)	¥ 100,000 (\$ 625,469 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, 2025, the proposal of year-end dividends of ¥80 per share was approved, and the annual dividends for the year ended March 31, 2025, were determined at ¥150 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 retroactively adjusted from ¥5,349.3 to ¥5,338.3 effective April 1, 2025. Furthermore, at the meeting of the Board of Directors held on May 13, 2026, it was resolved to submit the proposal of year-end dividends of ¥100 (\$0.62) per share for the year ended March 31, 2026, at the Shareholders' meeting scheduled for June 26, 2026. If this proposal is approved, the annual dividends for the year ended March 31, 2026, will be ¥175 (\$1.09) per share. As a result, in accordance with the applicable conversion price adjustment provisions, the conversion price is scheduled to be retroactively adjusted from ¥5,338.3 (\$33.38) to ¥5,303.6 (\$33.17) effective April 1, 2026. In addition, at the meeting of the Board of Directors held on May 13, 2026, it was resolved to implement a two-for-one stock split of its common stock for shareholders recorded or registered in the latest shareholder register as of September 30, 2026. If the above-mentioned proposal for year-end dividends is approved at the Shareholders' meeting to be held on June 26, 2026, the conversion price of the Zero Coupon Convertible Bonds due 2029 (bonds with share acquisition rights) is scheduled to be adjusted, in accordance with the applicable conversion price adjustment provisions, from ¥5,303.6 (\$33.17) to ¥2,651.8 (\$16.58), effective October 1, 2026.

(*3) At the Shareholders' meeting held on June 27, 2025, the proposal of year-end dividends of ¥80 per share was approved, and the annual dividends for the year ended March 31, 2025, were determined at ¥150 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 retroactively adjusted from ¥5,256.4 to ¥5,245.6 effective April 1, 2025. Furthermore, at the meeting of the Board of Directors held on May 13, 2026, it was resolved to submit the proposal of year-end dividends of ¥100 (\$0.62) per share for the year ended March 31, 2026, at the Shareholders' meeting scheduled for June 26, 2026. If this proposal is approved, the annual dividends for the year ended March 31, 2026, will be ¥175 (\$1.09) per share. As a result, in accordance with the applicable conversion price adjustment provisions, the conversion price is scheduled to be retroactively adjusted from ¥5,245.6 (\$32.80) to ¥5,211.5 (\$32.59) effective April 1, 2026. In addition, at the meeting of the Board of Directors held on May 13, 2026, it was resolved to implement a two-for-one stock split of its common stock for shareholders recorded or registered in the latest shareholder register as of September 30, 2026. If the above-mentioned proposal for year-end dividends is approved at the Shareholders' meeting to be held on June 26, 2026, the conversion price of the Zero Coupon Convertible Bonds due 2030 (bonds with share acquisition rights) is scheduled to be adjusted, in accordance with the applicable conversion price adjustment provisions, from ¥5,211.5 (\$32.59) to ¥2,605.8 (\$16.29), effective October 1, 2026.

(2) The aggregate annual maturities of long-term debt subsequent to March 31, 2026 were as follows:

Years Ending March 31	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2027	¥ 239,652	\$ 1,498,953
2028	345,307	2,159,792
2029	463,955	2,901,900
2030	329,892	2,063,373
2031	237,055	1,482,707
2032 and thereafter	689,803	4,314,508
Total	¥ 2,305,667	\$ 14,421,236

8. Mortgaged and Pledged Assets

The assets pledged as collateral for short-term loans from banks of ¥36,801 million (\$230,183 thousand) and ¥57,113 million, current portion of long-term loans from banks of ¥6,504 million (\$40,682 thousand) and ¥30,294 million, other current liabilities of ¥1 million (\$7 thousand) and ¥1 million, long-term loans from banks of ¥87,480 million (\$547,161 thousand) and ¥75,748 million and lease deposits received of ¥4 million (\$30 thousand) and ¥6 million as of March 31, 2026 and 2025, respectively, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2026	2025	2026
Cash and bank deposits	¥ 2,273	¥ 1,396	\$ 14,220
Trade notes and accounts receivable	19,570	13,906	122,406
Mortgage notes receivable held for sale	39,630	53,373	247,879
Real estate for sale	66,758	126,065	417,554
Real estate for sale in process	108,087	85,004	676,054
Other current assets	43	6,763	273
Buildings and structures	12,528	11,809	78,364
Machinery, equipment and vehicles	6,318	6,143	39,518
Land	5,708	8,359	35,703
Other tangible assets	196	202	1,227
Total	¥ 261,116	¥ 313,026	\$ 1,633,201

The carrying amounts of assets pledged as collateral for guarantees of liabilities of investees as of March 31, 2026 and 2025 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2026	2025	2026
Investment securities	¥ 369	¥ 369	\$ 2,308
Short-term loans receivable in other current assets	1	1	7
Long-term loans receivable	3	5	23

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>
	2026	2025	2026
Cash and bank deposits	¥ 53	¥ 73	\$ 331
Securities maturing within one year	145	—	911
Investment securities	—	138	—
Investments in capital in other assets	116	116	727

Securities maturing within one year deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥nil and ¥402 million as of March 31, 2026 and 2025, respectively.

Investment securities deposited in accordance with the Real Estate Brokerage Act were ¥8 million (\$51 thousand) and ¥8 million as of March 31, 2026 and 2025, respectively.

Shares of consolidated subsidiaries used as collateral amounted to ¥130 million (\$813 thousand) and ¥186 million as of March 31, 2026 and 2025, respectively, which have been eliminated in the consolidated financial statements.

9. 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, 2026 and 2025, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2026	2025	2026
Balance at the beginning of year	¥ 562,267	¥ 637,407	\$ 3,516,810
Service cost	20,918	24,546	130,835
Interest cost	14,212	9,433	88,894
Actuarial losses (gains)	(63,394)	(92,981)	(396,510)
Retirement benefits paid	(17,577)	(16,067)	(109,939)
Past service cost	0	(431)	2
Adjustments for business restructuring and others	11,574	360	72,395
Balance at the end of year	¥ 528,001	¥ 562,267	\$ 3,302,488

- (2) The changes in plan assets for the years ended March 31, 2026 and 2025, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2026	2025	2026
Balance at the beginning of year	¥ 591,212	¥ 573,520	\$ 3,697,849
Actuarial gains	52,281	7,825	327,006
Contributions from the employer	22,302	21,133	139,494
Retirement benefits paid	(12,751)	(11,266)	(79,756)
Adjustments for business restructuring and others	14,844	—	92,850
Balance at the end of year	¥ 667,889	¥ 591,212	\$ 4,177,444

- (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, 2026 and 2025, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2026	2025	2026
Funded retirement benefit obligation	¥ 431,232	¥ 463,946	\$ 2,697,227
Plan assets	(667,889)	(591,212)	(4,177,444)
	(236,657)	(127,265)	(1,480,217)
Unfunded retirement benefit obligation	96,769	98,320	605,261
Net amount of liability and asset recorded in the consolidated balance sheet	¥ (139,887)	¥ (28,944)	\$ (874,955)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2026	2025	2026
Liabilities for employees' retirement benefits	¥ 97,857	¥ 98,504	\$ 612,070
Assets for employees' retirement benefits	(237,745)	(127,449)	(1,487,026)
Net amount of liability and asset recorded in the consolidated balance sheet	¥ (139,887)	¥ (28,944)	\$ (874,955)

- (4) The components of retirement benefit expense for the years ended March 31, 2026 and 2025, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2026	2025	2026
Service cost	¥ 20,918	¥ 24,546	\$ 130,835
Interest cost	14,212	9,433	88,894
Amortization of actuarial gain	(115,675)	(100,806)	(723,517)
Past service cost	0	(431)	2
Adjustments for business restructuring and others	—	(84)	—
Retirement benefit expense	¥ (80,545)	¥ (67,343)	\$ (503,784)

Note: In addition to the retirement benefit expense above, special retirement benefit expenses related to employee career support after retirement amounting to ¥2,051 million (\$12,828 thousand), which are considered special retirement benefits, were recognized as an extraordinary loss for the year ended March 31, 2026.

(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, 2026 and 2025 was as follows:

	<u>2026</u>	<u>2025</u>
Domestic debt instruments	1%	1%
Overseas debt instruments	6	6
Domestic stocks	11	10
Overseas stocks	7	7
Cash and cash equivalents	13	13
Private equity fund	27	29
Hedge fund	16	14
General accounts	6	7
Others	13	13
Total	<u>100%</u>	<u>100%</u>

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, 2026 and 2025, were set forth as follows:

	<u>2026</u>	<u>2025</u>
Discount rate	Principally 3.6%	Principally 2.6%
Expected rate of return on plan assets	Principally 0.0%	0.0%
Expected rate of pay raises	Principally 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 ¥115,675 million (\$723,515 thousand) and ¥101,238 million for the years ended March 31, 2026 and 2025, respectively.

(8) Defined contribution plans

Required contributions to defined contribution plans of the Company and certain subsidiaries were ¥8,764 million (\$54,816 thousand) and ¥7,486 million for the years ended March 31, 2026 and 2025, respectively.

10. Asset Retirement Obligations

Disclosures have been omitted as the amounts are immaterial.

11. Research and Development Costs

Research and development costs included in “Selling, general and administrative expenses” were ¥11,945 million (\$74,713 thousand) and ¥10,816 million for the years ended March 31, 2026 and 2025, respectively.

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

Gain (loss) on sales of non-current assets for the years ended March 31, 2026 and 2025 consists of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Gain on sales of property, plant and equipment, and other assets:			
Buildings and structures	¥ 1,239	¥ 1,267	\$ 7,752
Machinery, equipment and vehicles	150	141	940
Tools, furniture and fixtures	9	14	61
Land	1,371	1,096	8,578
Other intangible assets	0	—	0
Total	<u>¥ 2,771</u>	<u>¥ 2,520</u>	<u>\$ 17,333</u>
Loss on sales of property, plant and equipment, and other assets:			
Buildings and structures	¥ (113)	¥ (93)	\$ (712)
Machinery, equipment and vehicles	(320)	(78)	(2,005)
Tools, furniture and fixtures	(22)	(24)	(138)
Land	(102)	—	(637)
Other intangible assets	(0)	—	(0)
Total	<u>¥ (558)</u>	<u>¥ (196)</u>	<u>\$ (3,494)</u>

13. Impairment Loss

The Group classified non-current assets by managerial accounting units 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 following 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 net selling value. The net selling value is mainly measured at appraisals in accordance with real estate appraisal standards.

The Group recognized impairment losses of the following groups of assets for the years ended March 31, 2026 and 2025:

Use	Type of Assets	Location	<i>Thousands of</i>	
			<i>Millions of yen</i>	<i>U.S. dollars</i>
			2026	2026
Real estate for lease	Buildings and structures; machinery, equipment and vehicles; tools, furniture and fixtures; land; leased assets; other intangible assets	Wakayama Prefecture and others	¥ 2,678	\$ 16,750
Hotel	Buildings and structures; machinery, equipment and vehicles; tools, furniture and fixtures; land; construction in progress; other intangible assets	Okinawa Prefecture and others	2,756	17,243
Health and leisure facilities	Buildings and structures; machinery, equipment and vehicles; tools, furniture and fixtures; land; leased assets; other intangible assets	Saga Prefecture and others	7,246	45,326
Offices, factories and others	Buildings and structures; machinery, equipment and vehicles; tools, furniture and fixtures; land; other intangible assets	Niigata Prefecture and others	2,985	18,672
Others	Buildings and structures; machinery, equipment and vehicles; tools, furniture and fixtures; land; leased assets; construction in progress; other intangible assets; goodwill	Fukuoka Prefecture and others	14,980	93,699
Total			¥ 30,647	\$ 191,693

Use	Type of Assets	Location	<i>Millions of yen</i> 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
Hotel	Buildings and structures; tools, furniture and fixtures; other intangible assets	Miyagi Prefecture	412
Health and leisure facilities	Buildings and structures; tools, furniture and fixtures; leased assets; other intangible assets	Kanagawa Prefecture and others	2,373
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
Others	Buildings and structures; machinery, equipment and vehicles; tools, furniture and fixtures; land; other intangible assets; goodwill	Fukuoka Prefecture and others	16,505
Total			¥ <u>38,859</u>

14. Provision for Loss on Construction Contracts

Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2026 and 2025 was ¥13,682 million (\$85,578 thousand) and ¥18,030 million, respectively.

15. Special Retirement Benefit Expenses Related to Employee Career Support After Retirement

The Company has decided to expand its “career design support program” (a special early retirement program) for its employees, and applicants have been confirmed. As a result, extra retirement benefit expenses have been recorded as “Special retirement benefit expenses related to employee career support after retirement”.

16. 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, 2026 and 2025. 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) as of March 31, 2026 and 2025 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2026	2025	2026
Deferred tax assets:			
Loss on devaluation of real estate for sale	¥ 5,182	¥ 4,918	\$ 32,415
Accrued bonuses	30,145	20,586	188,552
Accrued enterprise tax	5,148	5,882	32,203
Liabilities for employees' retirement benefits	30,880	31,115	193,148
Unrealized gains on property, plant and equipment by consolidation	14,572	14,312	91,145
Excess of depreciation of property, plant and equipment	45,505	40,826	284,622
Impairment loss	16,341	12,198	102,213
Tax loss carryforwards	45,047	33,694	281,759
Other	98,631	92,099	616,908
Deferred tax assets subtotal	291,456	255,633	1,822,969
Less valuation allowance	(88,395)	(66,612)	(552,884)
Deferred tax assets	203,061	189,021	1,270,085
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(1,819)	(1,120)	(11,379)
Net unrealized gain on securities	(37,022)	(20,714)	(231,564)
Assets for employees' retirement benefits	(74,891)	(40,135)	(468,421)
Valuation differences on fair value measurements of subsidiaries	(40,478)	(1,300)	(253,179)
Other	(38,355)	(34,518)	(239,899)
Deferred tax liabilities	(192,566)	(97,790)	(1,204,445)
Net deferred tax assets	¥ 10,494	¥ 91,231	\$ 65,639

(Change in Presentation)

Effective from the year ended March 31, 2026, “Valuation differences on fair value measurements of subsidiaries” which was included in “Excess of depreciation of property, plant and equipment” under “Deferred tax assets” as of March 31, 2025, is now presented separately since it became more significant.

Therefore, ¥(1,300) million previously presented in “Excess of depreciation of property, plant and equipment” under “Deferred tax assets” as of March 31, 2025 has been reclassified as “Valuation differences on fair value measurements of subsidiaries” under “Deferred tax liabilities” .

A reconciliation between the statutory tax rate and the effective tax rate reflected in the consolidated statements of income for the years ended March 31, 2026 and 2025 were as follows:

	<u>2026</u>	<u>2025</u>
Statutory tax rate	30.6%	30.6%
Effect of:		
Non-deductible expenses for tax purpose	0.6	0.4
Per capita portion of inhabitant tax	0.3	0.3
Equity in earnings of affiliates	(0.0)	(0.1)
Change in valuation allowance	3.4	2.0
Expiration of tax loss carryforwards	0.0	0.0
Tax credits	(1.4)	(0.7)
Reversal of land revaluation reserve	(0.4)	(0.0)
Other	0.6	0.0
Effective tax rate	<u>33.7%</u>	<u>32.5%</u>

17. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2026 and 2025 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2026	2025	2026
Unrealized gain (loss) on securities:			
Amount arising during the year	¥ 26,150	¥ 101	\$ 163,562
Reclassification adjustments	(320)	(13,423)	(2,005)
Before income taxes and tax effect adjustment	25,829	(13,321)	161,557
Income taxes and tax effect	(6,882)	3,806	(43,049)
Unrealized gain (loss) on securities	18,947	(9,515)	118,508
Deferred gain (loss) on hedging instruments:			
Amount arising during the year	(4,558)	6,179	(28,509)
Reclassification adjustments	(8)	(10)	(50)
Before income taxes and tax effect adjustment	(4,566)	6,168	(28,560)
Income taxes and tax effect	1,457	(1,937)	9,114
Deferred gain (loss) on hedging instruments:	(3,109)	4,231	(19,446)
Land revaluation reserve:			
Income taxes and tax effect	332	631	2,076
Foreign currency translation adjustments:			
Amount arising during the year	12,377	60,876	77,420
Reclassification adjustments	(425)	—	(2,658)
Foreign currency translation adjustments:	11,952	60,876	74,761
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	868	(550)	5,430
Reclassification adjustments	—	(572)	—
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:	868	(1,122)	5,430
Total other comprehensive income	¥ 28,991	¥ 55,101	\$ 181,330

18. 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 as of March 31, 2026 and 2025 amounted to ¥17,690 million (\$110,645 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, 2026

Types of shares	<i>Thousands of shares</i>			Number of shares as of March 31, 2026
	Number of shares as of April 1, 2025	Increase	Decrease	
Shares issued:				
Common stock (Notes 1)	659,478	157	—	659,636
Treasury stock:				
Common stock (Notes 2 and 3)	40,895	2	608	40,289

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	157

2) Details of the increase are as follows:

	<i>Thousands of shares</i>
Increase due to purchase of shares of less than standard unit	2

3) Details of the decrease are as follows:

	<i>Thousands of shares</i>
Decrease due to disposal of treasury stock for the grant of shares through the employee stock ownership plan	608
Decrease due to sale of shares less than one unit by the Company	0

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

Stock Acquisition Rights

Not applicable

Dividends paid

For the year ended March 31, 2026

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	\$ 309,524	¥ 80.0	\$ 0.50	March 31, 2025	June 30, 2025
Meeting of the Board of Directors held on November 13, 2025	Common stock	¥ 46,405	\$ 290,251	¥ 75.0	\$ 0.46	September 30, 2025	December 5, 2025

For the year ended March 31, 2025

Resolution	Types of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Shareholders' meeting held on June 27, 2024	Common stock	¥ 51,185	¥ 80.0	March 31, 2024	June 28, 2024
Meeting of the Board of Directors held on November 12, 2024	Common stock	¥ 44,449	¥ 70.0	September 30, 2024	December 5, 2024

19. Amounts Per Share

Amounts per share as of and for the years ended March 31, 2026 and 2025 were as follows:

	Yen		U.S. dollars
	2026	2025	2026
Profit attributable to owners of parent:			
Basic	¥ 566.47	514.00	\$ 3.54
Net assets	4,677.09	4,226.17	29.25

Basic earnings per share is computed by dividing profit attributable to owners of the parent in the amount of ¥350,568 million (\$2,192,697 thousand) and ¥325,058 million for the years ended March 31, 2026 and 2025, 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, 2026 and 2025 was 618,866 thousand shares and 632,409 thousand shares, respectively.

Diluted earnings per share is not presented because there were no potential shares with dilutive effect outstanding for the years ended March 31, 2026 and 2025.

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 earnings per share, since such bonds do not have a dilutive effect.

20. Leases

Finance leases:

(Lessee)

The Group leases certain hotels, commercial facilities, hotel equipment, system servers, computer equipment and software in other intangible 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>		
	2026		
	Buildings and structures	Machinery, equipment and vehicles	Total
Acquisition cost	¥ 46,953	¥ 59	¥ 47,013
Accumulated depreciation	(35,470)	(58)	(35,528)
Accumulated impairment loss	(1,183)	—	(1,183)
Net leased property	<u>¥ 10,300</u>	<u>¥ 1</u>	<u>¥ 10,301</u>

	<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	<u>¥ 14,798</u>	<u>¥ 4</u>	<u>¥ 14,802</u>

	<i>Thousands of U.S. dollars</i>		
	2026		
	Buildings and structures	Machinery, equipment and vehicles	Total
Acquisition cost	\$ 293,680	\$ 372	\$ 294,052
Accumulated depreciation	(221,854)	(362)	(222,217)
Accumulated impairment loss	(7,401)	—	(7,401)
Net leased property	<u>\$ 64,424</u>	<u>\$ 9</u>	<u>\$ 64,433</u>

Future minimum lease payments subsequent to March 31, 2026 for finance leases were as follows:

Years Ending March 31	<i>Thousands of</i>	
	<i>Millions of yen</i>	<i>U.S. dollars</i>
	2026	2026
2027	¥ 4,713	\$ 29,479
2028 and thereafter	9,235	57,762
Total	¥ 13,948	\$ 87,241

The allowance for impairment loss on leased property of ¥448 million (\$2,805 thousand) and ¥994 million as of March 31, 2026 and 2025, 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, 2026 and 2025, were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2026	2025	2026
	¥	¥	\$
Lease payments	4,999	6,452	31,267
Reversal of allowance for impairment loss on leased property	650	179	4,071
Depreciation	2,504	3,415	15,663
Interest expenses	1,208	1,544	7,555
Impairment loss	105	251	658

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.

(Lessor)

The net investments in leases as of March 31, 2026 and 2025, were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2026	2025	2026
	¥	¥	\$
Gross lease receivables	131,202	129,043	820,632
Unguaranteed residual values	2,243	2,246	14,030
Unearned interest income	(40,445)	(41,429)	(252,976)
Investments in leases, current	¥ 92,999	¥ 89,860	\$ 581,685

Contractual maturities of lease receivables from finance lease transactions subsequent to March 31, 2026 in which the ownership of the leased assets is transferred to the lessee are as follows:

Years Ending March 31	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2027	¥ 12,778	\$ 79,924
2028	12,887	80,608
2029	11,245	70,338
2030	10,755	67,269
2031	9,417	58,903
2032 and thereafter	35,960	224,924
Total	¥ 93,045	\$ 581,969

Contractual maturities of the above gross lease receivables subsequent to March 31, 2026 in which the ownership of the leased assets is not transferred to the lessee are as follows:

Years Ending March 31	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2027	¥ 18,598	\$ 116,325
2028	17,806	111,374
2029	16,421	102,711
2030	13,239	82,808
2031	9,581	59,929
2032 and thereafter	55,555	347,481
Total	¥ 131,202	\$ 820,632

Operating Leases:

(Lessee)

Future minimum lease payments subsequent to March 31, 2026 for noncancelable operating leases were as follows:

Years Ending March 31	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2026	2026
2027	¥ 79,394	\$ 496,591
2028 and thereafter	668,152	4,179,089
Total	¥ 747,547	\$ 4,675,680

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, 2026.

(Lessor)

Future minimum lease income subsequent to March 31, 2026 for noncancelable operating lease were as follows:

Years Ending March 31	<i>Thousands of</i>	
	<i>Millions of yen</i>	<i>U.S. dollars</i>
	2026	2026
2027	¥ 16,142	\$ 100,963
2028 and thereafter	277,006	1,732,590
Total	¥ 293,148	\$ 1,833,553

Penalty income for early cancelation is included in the amount for 2028 and thereafter.

21. Contingent Liabilities

As of March 31, 2026 and 2025, the Group had the following contingent liabilities:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2026	2025	2026
Trade notes receivable discounted	¥ —	¥ 857	\$ —
Electronically recorded monetary claims discounted	270	225	1,689
Guarantees and similar items of loans from banks:			
House purchasers' loans from banks	7,980	9,998	49,914
Loans of affiliates from banks	17,369	22,906	108,641

22. 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 partnerships, 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 capital investments in properties and equipment. 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, loans from banks denominated in foreign currency 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 23 "Derivatives" do not indicate the market risk associated with derivative transactions.

(4) Matters related to the fair value of financial instruments

The carrying values of financial instruments on the accompanying consolidated balance sheets as of March 31, 2026 and 2025 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 partnerships and others.

Cash and bank deposits, trade notes and accounts payable, accounts payable-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>			
2026			
	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Assets			
Trade notes and accounts receivable	¥ 300,251	¥	¥
Allowance for doubtful accounts (*1)	(1,538)		
	<u>298,713</u>	<u>293,933</u>	<u>(4,779)</u>
Marketable and investment securities:			
Held-to-maturity debt securities	154	156	1
Shares of affiliates	21,072	14,903	(6,169)
Other securities	207,676	207,676	-
Lease deposits	257,030	225,421	(31,609)
Total assets	<u>¥ 784,647</u>	<u>¥ 742,091</u>	<u>¥ (42,555)</u>
Liabilities			
Bonds	¥ 779,000	¥ 755,579	¥ (23,420)
Long-term loans from banks	1,360,802	1,345,730	(15,071)
Lease deposits received	315,410	268,669	(46,741)
Total liabilities	<u>¥ 2,455,212</u>	<u>¥ 2,369,978</u>	<u>¥ (85,234)</u>
Derivative transactions (*2)	¥ 6,727	¥ 6,727	¥ -

<i>Millions of yen</i>			
2025			
	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
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>Thousands of U.S. dollars</i>			
2026			
	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Assets			
Trade notes and accounts receivable	\$ 1,877,980	\$	\$
Allowance for doubtful accounts (*1)	(9,622)		
	<u>1,868,358</u>	<u>1,838,466</u>	<u>(29,891)</u>
Marketable and investment securities:			
Held-to-maturity debt securities	969	979	10
Shares of affiliates	131,804	93,218	(38,585)
Other securities	1,298,949	1,298,949	-
Lease deposits	1,607,644	1,409,939	(197,705)
Total assets	<u>\$ 4,907,726</u>	<u>\$ 4,641,553</u>	<u>\$ (266,173)</u>
Liabilities			
Bonds	\$ 4,872,404	\$ 4,725,914	\$ (146,490)
Long-term loans from banks	8,511,396	8,417,125	(94,270)
Lease deposits received	1,972,794	1,680,442	(292,352)
Total liabilities	<u>\$ 15,356,595</u>	<u>\$ 14,823,482</u>	<u>\$ (533,112)</u>
Derivative transactions (*2)	\$ 42,076	\$ 42,076	\$ -

(*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 partnerships and others are shown in the following table.

	<u>Carrying amount</u>		
	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Marketable and investment securities:			
Investments in securities without a quoted market price (*1)	¥ 53,959	¥ 42,111	\$ 337,497
Investments in partnerships and others (*2)	21,130	17,389	132,164
Other assets in investments and other assets:			
Investments in securities without a quoted market price (*1)	68,791	72,350	430,270

(*1) Investments in securities without a quoted market price, including unlisted stocks, investments in capital of subsidiaries and 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 partnerships and others are mainly investments in investment partnerships, investments in silent partnerships 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).

Notes: 2) Redemption schedule for monetary receivables and marketable and investment securities with maturities as of March 31, 2026 and 2025 were as follows:

	<i>Millions of yen</i>			
	2026			
	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	¥ 434,371	¥ –	¥ –	¥ –
Trade notes and accounts receivable	258,248	21,628	11,605	8,770
Marketable and investment securities:				
Held-to-maturity debt securities (government bonds, and others)	145	1	–	10
Other securities with contractual maturities (bonds) (*)	50	–	–	120
Lease deposits	44,072	76,017	51,085	92,765
Total	¥ 736,887	¥ 97,647	¥ 62,690	¥ 101,665

	<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 (government bonds, and others)	403	139	–	10
Other securities with contractual maturities (bonds) (*)	–	50	–	120
Lease deposits	29,868	82,248	47,291	97,531
Total	¥ 534,029	¥ 95,310	¥ 56,883	¥ 105,644

	<i>Thousands of U.S. dollars</i>			
	2026			
	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	\$ 2,716,859	\$ —	\$ —	\$ —
Trade notes and accounts receivable	1,615,261	135,279	72,586	54,854
Marketable and investment securities:				
Held-to-maturity debt securities (government bonds, and others)	910	6	—	62
Other securities with contractual maturities (bonds) (*)	312	—	—	750
Lease deposits	275,656	475,468	319,525	580,221
Total	\$ 4,609,000	\$ 610,754	\$ 392,111	\$ 635,888

(*) 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 7 “Short-Term Bank Loans and Long-Term Debt.”

(5) 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

As of March 31, 2026 and 2025

		<i>Millions of yen</i>			
		2026			
		Level 1	Level 2	Level 3	Total
Marketable and investment securities:					
Stocks	¥	174,662	¥ 9	¥ –	¥ 174,671
Preferred fund certificates		–	–	19,998	19,998
Bonds		–	–	2,943	2,943
Investment trusts		–	192	–	192
Derivatives:					
Interest rates and currency related		–	6,727	–	6,727
Total	¥	174,662	¥ 6,928	¥ 22,942	¥ 204,533

		<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>Thousands of U.S. dollars</i>			
		2026			
		Level 1	Level 2	Level 3	Total
Marketable and investment securities:					
Stocks	\$	1,092,458	\$ 59	\$ –	\$ 1,092,518
Preferred fund certificates		–	–	125,082	125,082
Bonds		–	–	18,413	18,413
Investment trusts		–	1,201	–	1,201
Derivatives:					
Interest rates and currency related		–	42,076	–	42,076
Total	\$	1,092,458	\$ 43,338	\$ 143,496	\$ 1,279,293

Notes: Investment trusts in the amount of ¥9,869 million (\$61,733 thousand) and ¥9,059 million as of March 31, 2026 and 2025, 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

As of March 31, 2026 and 2025

		<i>Millions of yen</i>			
		2026			
		Level 1	Level 2	Level 3	Total
Assets					
Trade notes and accounts receivable	¥	-	¥ 293,933	¥ -	¥ 293,933
Marketable and investment securities:					
Held-to-maturity debt securities		7	148	-	156
Shares of affiliates		14,903	-	-	14,903
Lease deposits		-	225,421	-	225,421
Total assets	¥	14,911	¥ 519,503	¥ -	¥ 534,415
Liabilities					
Bonds	¥	-	¥ 755,579	¥ -	¥ 755,579
Long-term loans from banks		-	1,328,870	16,859	1,345,730
Lease deposits received		-	254,888	13,780	268,669
Total liabilities	¥	-	¥ 2,339,338	¥ 30,639	¥ 2,369,978

		<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	¥	15,142	¥ 427,074	¥ -	¥ 442,217
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	¥	-	¥ 2,343,866	¥ 31,545	¥ 2,375,412

<i>Thousands of U.S. dollars</i>				
2026				
	Level 1	Level 2	Level 3	Total
Assets				
Trade notes and accounts receivable	\$ —	\$ 1,838,466	\$ —	\$ 1,838,466
Marketable and investment securities:				
Held-to-maturity debt securities	48	930	—	979
Shares of affiliates	93,218	—	—	93,218
Lease deposits	—	1,409,939	—	1,409,939
Total assets	\$ 93,267	\$ 3,249,336	\$ —	\$ 3,342,603
Liabilities				
Bonds	\$ —	\$ 4,725,914	\$ —	\$ 4,725,914
Long-term loans from banks	—	8,311,677	105,448	8,417,125
Lease deposits received	—	1,594,250	86,191	1,680,442
Total liabilities	\$ —	\$ 14,631,842	\$ 191,640	\$ 14,823,482

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 3 “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 “special 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 measured at present value calculated by 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 measured at present value calculated by 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 rates 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.

23. Derivatives

Derivative transactions to which hedge accounting was not applied as of March 31, 2026 and 2025 were as follows:

		<i>Millions of yen</i>			
		2026			
<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	¥ 38,871	¥ 38,871	¥ 6,727	¥ 6,727

		<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>Thousands of U.S. dollars</i>			
		2026			
<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	\$ 243,127	\$ 243,127	\$ 42,076	\$ 42,076

24. Supplemental Cash Flow Information

Cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2026 and 2025 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>
	2026	2025	2026
Cash and bank deposits	¥ 434,371	¥ 333,198	\$ 2,716,859
Time deposits with maturities of more than three months	(9,782)	(6,243)	(61,187)
Cash and cash equivalents	¥ 424,588	¥ 326,954	\$ 2,655,671

The breakdown of the assets and liabilities at the time of initial consolidation of Sumitomo Densetsu Co., Ltd. and its subsidiaries through the purchase of shares as well as the relationship between the acquisition cost of shares and the expenditures for the acquisition (net) are as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2026	2026
Current assets	¥ 164,913	\$ 1,031,480
Non-current assets	167,174	1,045,626
Goodwill	72,238	451,828
Current liabilities	(70,288)	(439,632)
Non-current liabilities	(46,809)	(292,778)
Non-controlling interests	(22,029)	(137,786)
Carrying amount on equity method until control acquisition	(1,720)	(10,758)
Purchase cost	<u>263,478</u>	<u>1,647,979</u>
Purchase of shares of affiliates	(140,445)	(878,444)
Cash and cash equivalents of a newly consolidated subsidiary	(72,045)	(450,620)
Purchase of investment in subsidiaries resulting in change in scope of consolidation	<u>¥ 50,988</u>	<u>\$ 318,914</u>

25. Business Combination

(Business combination through acquisition)

From October 31, 2025, the Company conducted a public tender offer (the “Tender Offer”) for the ordinary shares of Sumitomo Densetsu Co., Ltd. (“Sumitomo Densetsu”). As of December 22, 2025, the commencement date of settlement for the Tender Offer, Sumitomo Densetsu was classified as an affiliate accounted for by the equity method.

At an extraordinary general meeting of Sumitomo Densetsu held on March 16, 2026, Sumitomo Densetsu resolved to acquire all ordinary shares held by Sumitomo Electric Industries, Ltd. as treasury stock (the “Stock Repurchase”). Accordingly, on March 24, 2026, the effective date of the Stock Repurchase, Sumitomo Densetsu became a subsidiary of the Company. The Stock Repurchase and the Tender Offer have been accounted for as a single transaction.

1. Outline of the business combination

(1) Name and business description of the acquired company

Name of the acquired company	:Sumitomo Densetsu Co., Ltd.
Business description	:Mainly Engineering services related to construction and installation work, sales of machinery and equipment, and others.

(2) Major reason for the business combination

The Group has designated the construction and development of data centers, semiconductor fabs and other growth areas as strategic focus areas, and believes that making Sumitomo Densetsu a wholly owned subsidiary will substantially contribute to improving the Group's technological capabilities, expanding its business and customer base, and enhancing profitability through the securing of orders for technically demanding, high-margin projects that leverage Sumitomo Densetsu's advanced technical expertise.

Sumitomo Densetsu also agreed that this business combination would contribute to enhancing corporate value through the realization of various synergies, including the expansion of its focus area, namely electrical contracting and information and communications businesses, and further growth of its overseas operations, particularly in Southeast Asia. Accordingly, the Group decided to implement this business combination.

(3) Date of the business combination

Share acquisition date	March 24, 2026
Deemed acquisition date	March 31, 2026

(4) Legal form of the business combination

Acquisition of shares and Sumitomo Densetsu's acquisition of treasury stock.

(5) Company name after the business combination

The acquired company's name remains unchanged.

Effective October 1, 2026, Sumitomo Densetsu will change its company name to Semlinks Co., Ltd.

(6) Percentage of voting rights acquired and ownership interest

	Voting rights acquired	Ownership interest
Percentage of voting rights and ownership interest held immediately prior to acquisition	40.89%	40.89%
Percentage of voting rights and ownership interest on the acquisition date	59.11%	42.00%
Percentage of voting rights and ownership interest after the acquisition	100.00%	82.89%

(7) Major basis for determination of the acquirer

Acquisition of shares for cash consideration and Sumitomo Densetsu's acquisition of treasury stock

2. Period of operating results of the acquired company included in the consolidated financial statements

From January 1, 2026 to March 31, 2026

The results of the acquiree have been included in the consolidated statement of income for the year ended March 31, 2026, as equity in earnings of affiliates.

3. Matters relating to the measurement of acquisition cost

- (1) Acquisition cost of the acquired company and its breakdown by type of consideration

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<u>2026</u>	<u>2026</u>
Fair value at the acquisition date of ordinary shares held immediately prior to the business combination	¥ 142,165	\$ 889,203
Acquisition price (cash and bank deposits)	<u>123,033</u>	<u>769,534</u>
Total	<u>¥ 265,199</u>	<u>\$ 1,658,738</u>

- (2) Details and amounts of major acquisition-related cost

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<u>2026</u>	<u>2026</u>
Advisory fees and others	¥ 1,674	\$ 10,476

4. Matters relating to the allocation of acquisition cost

- (1) Amounts and major components of assets acquired and liabilities assumed on the date of the business combination

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<u>2026</u>	<u>2026</u>
Current assets	¥ 164,913	\$ 1,031,480
Non-current assets	167,174	1,045,626
Total assets	<u>¥ 332,087</u>	<u>\$ 2,077,107</u>
Current liabilities	¥ 70,288	\$ 439,632
Non-current liabilities	46,809	292,778
Total liabilities	<u>¥ 117,097</u>	<u>\$ 732,410</u>

- (2) Amounts allocated to intangible assets other than goodwill and their breakdown by major types, together with weighted-average amortization period

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<u>2026</u>	<u>2026</u>
Order backlog (Amortization period: 3 years)	¥ 11,000	\$ 68,801
Customer-related intangible assets (Amortization period: 20 years)	99,600	622,967

The amounts allocated to intangible assets have been provisionally determined as of March 31, 2026.

- (3) Amount of goodwill recognized

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<u>2026</u>	<u>2026</u>
Amount of goodwill	¥ 72,238	\$ 451,828

The amount of goodwill has been provisionally determined for the current fiscal year, as the allocation of the acquisition cost has not yet been completed as of March 31, 2026.

- (4) Reason for recognition

The acquisition cost exceeded the fair value of the net assets of the acquiree as of the acquisition date, and the resulting excess has been recognized as goodwill.

- (5) Amortization method and period

Straight-line amortization over 20 years

5. The approximate amount of the impact of the business combination on the consolidated statement of income for the current fiscal year assuming that the business combination was completed at the beginning of the fiscal year, and the method of its calculation

Disclosure has been omitted as the amounts are immaterial.

26. Revenue Recognition

1. Information on disaggregated revenue arising from contracts with customers is for the years ended March 31, 2026 and 2025 were as follows:

<i>Millions of yen</i>								
2026								
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	¥ 307,332	¥ 370,740	¥ 34,612	¥ 403,732	¥ 681,092	¥ 22,473	¥ 106	¥ 1,820,089
Real estate sales transactions	976,871	238,090	150,002	271,097	103,445	-	-	1,739,507
Other related business transactions (*2)	1,990	95,629	74,529	253,385	113,489	61,796	25,957	626,779
Revenue from contracts with customers	<u>¥ 1,286,194</u>	<u>¥ 704,460</u>	<u>¥ 259,143</u>	<u>¥ 928,215</u>	<u>¥ 898,027</u>	<u>¥ 84,270</u>	<u>¥ 26,064</u>	<u>¥ 4,186,376</u>
Other revenue (*3)	¥ 48,637	¥ 721,634	¥ 12,358	¥ 354,846	¥ 248,187	¥ 2,739	¥ 2,082	¥ 1,390,484
Sales to third parties	1,334,831	1,426,094	271,502	1,283,062	1,146,215	87,009	28,146	5,576,861

<i>Millions of yen</i>								
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	¥ 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	<u>¥ 1,091,990</u>	<u>¥ 709,450</u>	<u>¥ 250,087</u>	<u>¥ 872,539</u>	<u>¥ 1,008,521</u>	<u>¥ 82,535</u>	<u>¥ 23,160</u>	<u>¥ 4,038,285</u>
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

Thousands of U.S. dollars

	2026							
	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	\$ 1,922,268	\$ 2,318,869	\$ 216,489	\$ 2,525,219	\$ 4,260,023	\$ 140,562	\$ 665	\$ 11,384,099
Real estate sales transactions	6,110,028	1,489,179	938,218	1,695,631	647,022	—	—	10,880,080
Other related business transactions (*2)	12,451	598,132	466,156	1,584,849	709,841	386,520	162,358	3,920,311
Revenue from contracts with customers	<u>\$ 8,044,748</u>	<u>\$ 4,406,182</u>	<u>\$ 1,620,864</u>	<u>\$ 5,805,700</u>	<u>\$ 5,616,887</u>	<u>\$ 527,083</u>	<u>\$ 163,024</u>	<u>\$ 26,184,491</u>
Other revenue (*3)	\$ 304,210	\$ 4,513,598	\$ 77,296	\$ 2,219,458	\$ 1,552,333	\$ 17,133	\$ 13,022	\$ 8,697,053
Sales to third parties	8,348,959	8,919,780	1,698,161	8,025,158	7,169,221	544,217	176,046	34,881,545

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” (Transferred Guidance, No.10).

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 and 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>
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Receivables arising from contracts with customers (balance at the beginning of the year)	¥ 177,712	¥ 204,252	\$ 1,111,538
Receivables arising from contracts with customers (balance at the end of the year)	276,646	177,712	1,730,337
Contract assets (balance at the beginning of the year)	273,782	267,856	1,712,427
Contract assets (balance at the end of the year)	252,421	273,782	1,578,816
Contract liabilities (balance at the beginning of the year)	257,104	242,951	1,608,111
Contract liabilities (balance at the end of the year)	320,507	257,104	2,004,677

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, 2026 and 2025.

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, 2026 and 2025 that were included in the balance of contract liabilities at the beginning of the years ended March 31, 2026 and 2025 were ¥227,144 million (\$1,420,717 thousand) and ¥224,371 million, respectively.

There were no significant changes in the balances of contract assets and liabilities during the years ended March 31, 2026 and 2025 and no significant matters regarding revenues recognized during the years ended March 31, 2026 and 2025 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>
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Notes receivable	¥ 1,865	¥ 3,595	\$ 11,667
Electronically recorded monetary claims	14,459	7,946	90,441
Accounts receivable	260,321	166,170	1,628,228
Contract assets	252,421	273,782	1,578,816
Total	<u>¥ 529,067</u>	<u>¥ 451,495</u>	<u>\$ 3,309,154</u>

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>
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Advances received	¥ 76,823	¥ 61,873	\$ 480,510
Advances received on construction projects in progress	243,683	195,231	1,524,167
Total	<u>¥ 320,507</u>	<u>¥ 257,104</u>	<u>\$ 2,004,677</u>

(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>
	2026	2025	2026
Single-family houses	¥ 325,926	¥ 295,551	\$ 2,038,570
Rental housing	167,866	205,585	1,049,953
Condominiums	116,997	83,922	731,785
Commercial facilities	310,086	255,039	1,939,496
Logistics, business and corporate facilities	1,120,477	834,038	7,008,237
Environment and energy	18,901	1,011	118,223
Other	40	0	250
Total	¥ 2,060,296	¥ 1,675,150	\$ 12,886,517

(For the year ended March 31, 2026)

With respect to Single-family houses, approximately 70% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2026, and the remaining 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, 2026.

With respect to Rental housing, and Other, revenues are expected to be recognized within one year after the end of the year ended March 31, 2026.

With respect to Condominiums, approximately 60% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2026, and the remaining approximately 40% 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, 2026.

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, 2026, 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, 2026.

With respect to Logistics, business and corporate facilities, approximately 50% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2026, approximately 40% 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, 2026 and remaining approximately 10% of revenues are expected to be recognized thereafter.

With respect to Environment and energy, approximately 60% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2026, and the remaining approximately 40% 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, 2026.

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, 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.

27. 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>							
2026							
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	¥ 1,334,831	¥ 1,426,094	¥ 271,502	¥ 1,283,062	¥ 1,146,215	¥ 87,009	¥ 5,548,715
Intersegment sales and transfers	7,421	3,178	8,120	7,130	43,593	46,127	115,571
Total	¥ 1,342,252	¥ 1,429,273	¥ 279,622	¥ 1,290,192	¥ 1,189,808	¥ 133,136	¥ 5,664,286
Segment profit	¥ 155,696	¥ 141,142	¥ 5,993	¥ 162,492	¥ 127,645	¥ 13,835	¥ 606,806
Segment assets	1,557,169	1,120,603	596,083	2,146,757	2,521,395	89,785	8,031,795
Other:							
Depreciation	13,154	24,061	3,218	65,473	27,355	3,175	136,439
Investments in affiliates accounted for by the equity method	2,715	65,324	21,072	2,981	23,236	1,555	116,886
Increase in property, plant and equipment and intangible assets	23,667	39,687	13,081	162,901	335,100	5,846	580,285

<i>Millions of yen</i>				
2026				
	Other	Total	Adjustments and eliminations	Consolidated
Sales:				
Sales to third parties	¥ 28,146	¥ 5,576,861	¥ —	¥ 5,576,861
Intersegment sales and transfers	27,689	143,260	(143,260)	—
Total	¥ 55,835	¥ 5,720,122	¥ (143,260)	¥ 5,576,861
Segment profit	¥ 4,204	¥ 611,011	¥ 3,868	¥ 614,879
Segment assets	163,653	8,195,448	216,971	8,412,419
Other:				
Depreciation	1,067	137,507	2,831	140,339
Investments in affiliates accounted for by the equity method	4,290	121,176	(27)	121,148
Increase in property, plant and equipment and intangible assets	3,291	583,576	27,254	610,830

<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	<u>¥ 1,144,505</u>	<u>¥ 1,376,089</u>	<u>¥ 269,427</u>	<u>¥ 1,227,145</u>	<u>¥ 1,369,730</u>	<u>¥ 131,180</u>	<u>¥ 5,518,078</u>
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	<u>¥ 50,918</u>	<u>¥ 5,568,997</u>	<u>¥ (134,177)</u>	<u>¥ 5,434,819</u>
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

Thousands of U.S. dollars

	2026						
	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	\$ 8,348,959	\$ 8,919,780	\$ 1,698,161	\$ 8,025,158	\$ 7,169,221	\$ 544,217	\$ 34,705,498
Intersegment sales and transfers	46,418	19,883	50,790	44,598	272,662	288,512	722,866
Total	\$ 8,395,377	\$ 8,939,663	\$ 1,748,952	\$ 8,069,757	\$ 7,441,883	\$ 832,730	\$ 35,428,365
Segment profit	\$ 973,835	\$ 882,805	\$ 37,486	\$ 1,016,340	\$ 798,380	\$ 86,537	\$ 3,795,385
Segment assets	9,739,616	7,009,030	3,728,318	13,427,306	15,770,547	561,577	50,236,396
Other:							
Depreciation	82,275	150,499	20,131	409,518	171,101	19,862	853,389
Investments in affiliates accounted for by the equity method	16,982	408,587	131,802	18,645	145,340	9,728	731,086
Increase in property, plant and equipment and intangible assets	148,031	248,233	81,822	1,018,897	2,095,950	36,568	3,629,503

Thousands of U.S. dollars

	2026			
	Other	Total	Adjustments and eliminations	Consolidated
Sales:				
Sales to third parties	\$ 176,046	\$ 34,881,545	\$ —	\$ 34,881,545
Intersegment sales and transfers	173,186	896,053	(896,053)	—
Total	\$ 349,233	\$ 35,777,598	\$ (896,053)	\$ 34,881,545
Segment profit	\$ 26,299	\$ 3,821,685	\$ 24,193	\$ 3,845,879
Segment assets	1,023,599	51,259,996	1,357,091	52,617,087
Other:				
Depreciation	6,674	860,064	17,713	877,777
Investments in affiliates accounted for by the equity method	26,833	757,919	(171)	757,748
Increase in property, plant and equipment and intangible assets	20,586	3,650,089	170,466	3,820,556

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

- 2) Adjustments and eliminations for segment profit (loss) of ¥3,868 million (\$24,193 thousand) and ¥14,738 million include an elimination of intersegment transactions of ¥(2,209) million (\$(13,821) thousand) and ¥(5,759) million, the amortization of goodwill and others of ¥699 million (\$4,375 thousand) and ¥699 million, and the corporate expenses not allocated to each business segment of ¥5,378 million (\$33,639 thousand) and ¥19,798 million for the years ended March 31, 2026 and 2025, respectively. Corporate expenses for the year ended March 31, 2026 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, 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.

Adjustments and eliminations for segment assets of ¥216,971 million (\$1,357,091 thousand) and ¥195,086 million include an elimination of intersegment transactions of ¥(72,411) million (\$(452,909) thousand) and ¥(53,749) million, and the corporate assets of ¥289,382 million (\$1,810,000 thousand) and ¥248,836 million for the years ended March 31, 2026 and 2025, respectively. Corporate assets primarily consist of the Company’s surplus funds (cash and bank deposits), the Company’s long-term investment funds (investment securities) and the assets associated with administration headquarters of the Company.

Adjustments and eliminations for depreciation of ¥2,831 million (\$17,713 thousand) and ¥2,075 million include an elimination of intersegment transactions of ¥(501) million (\$(3,136) thousand) and ¥(496) million, and the depreciation attributable to corporate assets of ¥3,333 million (\$20,849 thousand) and ¥2,571 million for the years ended March 31, 2026 and 2025, respectively.

Adjustments and eliminations for investments in affiliates accounted for by the equity method of ¥(27) million (\$171) thousand) and ¥(24) million represent an elimination of intersegment transactions for the years ended March 31, 2026 and 2025, respectively.

Adjustments and eliminations for increase in property, plant and equipment and intangible assets of ¥27,254 million (\$170,466 thousand) and ¥5,831 million include an elimination of intersegment transactions of ¥(507) million (\$(3,171) thousand) and ¥(2,201) million, and the headquarters’ capital investments in properties and equipment of ¥27,761 million (\$173,638 thousand) and ¥8,033 million for the years ended March 31, 2026 and 2025, 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>							
		2026							
	Single-family houses	Rental housing	Condominiums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Other	Adjustments and eliminations	Consolidated
Impairment losses	¥ 297	¥ 2,356	¥ 88	¥ 6,976	¥ 1,540	¥ 276	¥ 19,023	¥ 87	¥ 30,647

		<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>Thousands of U.S. dollars</i>							
		2026							
	Single-family houses	Rental housing	Condominiums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Other	Adjustments and eliminations	Consolidated
Impairment losses	\$ 1,858	\$ 14,741	\$ 555	\$ 43,634	\$ 9,638	\$ 1,728	\$ 118,987	\$ 548	\$ 191,693

Amortization of goodwill

		<i>Millions of yen</i>							
		2026							
	Single-family houses	Rental housing	Condo-miniums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Other	Adjustments and eliminations	Consolidated
Amortization	¥ 3,717	¥ 843	¥ 1,111	¥ 2,642	¥ 2,729	¥ (490)	¥ (15)	¥ -	¥ 10,539
Balance as of March 31, 2026	36,201	12,560	8,427	4,492	98,941	(702)	(3)	-	159,917

		<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

Thousands of U.S. dollars

	2026								
	Single- family houses	Rental housing	Condo- miniums	Commercial facilities	Logistics, business and corporate facilities	Environment and energy	Other	Adjustments and eliminations	Consolidated
Amortization	\$ 23,252	\$ 5,276	\$ 6,953	\$ 16,525	\$ 17,075	\$ (3,065)	\$ (96)	\$ -	\$ 65,920
Balance as of March 31, 2026	226,430	78,564	52,711	28,099	618,850	(4,395)	(24)	-	1,000,236

Gain on negative goodwill was nil for the years ended March 31, 2026 and 2025.

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>
	2026	2025	2026
Japan	¥ 4,553,305	¥ 4,534,375	\$ 28,479,517
United States	806,309	687,985	5,043,214
Overseas-others	217,246	212,458	1,358,812
Total	¥ 5,576,861	¥ 5,434,819	\$ 34,881,545

Note: Net sales are categorized based on the region in which business activities are conducted.

(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>
	2026	2025	2026
Japan	¥ 1,986,769	¥ 1,803,684	\$ 12,426,627
Overseas-others	356,302	337,667	2,228,559
Total	¥ 2,343,071	¥ 2,141,352	\$ 14,655,187

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.

28. Related Party Transactions

The Group has related party transactions with directors and their relatives of the Company. Principal transactions and balances between the Group and its related parties as of and for the year ended March 31, 2026 were as follows. None of those transactions were above the threshold for the disclosure requirements for the year ended March 31, 2025.

Millions of yen

Name	Location	Amount of capital	Nature of the business	Ownership ratio of voting shares	Relationship with the related party	Nature of transaction	Transaction amount	Account	Balance outstanding as of March 31, 2026
Yoshiyuki Murata's relatives	–	–	Representative Director	–	House construction	House construction	¥ 44	Other current liabilities	¥ 1

Thousands of U.S. dollars

Name	Location	Amount of capital	Nature of the business	Ownership ratio of voting shares	Relationship with the related party	Nature of transaction	Transaction amount	Account	Balance outstanding as of March 31, 2026
Yoshiyuki Murata's relatives	–	–	Representative Director	–	House construction	House construction	\$ 276	Other current liabilities	\$ 9

- Notes: 1) Transaction amount excludes consumption taxes, while the closing balance includes consumption taxes.
- 2) The above transaction has been transferred in the year ended March 31, 2026.
- 3) Business transactions with related parties are carried out on the same method as for third party transactions.

The Group has related party transactions with unconsolidated subsidiaries and affiliates of the Company. Principal transactions and balances between the Group and its related parties as of and for the year ended March 31, 2026 were as follows. None of those transactions were above the threshold for the disclosure requirements for the year ended March 31, 2025.

Millions of yen

Name	Location	Amount of capital	Nature of the business	Ownership ratio of voting shares	Relationship with the related party	Nature of transaction	Transaction amount	Account	Balance outstanding as of March 31, 2026
Sumitomo Densetsu Co., Ltd.	Osaka City, Osaka	¥ 6,440	Electrical construction work	40.89% owned by the related party	Underwriting of a capital increase	Underwriting of a capital increase	¥ 123,072	–	¥ –

Thousands of U.S. dollars

Name	Location	Amount of capital	Nature of the business	Ownership ratio of voting shares	Relationship with the related party	Nature of transaction	Transaction amount	Account	Balance outstanding as of March 31, 2026
Sumitomo Densetsu Co., Ltd.	Osaka City, Osaka	\$ 40,282	Electrical construction work	40.89% owned by the related party	Underwriting of a capital increase	Underwriting of a capital increase	\$ 769,777	–	\$ –

Notes: The Company acquired shares of Sumitomo Densetsu Co., Ltd. on December 22, 2025, as a result of which Sumitomo Densetsu Co., Ltd. became an affiliate accounted for by the equity method. Subsequently, Sumitomo Densetsu Co., Ltd. became a consolidated subsidiary of the Company on March 24, 2026, through a capital increase by way of a third-party allotment to the Company.

The Group has related party transactions between its consolidated subsidiaries and directors and their relatives of the Company. Principal transactions and balances between the Group and its related parties as of and for the year ended March 31, 2026 were as follows. None of those transactions were above the threshold for the disclosure requirements for the year ended March 31, 2025.

Millions of yen

Name	Location	Amount of capital	Nature of the business	Ownership ratio of voting shares	Relationship with the related party	Nature of transaction	Transaction amount	Account	Balance outstanding as of March 31, 2026
Muroverde Co., Ltd. (Note 1)	Ichikawa City, Chiba	¥ 30	Real estate leasing	–	Repair work	Repair work	¥ 16	–	¥ –

Thousands of U.S. dollars

Name	Location	Amount of capital	Nature of the business	Ownership ratio of voting shares	Relationship with the related party	Nature of transaction	Transaction amount	Account	Balance outstanding as of March 31, 2026
Muroverde Co., Ltd. (Note 1)	Ichikawa City, Chiba	\$ 187	Real estate leasing	–	Repair work	Repair work	\$ 105	–	\$ –

- Notes: 1) More than 50% of its shares are owned by Eiichi Shibata, a director and his relatives.
- 2) Transaction amount excludes consumption taxes.
- 3) The above transaction has been completed in the year ended March 31, 2026.
- 4) Business transactions with related parties are carried out on the same method as for third party transactions.

29. Subsequent Events

Dividends

The proposal for distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2026, has been submitted to a shareholders' meeting of the Company to be held on June 26, 2026:

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 26, 2026	Common stock	¥ 61,934	\$ 387,382	¥ 100	\$ 0.62	March 31, 2026	June 29, 2026

Stock Split

At a meeting of the Board of Directors held on May 13, 2026, it was resolved to implement a stock split as follows.

1. Purpose of the Stock Split

The purpose of the stock split is to reduce the investment amount per trading unit of the Company's shares, thereby further enhancing the liquidity of the Company's shares and expanding the investor base.

2. Overview of the Stock Split

(1) Method of the stock split

With a record date of September 30, 2026, the Company will implement a two-for-one stock split, whereby each share of the Company's common stock owned by shareholders listed or recorded in the final register of shareholders as of that date will be split into two shares.

(2) Increase in number of shares due to the stock split

Total number of issued shares prior to the stock split	659,636,182 shares
Increase in number of shares due to the stock split	659,636,182 shares
Total number of issued shares after the stock split	1,319,272,364 shares
Total number of authorized shares after the stock split	1,900,000,000 shares (unchanged)

Note: The above number of shares is based on the total number of issued shares as of May 13, 2026.

(3) Schedule for the stock split

Public notice of the record date (scheduled)	September 11, 2026 (Friday)
Record date	September 30, 2026 (Wednesday)
Effective date	October 1, 2026 (Thursday)

(4) Impact on per share information

Assuming that the stock split had been implemented at the beginning of the prior fiscal year, the per share information for the years ended March 31, 2026 and 2025 would have been as follows:

	For the year ended March 31, 2026 (From April 1, 2025 to March 31, 2026)	For the year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)
Net assets per share	¥ 2,338.55 (\$14.62)	¥ 2,113.08
Earnings per share	¥ 283.23 (\$1.77)	¥ 257.00

Note: Diluted earnings per share is not presented, as there were no dilutive potential shares.