

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025 and 2024

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED BALANCE SHEETS
March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
<u>Assets</u>			
Current assets:			
Cash and bank deposits (Notes 14, 15, 27 and 29)	¥ 391,641	¥ 457,976	\$ 2,619,148
Installment sales receivable (Notes 11 and 29)	582,451	616,144	3,895,218
Lease receivables and investment assets (Notes 11, 15, 28 and 29)	1,739,842	1,928,155	11,635,406
Loans receivable (Notes 15 and 29)	565,242	512,884	3,780,126
Short-term investment securities (Notes 29 and 30)	16,521	0	110,490
Merchandise	15,135	18,217	101,223
Real estate for sale (Notes 14 and 15)	441,335	240,837	2,951,483
Real estate for sale in progress (Notes 14 and 15)	50,609	5,834	338,460
Other (Notes 11, 14 and 15)	345,323	310,242	2,309,396
Allowance for doubtful accounts (Note 3)	(8,022)	(11,032)	(53,648)
Total current assets	4,140,082	4,079,261	27,687,300
Property and equipment:			
Assets for lease (Notes 3, 8, 14, 15 and 24)	4,860,828	4,724,677	32,507,383
Allowance for loss on disposal of assets for lease	—	(286)	—
Advances on purchases of assets for lease (Notes 14 and 15)	232,690	197,247	1,556,149
Other operating assets (Notes 8, 14, 15 and 24)	205,939	137,380	1,377,247
Advances on purchases of other operating assets	796	—	5,325
Property and equipment for internal use (Note 8)	17,901	21,512	119,715
Total property and equipment	5,318,156	5,080,530	35,565,818
Intangible assets:			
Goodwill	62,573	48,189	418,467
Other	77,046	66,636	515,259
Total intangible assets	139,620	114,826	933,726
Investments and other assets:			
Investment securities (Notes 15, 29 and 30)	476,212	360,983	3,184,727
Long-term loans receivable	3,055	11	20,437
Delinquent receivables (Notes 10, 15 and 29)	24,638	38,200	164,770
Deferred tax assets (Note 25)	12,649	12,956	84,595
Net defined benefit asset (Note 17)	246	161	1,650
Other (Notes 14 and 15)	33,431	27,209	223,577
Allowance for doubtful accounts (Note 3)	(14,443)	(18,083)	(96,591)
Total investments and other assets	535,790	421,440	3,583,166
Total assets	¥ 10,133,649	¥ 9,696,059	\$ 67,770,011

(Continued)

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED BALANCE SHEETS
March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Trade notes payable and accounts payable (Notes 11 and 29)	¥ 79,003	¥ 56,646	\$ 528,343
Short-term loans (Notes 12, 14, 15 and 29)	1,126,572	1,076,955	7,534,089
Long-term loans due within one year (Notes 12, 14, 15 and 29)	860,364	601,953	5,753,790
Bonds due within one year (Notes 13, 14, 15 and 29)	242,902	273,814	1,624,442
Commercial paper (Notes 12 and 29)	700,000	659,000	4,681,335
Long-term payables under securitization of lease receivables due within one year (Notes 12, 16 and 29)	6,665	11,141	44,578
Lease obligations (Notes 12, 15, 28 and 29)	7,819	9,141	52,296
Income taxes payable	17,899	21,177	119,705
Deferred profit on installment sales	35,054	35,224	234,430
Reserve for employee bonuses	3,889	3,131	26,015
Reserve for directors' bonuses	1,237	636	8,278
Other (Note 15)	237,096	234,337	1,585,613
Total current liabilities	3,318,506	2,983,159	22,192,915
Non-current liabilities:			
Bonds (Notes 13, 14, 15 and 29)	1,089,379	993,680	7,285,357
Long-term loans (Notes 12, 14, 15 and 29)	3,641,046	3,838,067	24,349,937
Long-term payables under securitization of lease receivables (Notes 12, 16 and 29)	23,104	22,627	154,514
Lease obligations (Notes 12, 15, 28 and 29)	23,988	23,504	160,427
Deferred tax liabilities (Note 25)	114,001	95,596	762,399
Reserve for directors' retirement benefits	331	690	2,215
Net defined benefit liability (Note 17)	3,227	809	21,586
Guarantee deposits received (Notes 15 and 29)	140,110	144,231	937,008
Asset retirement obligations (Note 19)	6,493	5,958	43,424
Other	245,596	209,814	1,642,456
Total non-current liabilities	5,287,279	5,334,979	35,359,324
Total liabilities	8,605,786	8,318,138	57,552,239
Net assets (Notes 18 and 22):			
Shareholders' equity:			
Capital stock	15,000	15,000	100,314
Capital surplus	421,857	421,857	2,821,226
Retained earnings	624,908	544,739	4,179,153
Treasury stock	(73,313)	(73,313)	(490,293)
Total shareholders' equity	988,453	908,283	6,610,400
Accumulated other comprehensive income:			
Net unrealized holding gains or losses on securities	30,244	26,875	202,266
Deferred gains or losses on hedges	(968)	1,827	(6,480)
Foreign currency translation adjustments	119,413	113,091	798,591
Remeasurements of defined benefit plans	525	1,724	3,511
Total accumulated other comprehensive income	149,214	143,519	997,888
Stock acquisition rights	118	118	790
Non-controlling interests	390,078	325,999	2,608,695
Total net assets	1,527,863	1,377,920	10,217,772
Total liabilities and net assets	¥ 10,133,649	¥ 9,696,059	\$ 67,770,011
See accompanying notes.			(Concluded)

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF INCOME
Years Ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
Revenues:			
Lease sales	¥ 1,658,368	¥ 1,650,574	\$ 11,090,543
Installment sales	353,525	431,160	2,364,245
Finance revenue	28,509	27,027	190,660
Other revenues (Note 33)	168,729	158,707	1,128,397
Total revenues	2,209,133	2,267,470	14,773,845
Costs and expenses (Note 3):			
Lease costs	1,297,391	1,313,781	8,676,466
Installment costs	329,481	408,580	2,203,445
Finance costs	160,948	151,120	1,076,362
Other costs	110,023	106,148	735,797
Total costs and expenses (Note 24)	1,897,845	1,979,631	12,692,069
Gross profit	311,287	287,839	2,081,776
Selling, general and administrative expenses (Note 23)	139,860	130,446	935,333
Operating income	171,427	157,392	1,146,443
Other income (expenses):			
Interest income	460	241	3,081
Dividend income	1,493	1,565	9,990
Interest expenses	(20,611)	(17,836)	(137,842)
Equity in earnings of affiliates	12,119	8,734	81,047
Value added tax refund	816	1,763	5,463
Foreign exchange gains (losses)	506	(1,068)	3,390
Amortization of bond issuance costs	(400)	(1,140)	(2,679)
Gain on sales of investment securities	3,084	13,156	20,627
Impairment loss (Note 24)	(6,068)	—	(40,582)
Loss on sales of investments in subsidiaries and affiliates	(4,012)	(94)	(26,836)
Other—net	1,811	(1,438)	12,112
Total other income (expenses)—net	(10,800)	3,882	(72,228)
Extraordinary gains (losses) (Note 3):			
Settlement income on insurance related to economic sanctions on Russia (Note 24)	74,022	82,972	495,034
Loss on economic sanctions on Russia (Note 24)	—	(19,486)	—
Total extraordinary gains (losses)—net	74,022	63,485	495,034
Profit before income taxes	234,649	224,761	1,569,249
Income taxes:			
Current	39,360	32,066	263,231
Deferred	13,701	21,264	91,629
Total income taxes	53,062	53,331	354,859
Profit	181,587	171,430	1,214,389
Profit attributable to non-controlling interests	47,673	41,698	318,823
Profit attributable to owners of parent	¥ 133,914	¥ 129,731	\$ 895,566
	Yen		U.S. Dollars (Note 1)
	2025	2024	2025
Per share of common stock (Note 36):			
Basic earnings per share	¥ 1,533.00	¥ 1,485.12	\$ 10.25
Diluted earnings per share	1,527.45	1,479.44	10.22
See accompanying notes.			

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
Profit	¥ 181,587	¥ 171,430	\$ 1,214,389
Other comprehensive income (Note 26):			
Net unrealized holding gains or losses on securities	3,386	(434)	22,647
Deferred gains or losses on hedges	(6,973)	(844)	(46,637)
Foreign currency translation adjustments	3,831	62,444	25,623
Remeasurements of defined benefit plans	(1,341)	1,698	(8,972)
Share of other comprehensive income of affiliates accounted for using equity method	894	2,947	5,981
Total other comprehensive income	(203)	65,810	(1,358)
Comprehensive income	¥ 181,384	¥ 237,241	\$ 1,213,031
Comprehensive income attributable to:			
Owners of parent	¥ 139,608	¥ 168,009	\$ 933,650
Non-controlling interests	41,775	69,232	279,381
See accompanying notes.			

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years Ended March 31, 2025 and 2024

	Millions of Yen				
	Shareholders' Equity				Total Shareholders' Equity
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	
Balance at April 1, 2023	¥ 15,000	¥ 421,975	¥ 440,339	¥ (73,313)	¥ 804,002
Changes during the period					
Dividends			(25,332)		(25,332)
Profit attributable to owners of parent			129,731		129,731
Change in ownership interest of parent due to transactions with non-controlling interests		(118)			(118)
Change in scope of consolidation			1		1
Net changes other than shareholders' equity					
Total changes during the period	—	(118)	104,400	—	104,281
Balance at March 31, 2024	¥ 15,000	¥ 421,857	¥ 544,739	¥ (73,313)	¥ 908,283
	Accumulated Other Comprehensive Income				Total Accumulated Other Comprehensive Income
	Net Unrealized Holding Gains or Losses on Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	
Balance at April 1, 2023	¥ 27,343	¥ 2,260	¥ 75,836	¥ (198)	¥ 105,242
Changes during the period					
Dividends					
Profit attributable to owners of parent					
Change in ownership interest of parent due to transactions with non-controlling interests					
Change in scope of consolidation					
Net changes other than shareholders' equity	(467)	(432)	37,255	1,922	38,277
Total changes during the period	(467)	(432)	37,255	1,922	38,277
Balance at March 31, 2024	¥ 26,875	¥ 1,827	¥ 113,091	¥ 1,724	¥ 143,519
	Stock Acquisition Rights	Non-controlling Interests	Total Net Assets		
Balance at April 1, 2023	¥ 122	¥ 265,923	¥ 1,175,290		
Changes during the period					
Dividends			(25,332)		
Profit attributable to owners of parent			129,731		
Change in ownership interest of parent due to transactions with non-controlling interests			(118)		
Change in scope of consolidation			1		
Net changes other than shareholders' equity	(4)	60,075	98,348		
Total changes during the period	(4)	60,075	202,630		
Balance at March 31, 2024	¥ 118	¥ 325,999	¥ 1,377,920		

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years Ended March 31, 2025 and 2024

Millions of Yen

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at April 1, 2024	¥ 15,000	¥ 421,857	¥ 544,739	¥ (73,313)	¥ 908,283
Changes during the period					
Dividends			(42,454)		(42,454)
Profit attributable to owners of parent			133,914		133,914
Sales of investments in consolidated subsidiaries		0			0
Change in scope of consolidation			(14)		(14)
Change in scope of equity method			(11,276)		(11,276)
Net changes other than shareholders' equity					
Total changes during the period	—	0	80,168	—	80,169
Balance at March 31, 2025	¥ 15,000	¥ 421,857	¥ 624,908	¥ (73,313)	¥ 988,453

	Accumulated Other Comprehensive Income				
	Net Unrealized Holding Gains or Losses on Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income
Balance at April 1, 2024	¥ 26,875	¥ 1,827	¥ 113,091	¥ 1,724	¥ 143,519
Changes during the period					
Dividends					
Profit attributable to owners of parent					
Sales of investments in consolidated subsidiaries					
Change in scope of consolidation					
Change in scope of equity method					
Net changes other than shareholders' equity	3,368	(2,796)	6,321	(1,199)	5,694
Total changes during the period	3,368	(2,796)	6,321	(1,199)	5,694
Balance at March 31, 2025	¥ 30,244	¥ (968)	¥ 119,413	¥ 525	¥ 149,214

	Stock Acquisition Rights	Non-controlling Interests	Total Net Assets
Balance at April 1, 2024	¥ 118	¥ 325,999	¥ 1,377,920
Changes during the period			
Dividends			(42,454)
Profit attributable to owners of parent			133,914
Sales of investments in consolidated subsidiaries			0
Change in scope of consolidation			(14)
Change in scope of equity method			(11,276)
Net changes other than shareholders' equity	(0)	64,078	69,773
Total changes during the period	(0)	64,078	149,942
Balance at March 31, 2025	¥ 118	¥ 390,078	¥ 1,527,863

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years Ended March 31, 2025 and 2024

Thousands of U.S. Dollars (Note 1)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at April 1, 2024	\$ 100,314	\$2,821,221	\$3,643,014	\$ (490,293)	\$6,074,256
Changes during the period					
Dividends			(283,917)		(283,917)
Profit attributable to owners of parent			895,566		895,566
Sales of investments in consolidated subsidiaries		5			5
Change in scope of consolidation			(98)		(98)
Change in scope of equity method			(75,412)		(75,412)
Net changes other than shareholders' equity					
Total changes during the period	—	5	536,138	—	536,143
Balance at March 31, 2025	<u>\$ 100,314</u>	<u>\$2,821,226</u>	<u>\$4,179,153</u>	<u>\$ (490,293)</u>	<u>\$6,610,400</u>
	Accumulated Other Comprehensive Income				
	Net Unrealized Holding Gains or Losses on Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income
Balance at April 1, 2024	\$ 179,735	\$ 12,222	\$ 756,314	\$ 11,534	\$ 959,804
Changes during the period					
Dividends					
Profit attributable to owners of parent					
Sales of investments in consolidated subsidiaries					
Change in scope of consolidation					
Change in scope of equity method					
Net changes other than shareholders' equity	22,530	(18,702)	42,277	(8,022)	38,084
Total changes during the period	22,530	(18,702)	42,277	(8,022)	38,084
Balance at March 31, 2025	<u>\$ 202,266</u>	<u>\$ (6,480)</u>	<u>\$ 798,591</u>	<u>\$ 3,511</u>	<u>\$ 997,888</u>
	Stock Acquisition Rights	Non-controlling Interests	Total Net Assets		
Balance at April 1, 2024	\$ 792	\$2,180,161	\$ 9,215,013		
Changes during the period					
Dividends			(283,917)		
Profit attributable to owners of parent			895,566		
Sales of investments in consolidated subsidiaries			5		
Change in scope of consolidation			(98)		
Change in scope of equity method			(75,412)		
Net changes other than shareholders' equity	(2)	428,534	466,616		
Total changes during the period	(2)	428,534	1,002,759		
Balance at March 31, 2025	<u>\$ 790</u>	<u>\$2,608,695</u>	<u>\$ 10,217,772</u>		

See accompanying notes.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
Cash flows from operating activities:			
Profit before income taxes	¥ 234,649	¥ 224,761	\$ 1,569,249
Depreciation and other amortization	179,472	193,704	1,200,241
Impairment loss	10,694	10,958	71,523
Amortization of goodwill	9,414	9,425	62,962
Increase (decrease) in allowance for doubtful accounts	(10,635)	(1,044)	(71,126)
Increase (decrease) in other reserves (Note 27)	(21)	426	(145)
Increase (decrease) in net defined benefit liability	202	281	1,351
Loss (gain) on disposal of property and equipment for internal use	51	175	342
Loss (gain) on valuation of investment securities	938	1,171	6,279
Loss (gain) on liquidation of investment securities	7	8	53
Loss on valuation of golf club membership	10	3	67
Gain on revision of retirement benefit plan	(1,073)	—	(7,181)
Loss on economic sanctions on Russia	—	19,486	—
Settlement income on insurance related to economic sanctions on Russia	(74,022)	(82,972)	(495,034)
Interest income and dividend income	(1,954)	(1,807)	(13,071)
Interest expenses	181,559	168,956	1,214,203
Amortization of bond issuance costs	400	1,140	2,679
Loss (gain) on step acquisitions	(1,013)	—	(6,775)
Equity in losses (earnings) of affiliates	(12,119)	(8,734)	(81,047)
Loss (gain) on disposal of assets for lease	(24,687)	(29,009)	(165,103)
Loss (gain) on sales of investment securities	(2,885)	(13,072)	(19,300)
Loss (gain) on sales of investments in subsidiaries and affiliates	4,012	94	26,836
Loss (gain) on sale of business	(747)	—	(4,996)
Decrease (increase) in installment sales receivable	42,803	41,306	286,255
Net decrease (increase) in lease receivables and investment assets	201,992	190,028	1,350,851
Decrease (increase) in loans receivable	(49,711)	93,303	(332,452)
Decrease (increase) in operational investment securities	(113,715)	(43,023)	(760,484)
Decrease (increase) in delinquent receivables	17,788	1,711	118,960
Decrease (increase) in real estate for sale	(57,617)	(74,587)	(385,322)
Decrease (increase) in real estate for sale in progress	(16,141)	(1,101)	(107,951)
Purchase of assets for lease	(783,577)	(604,799)	(5,240,272)
Proceeds from sales of assets for lease	490,527	465,762	3,280,459
Decrease (increase) in advances on purchases of assets for lease	(37,079)	(36,102)	(247,974)
Purchase of other operating assets	(28,140)	(22,596)	(188,192)
Increase (decrease) in trade notes payable and accounts payable	16,548	(19,678)	110,669
Other—net	22,236	(21,165)	148,711
	198,166	463,013	1,325,265
Interest and dividends received	5,613	5,764	37,538
Interest paid	(181,074)	(161,157)	(1,210,958)
Settlement received on insurance related to economic sanctions on Russia	74,022	114,371	495,034
Income taxes paid	(41,682)	(27,603)	(278,756)
Net cash provided by (used in) operating activities	55,045	394,387	368,123

(Continued)

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
Cash flows from investing activities:			
Purchase of property and equipment for internal use	(20,988)	(16,612)	(140,364)
Proceeds from sales of property and equipment for internal use	1,657	2	11,083
Purchase of investment securities	(4,629)	(8,338)	(30,960)
Proceeds from sales and redemption of investment securities	15,095	24,981	100,950
Decrease (increase) in time deposits	(22)	(2,762)	(149)
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 27)	(58,532)	(2,686)	(391,441)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	3,160	—	21,137
Proceeds from sale of business	1,996	—	13,351
Other—net	(79)	(24)	(531)
Net cash provided by (used in) investing activities	(62,342)	(5,440)	(416,923)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	44,589	(124,094)	298,195
Net increase (decrease) in commercial paper	41,000	(240,700)	274,192
Proceeds from long-term loans	713,769	1,167,510	4,773,420
Repayments of long-term loans	(854,697)	(1,332,014)	(5,715,896)
Proceeds from securitization of lease receivables	8,154	10,810	54,532
Repayments of payables under securitization of lease receivables	(12,152)	(45,700)	(81,272)
Proceeds from issuance of bonds	339,094	538,684	2,267,735
Redemption of bonds	(272,197)	(189,365)	(1,820,354)
Repayments of lease obligations	(1,156)	(1,891)	(7,737)
Increase (decrease) in cash collateral received	(4,985)	4,517	(33,339)
Cash dividends paid	(42,454)	(25,332)	(283,917)
Cash dividends paid to non-controlling interests	(5,419)	(8,991)	(36,243)
Payments from non-controlling interests	43	9	288
Repayments to non-controlling interests	(160)	(34)	(1,070)
Net cash provided by (used in) financing activities	(46,573)	(246,593)	(311,466)
Effect of exchange rate change on cash and cash equivalents	2,118	14,631	14,166
Net increase (decrease) in cash and cash equivalents	(51,752)	156,984	(346,100)
Cash and cash equivalents at the beginning of the year	454,813	297,872	3,041,622
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(16)	(43)	(107)
Cash and cash equivalents at the end of the year (Note 27)	<u>¥ 403,045</u>	<u>¥ 454,813</u>	<u>\$ 2,695,415</u>
See accompanying notes.			(Concluded)

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of Sumitomo Mitsui Finance and Leasing Company, Limited (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan (the “FIEA”) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

These consolidated financial statements have been restructured and translated into English from the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

Some supplementary information included in the statutory Japanese language consolidated financial statements, but not necessarily required for fair presentation, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. As permitted by the FIEA, amounts less than one million yen have been omitted. As a result, the totals shown in the consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2025, which was ¥149.53 to US\$1. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that rate.

2. SIGNIFICANT ACCOUNTING POLICIES FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS

(1) Scope of consolidation

(a) Consolidated subsidiaries

As of and for the year ended March 31, 2025

Number of consolidated subsidiaries: 329 companies

SMFL MIRAI Partners Co., Ltd.

Kenedix, Inc. and its 56 subsidiaries

CRE, Inc. and its 11 subsidiaries

SC Club Co., Ltd.

SFI Leasing Company, Limited

SMFL Rental Company, Limited

AJCC Corporation

MAX-REALTY INC.

YANMAR CREDIT SERVICE CO., LTD.

SMFL Trust Company, Limited

SMFL Business Service Company, Limited

SMBC Aviation Capital Limited

SMBC Aviation Capital (UK) Limited

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
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SMBC Aero Engine Lease B.V.
SMFL LCI Helicopters Limited
SMFL MIRAI PARTNERS (SINGAPORE) PTE. LTD.
Aravest Pte. Ltd. and its 33 subsidiaries
Sumitomo Mitsui Finance and Leasing (China) Co., Ltd.
Shanghai Sumitomo Mitsui General Finance and Leasing Co., Ltd.
Sumitomo Mitsui Finance and Leasing (Singapore) Pte. Ltd.
SMFL Hire Purchase (Malaysia) Sdn. Bhd.
SMFL Leasing (Malaysia) Sdn. Bhd.
PT. SMFL Leasing Indonesia
DMG MORI Finance GmbH
SMFL Leasing (Thailand) Co., Ltd.
Sumitomo Mitsui Finance and Leasing (Hong Kong) Ltd.
Other 203 companies

In the year ended March 31, 2025, CRE, Inc., which had been accounted for by the equity method, and its 11 subsidiaries became consolidated subsidiaries of the Company because the Group acquired additional shares of CRE, and Aravest Pte. Ltd. and its 33 subsidiaries became consolidated subsidiaries of the Company because the Group acquired the shares of Aravest.

Forty-one companies became consolidated subsidiaries of the Company mainly because they were established.

One hundred and two companies were excluded from the scope of consolidation mainly because they were liquidated.

As of and for the year ended March 31, 2024

Number of consolidated subsidiaries: 344 companies

SMFL MIRAI Partners Co., Ltd.
Kenedix, Inc. and its 57 subsidiaries
SC Club Co., Ltd.
SFI Leasing Company, Limited
SMFL Rental Company, Limited
AJCC Corporation
MAX-REALTY INC.
YANMAR CREDIT SERVICE CO., LTD.
SMFL Trust Company, Limited
SMFL Business Service Company, Limited
SMBC Aviation Capital Limited
SMBC Aviation Capital (UK) Limited
SMBC Aero Engine Lease B.V.
SMFL LCI Helicopters Limited
Sumitomo Mitsui Finance and Leasing (China) Co., Ltd.

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Shanghai Sumitomo Mitsui General Finance and Leasing Co., Ltd.

Sumitomo Mitsui Finance and Leasing (Singapore) Pte. Ltd.

SMFL Hire Purchase (Malaysia) Sdn. Bhd.

SMFL Leasing (Malaysia) Sdn. Bhd.

PT. SMFL Leasing Indonesia

DMG MORI Finance GmbH

SMFL Leasing (Thailand) Co., Ltd.

Sumitomo Mitsui Finance and Leasing (Hong Kong) Ltd.

Other 264 companies

Thirty-five companies became consolidated subsidiaries of the Company mainly because the Group acquired their shares in the year ended March 31, 2024.

Shanghai Sumitomo Mitsui Finance and Leasing Co., Ltd. and Kyushu Capital Finance Co., Ltd. merged into Shanghai Sumitomo Mitsui General Finance and Leasing Co., Ltd. and the Company, respectively, and ceased to exist. Accordingly, they were excluded from the scope of consolidation.

Thirty-five companies were excluded from the scope of consolidation mainly because they were liquidated in the year ended March 31, 2024.

(b) Unconsolidated subsidiaries

For the year ended March 31, 2025

Eifel Leasing Co., Ltd. and other 158 unconsolidated subsidiaries have been excluded from the scope of consolidation pursuant to Article 5, paragraph (1), item (ii) of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements because they are operators of silent partnerships for lease transactions and their assets or profits/losses do not belong to them substantially.

Aoi Leasing Co., Ltd. and other 75 unconsolidated subsidiaries have been excluded from the scope of consolidation because they are small businesses and the effect of their total assets, revenues, profit or loss (the amount in proportion to the share held by the Company), and retained earnings (the amount in proportion to the share held by the Company) on the accompanying consolidated financial statements is insignificant.

For the year ended March 31, 2024

Eifel Leasing Co., Ltd. and other 148 unconsolidated subsidiaries have been excluded from the scope of consolidation pursuant to Article 5, paragraph (1), item (ii) of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements because they are operators of silent partnerships for lease transactions and their assets or profits/losses do not belong to them substantially.

Aoi Leasing Co., Ltd. and other 80 unconsolidated subsidiaries have been excluded from the scope of consolidation because they are small businesses and the effect of their total assets, revenues, profit or loss (the amount in proportion to the share held by the Company), and retained earnings (the amount in proportion to the share held by the Company) on the accompanying consolidated financial statements is insignificant.

(2) Application of the equity method

(a) Affiliates accounted for by the equity method

As of and for the year ended March 31, 2025

Number of affiliates accounted for by the equity method: 88 companies

Sumitomo Mitsui Auto Service Company, Limited

SMART Incorporated

Mirai Partners Co., Ltd.

The Shimizu Lease and Card Co., Ltd.

LCI Investments Limited

SMBC Leasing (UK) Limited

Other 82 companies

In the year ended March 31, 2025, CRE, Inc. were excluded from the scope of equity method because the Group acquired additional shares of CRE and it became a consolidated subsidiary of the Company. Consequently, CRE's 32 affiliates were included in the scope of equity method.

Six affiliates of Aravest Pte. Ltd. were included in the scope of equity method because the Group acquired the shares of Aravest.

Twelve companies were included in the scope of equity method mainly because they were established.

NEC Capital Solutions Limited was excluded from the scope of equity method because the Group sold the shares of NEC Capital Solutions and the percentage of voting rights in it held by the Group decreased.

Six companies were excluded from the scope of equity method mainly because they were liquidated.

As of and for the year ended March 31, 2024

Number of affiliates accounted for by the equity method: 46 companies

Sumitomo Mitsui Auto Service Company, Limited

NEC Capital Solutions Limited

CRE, Inc.

SMART Incorporated

Mirai Partners Co., Ltd.

The Shimizu Lease and Card Co., Ltd.

LCI Investments Limited

SMBC Leasing (UK) Limited

Other 38 companies

LCI Investments Limited and other seven companies were included in the scope of equity method mainly because the Group acquired their shares in the year ended March 31, 2024.

Four companies were excluded from the scope of equity method mainly because they were liquidated in the year ended March 31, 2024.

(b) Unconsolidated subsidiaries or affiliates not accounted for by the equity method

For the year ended March 31, 2025

Eifel Leasing Co., Ltd. and other 158 unconsolidated subsidiaries have been excluded from the scope of equity method pursuant to Article 10, paragraph (1), item (ii) of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements because they are operators of silent partnerships for lease transactions and their assets or profits/losses do not belong to them substantially.

Aoi Leasing Co., Ltd. and other 75 unconsolidated subsidiaries, and Bangkok SMBC Consulting Co., Ltd. and other four affiliates have been excluded from the scope of equity method because the effect of their profit or loss (the amount in proportion to the share held by the Company) and retained earnings (the amount in proportion to the share held by the Company) on the accompanying consolidated financial statements is insignificant.

For the year ended March 31, 2024

Eifel Leasing Co., Ltd. and other 148 unconsolidated subsidiaries have been excluded from the scope of equity method pursuant to Article 10, paragraph (1), item (ii) of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements because they are operators of silent partnerships for lease transactions and their assets or profits/losses do not belong to them substantially.

Aoi Leasing Co., Ltd. and other 80 unconsolidated subsidiaries, and Bangkok SMBC Consulting Co., Ltd., an affiliate of the Company, have been excluded from the scope of equity method because the effect of their profit or loss (the amount in proportion to the share held by the Company) and retained earnings (the amount in proportion to the share held by the Company) on the accompanying consolidated financial statements is insignificant.

(3) Balance sheet dates of consolidated subsidiaries

For the year ended March 31, 2025

The balance sheet date of Sumitomo Mitsui Finance and Leasing (China) Co., Ltd. and other 120 consolidated subsidiaries is December 31, the balance sheet date of Bond Bridge Three Tokumei Kumiai and other four consolidated subsidiaries is January 31, and the balance sheet date of Aviation Management Co., Ltd. and other four companies is the end of February. Their financial statements as of their respective balance sheet dates are used for consolidation because the differences between their balance sheet dates and the consolidated balance sheet date are three months or less.

Necessary adjustments have been made for consolidation purposes to reflect any significant transactions that occurred between their balance sheet dates and the consolidated balance sheet date.

Financial statements of Otemachi 142 Tokutei Mokuteki Kaisha and other 167 consolidated subsidiaries provisionally prepared as of the consolidated balance sheet date have been used.

For the year ended March 31, 2024

The balance sheet date of Sumitomo Mitsui Finance and Leasing (China) Co., Ltd. and other 73 companies is December 31, the balance sheet date of a silent partnership whose operator is Goudo Kaisha MPHGB is January 31, and the balance sheet date of Aviation Management Co., Ltd. and other two companies is the end of February. Their financial statements as of their respective balance sheet dates are used for consolidation because the differences between their balance sheet dates and the consolidated balance sheet date are three months or less.

Necessary adjustments have been made for consolidation purposes to reflect any significant transactions that occurred between their balance sheet dates and the consolidated balance sheet date.

Financial statements of Otemachi 142 Tokutei Mokuteki Kaisha and other 236 companies provisionally prepared as of the consolidated balance sheet date have been used.

(4) Accounting policies

(a) Securities

Other securities (Securities other than trading purpose securities, held-to-maturity securities and investments in unconsolidated subsidiaries and affiliates are classified as “Other securities.”)

Other securities other than stocks, etc. with no market value are carried at their year-end market prices. Unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets. The costs of securities sold are calculated by the moving-average method.

Stocks, etc. with no market value are stated at cost determined by the moving-average method.

As for investments in investment limited partnerships and other similar partnerships, which are deemed to be securities under Article 2, paragraph (2) of the FIEA, the Group’s share of each partnership’s net assets and profit or loss is recognized on a net basis based on the partnership’s most recent financial statements that are available depending on the reporting date prescribed in the relevant partnership agreement.

(b) Derivative transactions

Derivative transactions are carried at fair value, unless the allocation method or the special treatment for hedge accounting is applied, in which case the derivative transaction balances are not recorded as assets or liabilities.

(c) Inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost, which is determined by the specific identification method, or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of net selling value, if appropriate.

(d) Assets for lease

Assets for lease are generally depreciated to the estimated disposal value at the end of the lease term using the straight-line method over the lease term or the estimated useful lives of the assets.

(e) Other operating assets

Other operating assets are generally depreciated to the estimated disposal value using the straight-line method over the estimated useful lives of the assets.

(f) Property and equipment for internal use (excluding Leased assets)

Depreciation of property and equipment of the Company and its domestic consolidated subsidiaries is generally calculated using the declining-balance method, while depreciation of buildings as well as facilities attached to buildings and structures acquired on or after April 1, 2016 is calculated using the straight-line method. Depreciation of property and equipment of overseas consolidated subsidiaries is generally calculated using the straight-line method. The estimated useful lives of major items are as follows:

Buildings:	2 to 50 years
Office equipment:	2 to 20 years

(g) Intangible assets (excluding Goodwill and Leased assets)

Capitalized software for internal use owned by the Company and its consolidated subsidiaries is amortized using the straight-line method over its estimated useful life (basically five years). Amortization of other intangible assets is calculated using the straight-line method.

(h) Leased assets used as lessees

Leased assets under finance leases that do not transfer ownership are depreciated using the straight-line method over the lease term with no residual value.

(i) Allowance for doubtful accounts

Allowance for doubtful accounts is provided for probable losses on receivables. Allowance for doubtful accounts for normal receivables is computed based on the historical percentage of bad debts, while allowance for doubtful accounts for specifically identified doubtful receivables is based on the estimate of uncollectible amounts.

As for claims in bankruptcy, etc., the amounts deemed uncollectible are directly written off. The amounts directly written off for the years ended March 31, 2025 and 2024 were ¥31,162 million (\$208,400 thousand) and ¥32,980 million, respectively.

(j) Allowance for loss on disposal of assets for lease

To provide for possible losses from the disposal of assets for lease on expiration of the lease, losses are estimated on an individual asset basis, and allowance for loss on disposal of assets for lease is recorded at the estimated amount of losses.

(k) Reserve for employee bonuses

Reserve for employee bonuses is provided for payment of bonuses to employees in the amount of estimated bonuses which are attributable to the fiscal year.

(l) Reserve for directors' bonuses

Reserve for directors' bonuses is provided for payment of bonuses to directors in the amount of estimated bonuses which are attributable to the fiscal year.

(m) Reserve for directors' retirement benefits

Reserve for directors' retirement benefits is provided for payment of retirement benefits to directors, corporate auditors and other executive officers in the amount deemed accrued at the fiscal year-end based on the Company's internal regulations.

(n) Accounting methods for severance and retirement benefits

The benefit formula basis is used to attribute expected retirement benefits to each fiscal year in calculating projected benefit obligations.

Unrecognized past service costs are amortized under the straight-line method over a certain period (primarily 10 years) within the estimated average remaining service period of employees, commencing from the fiscal year of incurrence.

Unrecognized actuarial gains and losses are amortized under the straight-line method over a certain period (primarily 10 years) within the estimated average remaining service period of employees, commencing from the next fiscal year of incurrence.

Additional information

The Company shifted from part of its defined benefit pension plan and lump-sum severance indemnity plan to a defined contribution pension plan in the year ended March 31, 2025.

The "Accounting for Transfer between Retirement Benefit Plans" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 1, revised on December 16, 2016) and the "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (Practical Issues Task Force ("PITF") No. 2, revised on February 7, 2007) were applied to account for the shift.

(o) Recognition of revenues and expenses

(i) Recognition of revenue and expense on finance leases

Lease sales and related costs and expenses are recognized when lease payments become due.

(ii) Recognition of revenue on operating leases

Lease sales are recognized on the straight-line basis over the lease term, based on the contractual amount of lease fees per month.

(p) Foreign currency translation

All receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income. All assets, liabilities, revenues and expenses in the financial statements of overseas subsidiaries and affiliates are translated into Japanese yen at the spot exchange rate at the consolidated balance sheet date or their balance sheet date. The resulting foreign currency translation adjustments are shown as "Foreign currency translation adjustments" or in "Non-controlling interests" in net assets.

(q) Hedge accounting

(i) Hedge accounting methods

The Group generally applies either deferral hedge accounting or fair value hedge accounting. The Group applies the allocation method to foreign exchange forward contracts and other contracts that meet certain criteria and the special treatment to interest rate swaps meeting certain criteria.

(ii) Hedging instruments and hedged items

Hedging instruments: Loans denominated in foreign currencies, foreign exchange forward contract transactions, currency swap transactions, interest rate swap transactions, and others

Hedged items: Investments in equity interests in overseas subsidiaries and affiliates, other securities denominated in foreign currencies, future transactions, loans, and others

(iii) Hedging policy and method of assessing hedge effectiveness

The Group uses derivative transactions to reduce foreign exchange and interest rate fluctuation risks associated with business activities and manage assets, liabilities, profits and losses comprehensively.

For the comprehensive hedges where the hedged item is a group of loans and the hedging instruments are interest rate swaps, etc., the Group assesses the hedge effectiveness by comparing the accumulated fluctuation of cash flows from the hedged item with those from the hedging instruments between the inception of the hedges and the fiscal year-end.

As for fair value hedges applied to other securities denominated in foreign currencies, the Group assesses the hedge effectiveness by identifying an item to be hedged in advance and comparing the ratios of fluctuations of the hedged item (other securities dominated in foreign currencies) and the hedging instrument (loans denominated in foreign currencies, etc.) due to changes in foreign exchange rates.

(r) Goodwill

Goodwill is amortized using the straight-line method within 20 years over which the effect of return on the investment is expected to be realized. However, immaterial goodwill is charged to expense directly when it arises.

(s) Scope of “Cash and cash equivalents” on consolidated statements of cash flows

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents represent cash, demand deposits, and short-term investments due within three months from the date of acquisition that are easily convertible into cash with little or no risk from fluctuation in value.

(t) Interest expenses on development projects

Interest expenses for large real estate development projects during the normal development period are included in the acquisition costs.

(u) Application of group tax sharing system

The group tax sharing system is applied. The Company and some of its domestic consolidated subsidiaries account for and disclose the corporation tax and the local corporation tax as well as the deferred taxes in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No. 42, issued on August 12, 2021).

3. SIGNIFICANT ACCOUNTING ESTIMATES

(1) Allowance for doubtful accounts

(a) Amounts in the consolidated financial statements

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2025	2024	2025
Allowance for doubtful accounts	¥ 22,465	¥ 29,115	\$ 150,237

(b) Other information that assists users of consolidated financial statements in understanding the nature of the estimates

The allowance for doubtful accounts is provided for probable losses on installment sales receivable, lease receivables and investment assets, loans receivable, delinquent receivables, and others. The allowance for doubtful accounts for normal receivables is computed based on the historical percentage of bad debts, while the allowance for doubtful accounts for specifically identified doubtful receivables is based on the estimate of uncollectible amounts taking into consideration the collateral values and other factors, by each borrower category classified according to credit risk based on the results of asset self-assessment in accordance with internal self-assessment standards for assets.

The determination of borrower categories is based on quantitative factors such as financial indicators as well as information related to qualitative factors such as future performance outlooks and cash flow conditions in accordance with the self-assessment standards established by the Group.

In the event of changes in the business conditions of the debtors or collateral values on which such estimates are based, additional provision may be required.

(2) Impairment losses on assets for lease

(a) Amounts in the consolidated financial statements

As of and for the year ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Assets for lease	¥ 4,860,828	¥ 4,724,677	\$ 32,507,383
Impairment losses on assets for lease.....			
Costs and expenses	4,626	10,935	30,937
Extraordinary losses.....	—	19,486	—

(b) Other information that assists users of consolidated financial statements in understanding the nature of the estimates

For an asset for lease or a group of assets for lease for which there is an indication of impairment, when such asset for lease or group of assets for lease is required to be written down, the Group reduces its carrying amount to the recoverable amount and records the reduction as an impairment loss.

The recoverable amount of assets for lease is measured as the higher of the net realizable value, which is the fair value of the assets for lease less estimated costs of disposal (or the fair value less costs of disposal for overseas consolidated subsidiaries applying IFRS), and the value in use. Net realizable value or fair value is determined based on market value, and value in use is determined based on future cash flows based on factors including lease contracts and estimated residual values, and discount rates based on factors including market interest rates and other market conditions.

The future cash flows and discount rates used as assumptions in the estimates are calculated based on the secondhand trading market and other market conditions, taking into consideration the status of lease contracts as of the end of the fiscal year.

Impairment losses may be recognized in the event of any changes in the assumptions and/or suppositions.

4. CHANGES IN ACCOUNTING POLICIES

For the year ended March 31, 2025

Application of Accounting Standard for Current Income Taxes and other standard and guidance

The Company and its domestic consolidated subsidiaries started to apply the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, revised on October 28, 2022; the “Standard” in this section) and other standard and guidance at the beginning of the year ended March 31, 2025.

The revision on where to record income tax expense (taxation on other comprehensive income) was accounted for in accordance with the transitional provision in the proviso to paragraph 20-3 of the Standard and the transitional provision in the proviso to paragraph 65-2 (2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, revised on October 28, 2022; the “Guidance” in this section). These changes in accounting policies had no effect on the consolidated financial statements.

For the revision related to the review of the treatment in consolidated financial statements when gains or losses on sales arising from the sale of subsidiaries’ stocks and others among consolidated companies are deferred for tax purposes, the Company and its domestic consolidated subsidiaries started to apply the Guidance at the beginning of the year ended March 31, 2025. This change in accounting policy has been accounted for retrospectively and had no effect on the consolidated financial statements for the year ended March 31, 2024.

Application of Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules

The Company and its domestic consolidated subsidiaries started to apply the “Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules” (Practical Solution No. 46, issued on March 22, 2024) at the beginning of the year ended March 31, 2025. There were insignificant effects on the consolidated financial statements.

For the year ended March 31, 2024

There were no changes in accounting policies in the year ended March 31, 2024.

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

(1) Overview

As part of efforts to make Japanese accounting standards aligned with international ones, the ASBJ made deliberations on the basis of international accounting standards to develop an accounting standard for leases under which assets and liabilities are recognized for all leases by lessees and consequently issued the above accounting standard for leases and other pronouncements. While the accounting standard and other pronouncements were developed on the basis of a single accounting model under IFRS 16 as basic policy, they are simple and useful because they incorporated only major provisions of IFRS 16 instead of all the provisions. They were also designed so that no adjustments are generally required for non-consolidated financial statements even if they are prepared in accordance with the provisions under IFRS 16.

For lessees’ accounting for lease expenses, the accounting standard provides a single accounting model that requires lessees to depreciate a right-of-use asset and recognize interest expense on a lease obligation for all leases, regardless of whether the lease is a finance lease or an operating lease as is the case in IFRS 16.

(2) Scheduled date of application

The Company and its domestic consolidated subsidiaries start to apply the standard and other pronouncements at the beginning of the year ending March 31, 2028.

(3) Effects of the application of the standards and other pronouncements

The Company is currently evaluating the effects of applying the standard and other pronouncements on its consolidated financial statements.

6. CHANGES IN PRESENTATION

For the year ended March 31, 2025

There were no changes in presentation in the year ended March 31, 2025.

For the year ended March 31, 2024

There were no changes in presentation in the year ended March 31, 2024.

7. ADDITIONAL INFORMATION

For the year ended March 31, 2025

There was no additional information in the year ended March 31, 2025.

For the year ended March 31, 2024

Acquisition of private placement fund business from ARA Asset Management Limited

The Board of Directors of the Company passed a resolution that SMFL Mirai Partners (Singapore) Pte. Ltd. (“MPS”), a consolidated subsidiary of the Company, would acquire a private placement fund business operated by ARA Asset Management Limited (“ARA”), an affiliated company of ESR Group Limited, through MPSK Pte. Ltd. (“MPSK”), a special purpose acquisition company invested by MPS and Kenedix, Inc. (“KDX”), a consolidated subsidiary of the Company, at the extraordinary meeting of the Board of Directors held on March 7, 2024, and MPSK entered into a share purchase agreement.

The acquisition will be carried out when the terms and conditions in the agreement are fulfilled.

Outline of the business combination

(1) Name of acquired company and its business

Name: Aravest Pte. Ltd.

Business: Private placement fund business (real estate asset management business and joint investment business)

(2) Major reason for the business combination

The purpose of this acquisition is to obtain synergies from the asset management know-how in and outside Japan, mainly in the Asia-Pacific region, of ARA and KDX and the financial foundation and the fund-raising capacity of the Group for mutual use.

(3) Legal form of the business combination

Share acquisition

(4) Name of the company after the business combination

Sumitomo Mitsui Finance and Leasing Company, Limited

(5) Basis for determining the acquirer

Share acquisition in exchange for cash

8. ADVANCED DEPRECIATION AND ACCUMULATED DEPRECIATION OF PROPERTY AND EQUIPMENT

The Company applied advanced depreciation to property and equipment (assets for lease and other operating assets) purchased with government subsidies. ¥386 million (\$2,581 thousand) and ¥381 million were deducted from the costs of property and equipment (assets for lease and other operating assets) at March 31, 2025 and 2024, respectively.

The following table provides the accumulated depreciation of property and equipment at March 31, 2025 and 2024:

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Assets for lease.....	¥ 828,775	¥ 803,034	\$ 5,542,533
Other operating assets.....	57,211	19,221	382,605
Property and equipment for internal use.....	12,715	11,745	85,033

The accumulated depreciation includes accumulated impairment losses.

9. INVESTMENT AND RENTAL PROPERTIES

Some consolidated subsidiaries of the Company own commercial facilities and office buildings for rent in Tokyo and other areas.

Rental profits from such properties for the years ended March 31, 2025 and 2024 were ¥32,028 million (\$214,191 thousand) and ¥30,846 million (rental income is recorded as revenue, and rental expenses are recorded as costs and expenses), respectively. Gains on sales of such properties for the years ended March 31, 2025 and 2024 were ¥9,637 million (\$64,449 thousand) and ¥11,780 million (revenue from the sales is recorded as revenue, and expenses from the sales are recorded as costs and expenses), respectively.

The carrying amounts, changes in such balances, and fair values of the properties were as follows:

As of and for the year ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Carrying amounts:			
Balance at the beginning of the year.....	¥ 1,174,924	¥ 1,138,826	\$ 7,857,447
Net increase (decrease) during the year	(3,834)	36,097	(25,640)
Balance at the end of the year.....	¥ 1,171,090	¥ 1,174,924	\$ 7,831,806
Fair value at the end of the year.....	¥ 1,399,859	¥ 1,355,417	\$ 9,361,727

- Notes: 1. The carrying amounts represent the acquisition cost less accumulated depreciation and accumulated impairment losses.
2. For the year ended March 31, 2025, the main reason for the increase was the purchase of properties of ¥183,437 million (\$1,226,757 thousand), and the main reason for the decrease was the sales of properties of ¥157,094 million (\$1,050,585 thousand). For the year ended March 31, 2024, the main reason for the increase was the purchase of properties of ¥196,098 million, and the main reason for the decrease was the sales of properties of ¥177,394 million.
3. With regard to the fair value at the end of the year, the fair values of major properties were estimated based on Japan's Real Estate Appraisal Standards. For other properties, fair values were estimated based on consistent values and indices that are judged as appropriately reflecting market values.

10. DELINQUENT RECEIVABLES

Delinquent receivables are receivables as defined in Article 32, paragraph (1), item (x) of the Regulation on Terminology, Forms and Preparation Methods of Financial Statements.

11. NOTES DUE ON BALANCE SHEET DATE

Notes due on the balance sheet date are settled and accounted for on the clearance date.

Since the balance sheet date of March 31, 2024 was a bank holiday, the following notes due on the balance sheet date are included in the year-end balance:

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Other (current assets).....	¥ —	¥ 7	\$ —
Notes receivable obtained under lease and installment sales agreements.....	—	773	—
Trade notes payable.....	—	803	—

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
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Years Ended March 31, 2025 and 2024

12. BORROWED MONEY

As of March 31,	Millions of Yen		Thousands of U.S. Dollars	Average Interest Rate (%)	Due
	2025	2024	2025		
Short-term loans from banks and other financial institutions	¥1,125,814	¥1,075,815	\$ 7,529,018	1.08	–
Short-term non-recourse loans from banks and other financial institutions	758	1,140	5,069	1.29	–
Long-term loans from banks and other financial institutions due within one year	821,755	590,167	5,495,586	2.63	–
Long-term non-recourse loans from banks and other financial institutions due within one year	38,608	11,786	258,196	0.92	–
Lease obligations due within one year	7,819	9,141	52,296	4.16	–
Long-term loans from banks and other financial institutions excluding those due within one year	3,425,324	3,658,956	22,907,269	3.65	Apr. 2026 - Mar. 2040
Long-term non-recourse loans from banks and other financial institutions excluding those due within one year	215,721	179,111	1,442,660	1.58	Apr. 2026 - Sep. 2029
Lease obligations excluding those due within one year	23,988	23,504	160,427	4.43	Apr. 2026 - Nov. 2105
Other interest bearing debts:					
Commercial paper due within one year	700,000	659,000	4,681,335	0.56	–
Payables under securitization of lease receivables	–	–	–	–	–
Long-term payables under securitization of lease receivables due within one year	6,665	11,141	44,578	0.68	–
Long-term payables under securitization of lease receivables	23,104	22,627	154,514	0.72	Apr. 2026 - Dec. 2034
Total	¥6,389,560	¥6,242,390	\$42,730,957	–	–

Notes: 1. The average interest rate represents the weighted average interest rate on loans or other debts outstanding as of the fiscal year-end.

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2. The repayment schedule on long-term loans, lease obligations, other interest bearing debts and long-term non-recourse loans excluding those due within one year subsequent to March 31, 2025 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Long-term loans		
After one year through two years	¥ 564,762	\$3,776,914
After two years through three years	965,023	6,453,708
After three years through four years	446,950	2,989,032
After four years through five years	511,505	3,420,752
Lease obligations		
After one year through two years	¥ 5,636	\$ 37,691
After two years through three years	3,754	25,105
After three years through four years	2,684	17,950
After four years through five years	2,201	14,719
Other interest bearing debts		
After one year through two years	¥ 4,382	\$ 29,305
After two years through three years	4,726	31,606
After three years through four years	5,835	39,022
After four years through five years	1,928	12,894
Long-term non-recourse loans		
After one year through two years	¥ 93,002	\$ 621,962
After two years through three years	47,080	314,853
After three years through four years	58,142	388,832
After four years through five years	17,495	117,000

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13. BONDS

Issuer	Date of Issuance	Millions of Yen		Thousands of U.S. Dollars	Interest Rate (%)	Collateral	Due
		2025	2024	2025			
The Company:							
Euro Medium Term Note (Japanese yen) ..	Aug. 25, 2020 - Mar. 14, 2025	¥ 28,800	¥ 50,300	\$ 192,603	0.16 - 1.04	Unsecured	Apr. 15, 2025 - Dec. 11, 2028
(Due within one year)		23,000	48,500	153,815			
Unsecured Bond (public offering)	Feb. 8, 2018 - Dec. 12, 2024	367,000	349,000	2,454,357	0.19 - 1.25	Unsecured	Jun. 11, 2025 - Apr. 19, 2034
(Due within one year)		60,000	70,000	401,257			
Unsecured Bond (U.S. dollar)	Apr. 25, 2023 - Jan. 23, 2024	149,530	226,995	1,000,000	5.18 - 5.43	Unsecured	Apr. 25, 2028 - Jan. 23, 2029
(Due within one year)		—	75,665	—			
Unsecured Bond (private placement) ...	Mar. 11, 2019	100,000	100,000	668,762	0.92	Unsecured	Mar. 10, 2026
(Due within one year)		100,000	—	668,762			
SMBC AVIATION CAPITAL FINANCE DESIGNATED ACTIVITY COMPANY:							
U.S. Dollar-denominated Bond	Jun. 15, 2021 - Apr. 3, 2024	620,549	476,689	4,150,000	1.90 - 5.70	Unsecured	Oct. 15, 2026 - Apr. 3, 2034
(Due within one year)		—	75,665	—			
Otemachi 142 Tokutei Mokuteki Kaisha:							
Specified Bond (private placement) (Note 1)	Mar. 24, 2017	50,730	50,730	339,263	0.75	Secured	Sep. 30, 2025
(Due within one year)		50,730	—	339,263			
Others (Note 2)	—	15,672	13,780	104,808	—	—	—
(Due within one year)		9,172	3,984	61,339			
Total	—	¥1,332,282	¥1,267,495	\$8,909,797	—	—	—
(Due within one year)		242,902	273,814	1,624,442			

Notes: 1. The specified bond is classified as a non-recourse debt.

2. The others include non-recourse debts.

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3. The maturities of bonds and non-recourse bonds subsequent to March 31, 2025 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Bonds:		
Within one year	¥ 192,172	\$1,285,174
After one year through two years	145,565	973,484
After two years through three years	58,000	387,882
After three years through four years	375,489	2,511,128
After four years through five years	171,494	1,146,887
Non-recourse bonds:		
Within one year	¥ 50,730	\$ 339,263
After one year through two years	—	—
After two years through three years	100	669
After three years through four years	100	669
After four years through five years	—	—

14. NON-RECOURSE DEBTS

- (1) The non-recourse debts of a consolidated special purpose company at March 31, 2025 and 2024 consist of the following:

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Short-term loans	¥ 758	¥ 1,140	\$ 5,069
Long-term loans (including current portion)	254,330	190,897	1,700,863
Bonds (including current portion)	50,930	50,730	340,601

- (2) Assets corresponding to the non-recourse debts at March 31, 2025 and 2024 were as follows:

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Cash and bank deposits	¥ 13,409	¥ 15,481	\$ 89,674
Real estate for sale	267,506	198,286	1,788,979
Real estate for sale in progress	8,240	1,001	55,106
Other (current assets)	4,086	1,898	27,326
Assets for lease	119,984	130,976	802,408
Advances on purchases of assets for lease	4,004	2,567	26,777
Other operating assets	6,906	—	46,185
Other (investments and other assets)	283	458	1,893

Part of the amounts presented in Note 15. ASSETS PLEDGED AS COLLATERAL AND CORRESPONDING LIABILITIES is included in the above amounts.

15. ASSETS PLEDGED AS COLLATERAL AND CORRESPONDING LIABILITIES

- (1) Assets pledged as collateral at March 31, 2025 and 2024 were as follows:

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Cash and bank deposits	¥ 7,805	¥ 8,381	\$ 52,197
Lease receivables and investment assets	2,131	4,585	14,251
Loans receivable	2,291	2,104	15,321
Real estate for sale	376,267	230,608	2,516,331
Real estate for sale in progress	36,314	1,001	242,854
Other (current assets)	1,115	886	7,457
Assets for lease (*)	340,641	373,662	2,278,078
Advances on purchases of assets for lease	4,004	2,567	26,777
Other operating assets	35,057	35,208	234,448
Investment securities	16,456	15,950	110,051
Other (investments and other assets)	1	1	7
Total	¥ 822,088	¥ 674,958	\$5,497,813

* Operating lease contract receivables were also pledged as collateral.

(2) Liabilities corresponding to the assets pledged as collateral at March 31, 2025 and 2024 were as follows:

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Short-term loans	¥ 758	¥ 1,140	\$ 5,069
Long-term loans (including current portion)	549,065	428,738	3,671,939
Lease obligations (including current portion).....	585	659	3,912
Bonds (including current portion)	50,930	50,730	340,601
Other (current liabilities)	239	181	1,598
Guarantee deposits received	1,545	1,593	10,332
Total	¥ 603,122	¥ 483,043	\$ 4,033,451

¥16,779 million (\$112,212 thousand) and ¥18,055 million of the above total assets were pledged as collateral for debts of entities in which silent partnerships invest and others at March 31, 2025 and 2024, respectively.

16. LONG-TERM PAYABLES UNDER SECURITIZATION OF LEASE RECEIVABLES

Long-term payables under securitization of lease receivables are payables which arise from the securitization of lease receivables.

17. EMPLOYEE RETIREMENT BENEFITS

(1) Outline of employee retirement benefits

The Company and certain consolidated subsidiaries have defined contribution pension plans and defined benefit plans such as employee pension plans and lump-sum severance indemnity plans. They may grant additional benefits in the case where certain requirements are met when employees retire.

Additional information

The Company shifted from part of its defined benefit pension plan and lump-sum severance indemnity plan to a defined contribution pension plan in the year ended March 31, 2025.

The “Accounting for Transfer between Retirement Benefit Plans” (ASBJ Guidance No. 1, revised on December 16, 2016) and the “Practical Solution on Accounting for Transfer between Retirement Benefit Plans” (PITF No. 2, revised on February 7, 2007) were applied to account for the shift.

Due to the shift, the Company recognized a gain of ¥1,073 million (\$7,181 thousand) in other income for the year ended March 31, 2025.

(2) Defined benefit plans

(a) Reconciliation of the beginning balance and the ending balance of projected benefit obligations

	Millions of Yen		Thousands of U.S. Dollars
For the year ended March 31,	2025	2024	2025
Balance at the beginning of the year	¥ 23,705	¥ 24,206	\$ 158,530
Service cost	741	1,429	4,956
Interest cost	117	230	782
Actuarial gains or losses	75	(1,139)	502
Benefits paid	(1,342)	(929)	(8,975)
Past service cost	(48)	—	(321)
Decrease due to shift to defined contribution pension plan..	(19,443)	—	(130,027)
Other	425	(92)	2,842
Balance at the end of the year	¥ 4,231	¥ 23,705	\$ 28,295

Note: Certain consolidated subsidiaries adopt the simple method in calculating the projected benefit obligations, under which the projected benefit obligations are deemed to be an amount of benefits calculated assuming all employees retire voluntarily at the fiscal year-end.

(b) Reconciliation of the beginning balance and the ending balance of plan assets

	Millions of Yen		Thousands of U.S. Dollars
For the year ended March 31,	2025	2024	2025
Balance at the beginning of the year	¥ 23,057	¥ 21,362	\$ 154,196
Expected return on plan assets	125	388	836
Actuarial gains or losses	(233)	1,059	(1,558)
Employer contributions.....	230	1,105	1,538
Benefits paid	(1,256)	(859)	(8,400)
Decrease due to shift to defined contribution pension plan..	(20,091)	—	(134,361)
Other	(581)	—	(3,886)
Balance at the end of the year	¥ 1,250	¥ 23,057	\$ 8,360

(c) Reconciliation of the ending balance of projected benefit obligations and plan assets and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2025	2024	2025
Funded projected benefit obligations	¥ 3,755	¥ 23,302	\$ 25,112
Plan assets	(1,250)	(23,057)	(8,360)
	2,504	244	16,746
Unfunded projected benefit obligations	476	403	3,183
Net of liability and asset on the consolidated balance sheet.	¥ 2,981	¥ 647	\$ 19,936
Net defined benefit liability	¥ 3,227	¥ 809	\$ 21,586
Net defined benefit asset	(246)	(161)	(1,650)
Net of liability and asset on the consolidated balance sheet.	¥ 2,981	¥ 647	\$ 19,936

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(d) Breakdown of retirement benefit expenses

For the year ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Service cost	¥ 741	¥ 1,429	\$ 4,956
Interest cost	117	230	782
Expected return on plan assets	(125)	(388)	(836)
Amortization of actuarial gains or losses	35	34	234
Amortization of past service cost	15	214	100
Other	220	238	1,471
Retirement benefit expenses for defined benefit plans.....	¥ 1,004	¥ 1,758	\$ 6,714
Gain on shift to defined contribution pension plan (Note)...	¥ 1,073	¥ –	\$ 7,181

Note: Gain on shift to defined contribution pension plan was recorded in other income.

(e) Breakdown of remeasurements of defined benefit plans (before income taxes and tax effect) in other comprehensive income

For the year ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Past service cost	¥ 1,233	¥ 214	\$ 8,246
Actuarial gains or losses	(3,165)	2,233	(21,166)
Total.....	¥ (1,931)	¥ 2,447	\$ (12,914)

Note: Past service cost and actuarial gains or losses for the year ended March 31, 2025 include reclassification adjustments to past service cost of ¥1,169 million (\$7,818 thousand) and to actuarial gains or losses of ¥(2,891) million (\$19,334) thousand due to the shift to a defined contribution pension plan from a defined benefit pension plan.

(f) Breakdown of remeasurements of defined benefit plans (before income taxes and tax effect) in accumulated other comprehensive income

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrecognized past service cost	¥ 71	¥ 1,304	\$ 475
Unrecognized actuarial gains or losses	(209)	(3,374)	(1,398)
Total.....	¥ (138)	¥ (2,070)	\$ (923)

(g) Plan assets

(i) Component of plan assets as a percentage of total plan assets

As of March 31,	2025	2024
Cash and bank deposits.....	100.0%	100.0%
Total.....	100.0%	100.0%

Note: The total plan assets as of March 31, 2025 do not include any retirement benefits trust since the Company shifted from part of its defined benefit pension plan and lump-sum severance indemnity plan to a defined contribution pension plan. The total plan assets as of March 31, 2024 include 4.5% of a retirement benefits trust established for employee pension plans.

(ii) Long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined considering the current and anticipated allocation of the plan assets as well as the long-term rates of return which are expected currently and in the future from the component of the plan assets.

(h) Assumptions used for actuarial calculations

For the year ended March 31,	2025	2024
Discount rate.....	Primarily 1.5%	Primarily 1.4%
Long-term expected rate of return on plan assets.....	Primarily 4.0%	Primarily 2.0%

(3) Defined contribution plans

The amounts to be contributed to the defined contribution pension plans of the Company and certain consolidated subsidiaries for the years ended March 31, 2025 and 2024 were ¥1,920 million (\$12,840 thousand) and ¥1,298 million, respectively.

18. STOCK OPTIONS

(1) Expenses and account titles for stock options

No items to report.

(2) Description and volume of stock options and their changes

(a) Description of stock options

Company name	Consolidated Subsidiary (Kenedix, Inc.)		
Name	7th Stock Acquisition Rights	8th Stock Acquisition Rights	9th Stock Acquisition Rights
Date of resolution	October 29, 2021		
Category and number of persons granted (Persons)	Directors of said company: 2 Employees, etc. of said company: 67	Delegated executive officers, etc. of said company: 8	Custodian: 1 (*)
Number of stock options by stock class	Common stock 11,695,167 shares	Common stock 2,202,833 shares	Common stock 1,542,678 shares
Grant date	November 25, 2021		
Vesting conditions	(i) The stock acquisition rights may not be exercised if, in so doing, the total number of the said company's issued shares at that time would exceed the total number of authorized shares. (ii) Other terms and conditions for the exercise of stock acquisition rights are as specified in the written stock acquisition rights allotment agreement entered into by and between the said company and the holders of stock acquisition rights.		

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Requisite service period	No provision for requisite service period
Exercise period	From April 1, 2025 to November 24, 2031

* These stock acquisition rights were allotted to a trust for which Kotaeru Trust Co., Ltd. is the custodian, and the shares will be delivered to the persons among the said company's officers and employees designated as beneficiaries as of the expiration date of the trust period.

(b) Volume of stock options and their changes

The following table summarizes the stock option activity during the year ended March 31, 2025. The number of stock options was converted into the number of shares.

(i) Number of stock options

Company name Name	Consolidated Subsidiary (Kenedix, Inc.)		
	7th Stock Acquisition Rights	8th Stock Acquisition Rights (Shares)	9th Stock Acquisition Rights
Prior to vesting rights			
As of March 31, 2024	11,055,859	2,202,833	1,542,678
Granted	—	—	—
Forfeited	41,694	—	—
Vested	—	—	—
Unvested	11,014,165	2,202,833	1,542,678

(ii) Price information

Company name	Consolidated Subsidiary (Kenedix, Inc.)											
Name	7th Stock Acquisition Rights				8th Stock Acquisition Rights				9th Stock Acquisition Rights			
Exercise price	¥	656	\$	4.39	¥	656	\$	4.39	¥	656	\$	4.39
Average share price at the time of exercise		—		—		—		—		—		—
Fair value per unit at grant date		—		—		—		—		—		—

Note: As Kenedix, Inc. pays dividends, the exercise price gradually diminishes. The exercise price floor has been set at ¥300 (\$2.01).

(3) Method of estimating fair value per unit of stock options

As Kenedix, Inc. is an unlisted company, as a substitute for estimating the fair value per unit of stock options, a method of estimating the intrinsic value per unit of stock options is used. As a basis for determining the intrinsic value per unit, a method for assessing the company's own shares is applied using the price determined based on the most recent sale price.

(4) Method of estimating number of stock options vested

The number of options that have actually forfeited is incorporated in the estimation of the number of vested options because it is difficult to reasonably estimate how many options will expire in the future.

(5) Total intrinsic value at March 31, 2025 and total intrinsic value at the exercise date of stock options exercised during the year ended March 31, 2025 when computing fair value per unit using the intrinsic value of stock options

	Millions of Yen	Thousands of U.S. Dollars
(a) Total intrinsic value at March 31, 2025	¥ —	\$ —
(b) Total intrinsic value of options exercised during the year ended March 31, 2025	—	—

19. ASSET RETIREMENT OBLIGATIONS

Information about asset retirement obligations is not disclosed since the amounts of these obligations were 1% or less of total liabilities and net assets at the beginning and end of the year ended March 31, 2025.

20. CONTINGENT LIABILITIES

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
7,143 (7,365 in 2024) guarantees of obligations for business (including commitments to guarantee obligations).....	¥ 71,423	¥ 61,656	\$ 477,650
Loan guarantees to affiliates.....	4,619	4,863	30,890
Loan guarantees to employees (housing loans, etc.).....	1	3	7

¥100 million (\$669 thousand) and ¥100 million at March 31, 2025 and 2024, respectively, of the above guarantees of obligations for business were guaranteed by other third parties.

21. LOAN COMMITMENTS

(1) Lender side

Unused commitments at March 31, 2025 and 2024 were as follows:

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Total loan commitments	¥ 156,963	¥ 172,045	\$ 1,049,709
Used loan commitments	82,032	90,721	548,599
Unused loan commitments	¥ 74,931	¥ 81,324	\$ 501,110

The commitments above include the contracts which require the screening of borrowers including the use of funds and credit conditions beforehand. Therefore, the full amount of the loan commitments is not necessarily borrowed.

(2) Borrower side

To enhance efficiency and stability in fund procurement, the Group has executed loan commitment contracts. The amounts of unused loan commitments at March 31, 2025 and 2024 were as follows:

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As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Total loan commitments	¥ 863,265	¥ 592,165	\$ 5,773,189
Used loan commitments	207,024	138,253	1,384,498
Unused loan commitments	¥ 656,240	¥ 453,911	\$ 4,388,685

22. CHANGES IN NET ASSETS

Under the Companies Act of Japan (the “Act”), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is a component of capital surplus.

The Act provides that an amount equal to at least 10% of dividends should be appropriated as additional paid-in capital or a legal reserve (a component of retained earnings), depending on the account charged upon the payment of such dividends, until the total of additional paid-in capital and legal reserve equals 25% of the common stock. When the total of additional paid-in capital and legal reserve is greater than 25% of the common stock, such excess of additional paid-in capital and legal reserve may be transferred to other capital surplus and retained earnings, respectively, by resolution of the general meeting of shareholders, which may be available for dividends.

The maximum amount that a company can distribute as dividends is calculated based on the non-consolidated financial statements of the company in accordance with the Act.

(1) Class and number of shares issued and treasury stock for the years ended March 31, 2025 and 2024

	Number of Shares (Thousands of Shares)			March 31, 2025
	April 1, 2024	Increase	Decrease	
Stock issued:				
Common stock.....	95,314	—	—	95,314
Total	95,314	—	—	95,314
Treasury stock:				
Common stock.....	7,959	—	—	7,959
Total	7,959	—	—	7,959

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	Number of Shares (Thousands of Shares)			
	April 1, 2023	Increase	Decrease	March 31, 2024
Stock issued:				
Common stock.....	95,314	—	—	95,314
Total	95,314	—	—	95,314
Treasury stock:				
Common stock.....	7,959	—	—	7,959
Total	7,959	—	—	7,959

(2) Information on stock acquisition rights

For the year ended March 31, 2025

Company	Breakdown of Stock Acquisition Rights	Class of Stock Issued upon Exercise of Stock Acquisition Rights	Number of Shares Issued upon Exercise of Stock Acquisition Rights (Shares)				Balance at March 31, 2025	
			April 1, 2024	Increase	Decrease	March 31, 2025	Millions of Yen	Thousands of U.S. Dollars
Consolidated subsidiary	—	—	—	—	—	—	¥ 118	\$ 790
Total	—	—	—	—	—	—	¥ 118	\$ 790

For the year ended March 31, 2024

Company	Breakdown of Stock Acquisition Rights	Class of Stock Issued upon Exercise of Stock Acquisition Rights	Number of Shares Issued upon Exercise of Stock Acquisition Rights (Shares)				Balance at March 31, 2024	
			April 1, 2023	Increase	Decrease	March 31, 2024	Millions of Yen	
Consolidated subsidiary	—	—	—	—	—	—	¥ 118	
Total	—	—	—	—	—	—	¥ 118	

(3) Information on dividends

(a) Dividends paid in the years ended March 31, 2025 and 2024

2025						
Class of Stock	Total Dividends		Dividend per Share		Record Date	Effective Date
	Millions of Yen	Thousands of U.S. Dollars	Yen	U.S. Dollars		
Common stock	¥ 42,454	\$ 283,917	¥ 486	\$ 3.25	March 31, 2024	June 26, 2024
Date of resolution: Ordinary general meeting of shareholders held on June 25, 2024						
2024						
Class of Stock	Total Dividends		Dividend per Share		Record Date	Effective Date
	Millions of Yen		Yen			
Common stock	¥ 25,332		¥ 290		March 31, 2023	June 28, 2023
Date of resolution: Ordinary general meeting of shareholders held on June 27, 2023						

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(b) Dividends resolved to be payable in the year ending March 31, 2026

Class of Stock	2025					
	Total Dividends		Dividend per Share		Record Date	Effective Date
	Millions of Yen	Thousands of U.S. Dollars	Yen	U.S. Dollars		
Common stock	¥ 32,583	\$ 217,903	¥ 373	\$ 2.49	March 31, 2025	June 26, 2025

- Notes: 1. Date of resolution: Ordinary general meeting of shareholders held on June 25, 2025
2. The dividends were paid out from retained earnings.

23. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Employee salaries and bonuses	¥ 50,730	¥ 47,950	\$ 339,263
Provision of allowance for doubtful accounts and credit losses .	(417)	3,969	(2,789)
Amortization of goodwill	9,414	9,425	62,957
Provision of reserve for employee bonuses	3,889	3,131	26,008
Provision of reserve for directors' bonuses	1,237	636	8,273
Retirement benefit expenses.....	2,924	3,057	19,555
Provision of reserve for directors' retirement benefits	231	213	1,545

24. IMPAIRMENT LOSSES AND RELATED GAIN

The Group recognized impairment losses mainly on the following property and equipment in the years ended March 31, 2025 and 2024.

For the year ended March 31, 2025

Use	Type of Assets	Millions of Yen	Thousands of U.S. Dollars
Assets for lease	Aircraft	¥ 4,568	\$ 30,549

Certain consolidated subsidiaries recognized impairment losses on the assets for lease with low profitability mainly due to a decrease in expected future cash flows by reducing their carrying amounts to the respective recoverable amounts. The impairment losses (¥4,568 million (\$30,549 thousand)) are included in "Costs and expenses" in the consolidated statement of income.

The recoverable amount of those assets was measured at their fair value after deducting their disposal cost or their value in use, and their fair value after deducting their disposal cost was measured on the basis of market value and their value in use was measured using future cash flows mainly with a discount rate of 6%.

Use	Type of Assets	Millions of Yen	Thousands of U.S. Dollars
Other operating assets	Assets for solar power generation business	¥ 5,952	\$ 39,805

A consolidated subsidiary of the Company recognized impairment losses on the other operating assets with low profitability due to a decrease in expected future cash flows by reducing their carrying amounts to the respective recoverable amounts and recognized such reduction as impairment losses in other expenses.

The recoverable amount of those assets was measured at their value in use, which was determined as the present value of future cash flows using a discount rate of 2.7%.

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For the year ended March 31, 2024

Use	Type of Assets	Millions of Yen
Assets for lease	Aircraft	¥ 30,210

Certain consolidated subsidiaries recognized impairment losses on the assets for lease with low profitability mainly due to a decrease in expected future cash flows by reducing their carrying amounts to the respective recoverable amounts. The impairment losses (¥10,723 million) are included in “Costs and expenses” in the consolidated statement of income.

In addition, in the year ended March 31, 2022, SMBC Aviation Capital Limited, a consolidated subsidiary of the Company, terminated all lease contracts with Russian airlines pursuant to the rules of sanctions against Russia imposed by the European Union, the United States, the United Kingdom and other countries due to Russia’s invasion of Ukraine. Among such assets for lease, 15 aircraft remaining in Russia as of March 31, 2024 still involve a high degree of uncertainty due to the Russia-Ukraine situation. The Group recognized an impairment loss for the carrying amount of the aircraft, ¥19,486 million, as loss on economic sanctions on Russia as it was difficult to anticipate a scenario in which the Group would get such aircraft back on grounds of the prolongation of the Russia-Ukraine situation and other conditions.

The recoverable amount of those assets was measured at their fair value after deducting their disposal cost or their value in use, and their fair value after deducting their disposal cost was measured on the basis of market value and their value in use was measured using future cash flows with mainly a discount rate of 6%.

Settlement income on insurance related to economic sanctions on Russia

For the year ended March 31, 2025

In the year ended March 31, 2022, SMBC Aviation Capital Limited, a consolidated subsidiary of the Company, terminated all lease contracts with Russian airlines pursuant to the rules of sanctions against Russia imposed by the European Union, the United States, the United Kingdom and other countries due to Russia’s invasion of Ukraine.

Subsequently, SMBC Aviation Capital filed lawsuits under its insurance contracts in a court in Ireland. In the year ended March 31, 2025, it reached settlements with some insurance companies in the above lawsuits, received an insurance settlement of \$495 million and recognized an extraordinary gain of ¥74,022 million (\$495,034 thousand).

For the year ended March 31, 2024

In the year ended March 31, 2022, SMBC Aviation Capital Limited, a consolidated subsidiary of the Company, terminated all lease contracts with Russian airlines pursuant to the rules of sanctions against Russia imposed by the European Union, the United States, the United Kingdom and other countries due to Russia’s invasion of Ukraine and recognized an extraordinary loss on impairment of such 34 aircraft accordingly in the years ended March 31, 2023 and 2022.

In the year ended March 31, 2024, for 19 aircraft which had been under lease contracts with Aeroflot Russian Airlines and another company, SMBC Aviation Capital received insurance proceeds of \$756 million in total from Insurance Company NSK, a Russian insurance company, and recognized an extraordinary gain of ¥82,972 million, which is a difference between the carrying amount of the aircraft and the insurance proceeds.

Loss on economic sanctions on Russia

For the year ended March 31, 2025

Loss on economic sanctions on Russia was not recognized in the year ended March 31, 2025.

For the year ended March 31, 2024

In the year ended March 31, 2022, SMBC Aviation Capital Limited, a consolidated subsidiary of the Company, terminated all lease contracts with Russian airlines pursuant to the rules of sanctions against Russia imposed by the European Union, the United States, the United Kingdom and other countries due to Russia’s invasion of

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Ukraine. The Group recognized an extraordinary loss of ¥19,486 million as it was difficult to anticipate a scenario in which SMBC Aviation Capital would get such aircraft back on grounds of the prolongation of the Russia-Ukraine situation and other conditions.

25. INCOME TAXES

(1) Significant components of deferred tax assets and liabilities at March 31, 2025 and 2024

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Deferred tax assets:			
Net operating loss carryforwards (*2)	¥ 116,621	¥ 136,113	\$ 779,917
Allowance for doubtful accounts.....	12,887	14,125	86,183
Amortization of securities	4,062	4,941	27,165
Depreciation	4,872	2,940	32,582
Other.....	34,803	26,663	232,749
Subtotal deferred tax assets	173,248	184,784	1,158,617
Valuation allowance for net operating loss carryforwards (*2)	(5,485)	(4,719)	(36,682)
Valuation allowance for total deductible temporary differences	(18,612)	(22,138)	(124,470)
Subtotal valuation allowance (*1)	(24,098)	(26,857)	(161,158)
Total deferred tax assets	149,150	157,926	997,459
Deferred tax liabilities:			
Depreciation	(209,138)	(203,405)	(1,398,636)
Intangible assets identified in business combinations.....	(15,998)	(17,442)	(106,989)
Net unrealized holding gains or losses on securities.....	(13,074)	(12,108)	(87,434)
Special exemption for lease transactions under Corporation Tax Act.....	(2,114)	(2,736)	(14,138)
Other.....	(10,176)	(4,873)	(68,053)
Total deferred tax liabilities.....	(250,502)	(240,566)	(1,675,262)
Net deferred tax assets (liabilities)	¥ (101,352)	¥ (82,639)	\$ (677,804)

*1. Valuation allowance decreased by ¥2,759 million (\$18,451 thousand) in the year ended March 31, 2025 mainly due to the decrease of valuation allowance for total deductible temporary differences.

*2. The expiration of net operating loss carryforwards and the related deferred tax assets subsequent to March 31, 2025 and 2024 were as follows:

As of March 31, 2025	Millions of Yen		
	Net Operating Loss Carryforwards (a)	Valuation Allowance	Deferred Tax Assets
Within one year	¥ 131	¥ (22)	¥ 108
After one year through two years	92	(48)	44
After two years through three years	42	(35)	7
After three years through four years.....	27	(12)	15
After four years through five years	2,664	(2,191)	473
After five years	113,662	(3,175)	110,486
Total.....	¥ 116,621	¥ (5,485)	¥ 111,135 (b)

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Millions of Yen			
	Net Operating Loss Carryforwards (a)	Valuation Allowance	Deferred Tax Assets
As of March 31, 2024			
Within one year.....	¥ 4,376	¥ (1,043)	¥ 3,332
After one year through two years.....	380	(33)	346
After two years through three years.....	609	(137)	472
After three years through four years.....	25	(21)	3
After four years through five years.....	257	(0)	256
After five years.....	130,465	(3,482)	126,982
Total.....	¥ 136,113	¥ (4,719)	¥ 131,394 (b)

Thousands of U.S. Dollars			
	Net Operating Loss Carryforwards (a)	Valuation Allowance	Deferred Tax Assets
As of March 31, 2025			
Within one year.....	\$ 876	\$ (147)	\$ 722
After one year through two years.....	615	(321)	294
After two years through three years.....	281	(234)	47
After three years through four years.....	181	(80)	100
After four years through five years.....	17,816	(14,653)	3,163
After five years.....	760,128	(21,233)	738,889
Total.....	\$ 779,917	\$ (36,682)	\$ 743,229 (b)

Notes: (a) Net operating loss carryforwards shown in the above table are after multiplying the statutory tax rate.

(b) Deferred tax assets of ¥111,135 million (\$743,229 thousand) and ¥131,394 million were recognized with respect to net operating loss carryforwards of ¥116,621 million (\$779,917 thousand) and ¥136,113 million (amounts multiplied by the statutory tax rate) at March 31, 2025 and 2024, respectively. Such deferred tax assets were recognized primarily for a part of net operating loss carryforwards for the Company and certain overseas consolidated subsidiaries. Valuation allowance was not recognized for such deferred tax assets on net operating loss carryforwards as the amount was determined to be recoverable based on the estimate of future taxable income.

(2) Reconciliation of the statutory tax rate to the effective income tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2025 and 2024

For the year ended March 31,	2025	2024
Statutory tax rate	30.6%	30.6%
Inclusion of income of specified foreign subsidiaries.....	3.4	3.7
Difference of statutory tax rates of the Company and overseas consolidated subsidiaries.....	(14.0)	(14.8)
Changes in valuation allowance	0.8	(1.9)
Amortization of goodwill	1.2	1.3
Equity in earnings of affiliates.....	(1.6)	(1.2)
Other.....	2.2	6.0
Effective income tax rate.....	22.6%	23.7%

(3) Accounting and disclosure of corporation tax and local corporation tax as well as the deferred taxes

The Company and some of its domestic consolidated subsidiaries apply the group tax sharing system and account for and disclose the corporation tax and the local corporation tax as well as the deferred taxes in

accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No. 42, issued on August 12, 2021).

(4) Changes in the amount of deferred tax assets and deferred tax liabilities due to a change in the tax rate on income taxes

The Japanese Diet passed the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 13 of 2025) on March 31, 2025, and the “Special Defense Corporation Tax” will be imposed for the years beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities for temporary differences that are expected to reverse in the years beginning on or after April 1, 2026 were calculated using a statutory tax rate of 31.52%, up from 30.62%.

The effect of this change is insignificant.

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26. OTHER COMPREHENSIVE INCOME

Reclassification adjustments as well as income taxes and tax effects for each component of other comprehensive income for the years ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars
For the year ended March 31,	2025	2024	2025
Net unrealized holding gains or losses on securities:			
Gains (losses) during the year	¥ 5,951	¥ 12,543	\$ 39,798
Reclassification adjustments.....	(1,597)	(12,287)	(10,680)
Amount before income taxes and income tax effect.....	4,354	256	29,118
Income taxes and income tax effect.....	(967)	(690)	(6,467)
Net unrealized holding gains or losses on securities.....	¥ 3,386	¥ (434)	\$ 22,647
Deferred gains or losses on hedges:			
Gains (losses) during the year	¥ 1,798	¥ 9,614	\$ 12,024
Reclassification adjustments.....	(9,360)	(11,853)	(62,596)
Amount before income taxes and income tax effect.....	(7,562)	(2,239)	(50,572)
Income taxes and income tax effect.....	588	1,394	3,932
Deferred gains or losses on hedges.....	¥ (6,973)	¥ (844)	\$ (46,637)
Foreign currency translation adjustments:			
Adjustments during the year.....	¥ 3,831	¥ 62,444	\$ 25,623
Foreign currency translation adjustments	¥ 3,831	¥ 62,444	\$ 25,623
Remeasurements of defined benefit plans:			
Adjustments during the year.....	¥ (230)	¥ 2,199	\$ (1,538)
Reclassification adjustments.....	(1,701)	248	(11,376)
Amount before income taxes and income tax effect.....	(1,931)	2,447	(12,914)
Income taxes and income tax effect.....	590	(749)	3,946
Remeasurements of defined benefit plans	¥ (1,341)	¥ 1,698	\$ (8,972)
Share of other comprehensive income of affiliates accounted for using equity method:			
Gains (losses) during the year	¥ 894	¥ 3,125	\$ 5,981
Reclassification adjustments.....	—	(177)	—
Share of other comprehensive income of affiliates accounted for using equity method.....	¥ 894	¥ 2,947	\$ 5,981
Total other comprehensive income.....	¥ (203)	¥ 65,810	\$ (1,358)

27. SUPPLEMENTAL CASH FLOW INFORMATION

(1) Reconciliation of cash and bank deposits in the consolidated balance sheets to cash and cash equivalents in the consolidated statements of cash flows

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2025	2024	2025
Cash and bank deposits	¥ 391,641	¥ 457,976	\$ 2,619,148
Time deposits with maturities exceeding three months	(3,595)	(3,162)	(24,042)
Certificates of deposit included in short-term investment securities	15,000	—	100,314
Cash and cash equivalents	¥ 403,045	¥ 454,813	\$ 2,695,415

(2) Increase/decrease in other reserves

Increase/decrease in other reserves consists of increases/decreases in allowance for loss on disposal of assets for lease, reserve for employee bonuses, reserve for directors' bonuses, and reserve for directors' retirement benefits.

(3) Breakdown of assets and liabilities of newly consolidated subsidiaries as a result of acquisition of shares

For the year ended March 31, 2025

The following table provides a summary of assets acquired and liabilities assumed through the acquisition of shares of Aravest Pte. Ltd., which was consolidated for the first time in the year ended March 31, 2025, as well as a reconciliation of the acquisition cost of the shares to expenditure for the purchase.

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 1,018	\$ 6,808
Non-current assets	27,772	185,729
Goodwill	19,268	128,857
Current liabilities	(2,154)	(14,405)
Non-current liabilities	(3,197)	(21,380)
Foreign currency translation adjustments	(134)	(896)
Non-controlling interests	(185)	(1,237)
Acquisition cost of shares	42,387	283,468
Cash and cash equivalents	15	100
Net: Purchase of investments in subsidiaries resulting in change in scope of consolidation	¥ 42,402	\$ 283,569

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The following table provides a summary of assets acquired and liabilities assumed through the acquisition of shares of CRE, Inc., which was consolidated for the first time in the year ended March 31, 2025, as well as a reconciliation of the acquisition cost of the shares to expenditure for the purchase.

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 124,234	\$ 830,830
Non-current assets	32,737	218,933
Goodwill.....	4,426	29,599
Current liabilities.....	(41,572)	(278,018)
Non-current liabilities.....	(73,967)	(494,663)
Net unrealized holding gains or losses on securities.....	62	415
Non-controlling interests	(20,356)	(136,133)
Acquisition cost of shares.....	25,564	170,962
Previously held shares	(7,130)	(47,683)
Gain on step acquisitions.....	(494)	(3,304)
Cash and cash equivalents	(17,664)	(118,130)
Net: Purchase of investments in subsidiaries resulting in change in scope of consolidation	¥ 274	\$ 1,832

For the year ended March 31, 2024

No items to report.

28. LEASE TRANSACTIONS

Lessee Side

(1) Finance lease transactions

(a) Finance leases that do not transfer ownership

(i) Breakdown of leased assets

a. Property and equipment

Vehicles for sales activities and buildings, including right-of-use assets recognized under IFRS 16

b. Intangible assets

Software

(ii) Depreciation method of leased assets

This is as described in Note 2. SIGNIFICANT ACCOUNTING POLICIES FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS, (4) Accounting policies, (h) Leased assets used as lessees.

(2) Operating lease transactions

Future minimum lease payments under noncancelable operating leases at March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2025	2024	2025
Due within one year.....	¥ 7,482	¥ 5,733	\$ 50,037
Due after one year	27,304	10,864	182,599
Total	¥ 34,787	¥ 16,598	\$ 232,642

Lessor Side

(1) Finance lease transactions

(a) Breakdown of lease investment assets

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2025	2024	2025
Lease payments receivable.....	¥1,101,739	¥1,154,560	\$ 7,368,013
Estimated residual value	65,147	66,465	435,678
Unearned interest income.....	(140,305)	(134,370)	(938,307)
Lease investment assets	¥1,026,581	¥1,086,655	\$ 6,865,385

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(b) The scheduled collection of lease receivables and lease payments receivable on lease investment assets

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Lease receivables:			
Within one year	¥ 236,900	¥ 275,635	\$ 1,584,297
After one year through two years	170,631	201,242	1,141,115
After two years through three years	116,750	138,738	780,780
After three years through four years	83,871	87,762	560,897
After four years through five years	57,119	56,813	381,990
After five years	150,784	156,640	1,008,386
Total	¥ 816,058	¥ 916,832	\$ 5,457,487
Lease investment assets:			
Within one year	¥ 323,426	¥ 342,256	\$ 2,162,951
After one year through two years	260,440	271,845	1,741,724
After two years through three years	204,010	202,835	1,364,342
After three years through four years	138,906	150,747	928,951
After four years through five years	74,224	90,773	496,382
After five years	100,731	96,103	673,651
Total	¥1,101,739	¥1,154,560	\$ 7,368,013

(2) Operating lease transactions

Future minimum lease payments receivable under noncancelable operating leases at March 31, 2025 and 2024 were as follows:

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Due within one year	¥ 408,039	¥ 399,118	\$ 2,728,810
Due after one year	2,316,276	2,163,657	15,490,377
Total	¥2,724,315	¥2,562,776	\$18,219,187

(3) Sublease transactions

Lease receivables and investment assets and lease obligations under sublease transactions on the consolidated balance sheets at March 31, 2025 and 2024 that include unearned interest income were as follows:

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Lease receivables and investment assets	¥ 2,103	¥ 2,343	\$ 14,064
Lease obligations	2,093	2,208	13,997

29. FINANCIAL INSTRUMENTS

(1) Group policy for financial instruments

The Group operates financial services such as leases, installment sales, and loans. The Group finances necessary funds through indirect finance such as loans from financial institutions and through direct finance such as commercial paper and bonds. Furthermore, the Group manages interest rate and foreign exchange fluctuation risks by Asset Liability Management (“ALM,” a method to manage assets and liabilities as a whole). The Group uses derivative transactions to reduce interest rate and foreign exchange fluctuation risks arising from the acquisition of operating assets and financing.

(2) Details of financial instruments and associated risks

The Group’s operating assets such as lease receivables and investment assets, installment sales receivable and loans receivable are exposed to credit risk. Short-term investment securities and investment securities consist of stocks, bonds and investments in partnerships. The Group holds these securities for business strategies and gaining financial returns, and they are exposed to market fluctuation risk and credit risk of issuers.

Financing by loans, commercial paper and bonds are exposed to liquidity risk, such as higher interest rates for financing and difficulty in sufficient financing due to the rapid deterioration of the financial environment or a decline in creditworthiness of the Group.

Most of operating assets are fixed interest financial assets whose collectible amount is determined based on the interest rate at the contract date. The Group seeks to decrease finance costs by financing with fixed and variable interest rates on these operating assets and increase profit margin. Accordingly, the Group is exposed to interest rate fluctuation risk where its finance costs may increase when the interest rate level rises.

The Group uses derivative transactions such as interest rate swaps to hedge the interest rate fluctuation risk and applies hedge accounting to hedged items such as future transactions and loans. The effectiveness of hedges is assessed by comparing the accumulated cash flow fluctuations of the hedged items and the hedging instruments from the inception of the hedges to the fiscal year-end. For interest rate swaps that meet certain criteria, the special treatment is applied. For foreign exchange forward contracts that meet certain criteria, the allocation method is applied.

(3) Risk management of financial instruments

(a) Credit risk management

The Group establishes the general and basic principles, guidelines, and rules of credit management in general credit policies and detailed operating standards in their operating standards manual. The Risk Management Department, credit departments and the Credit Administration Department handle credit risk related procedures. The Risk Management Department plans a risk management system and an evaluation method of credit risk. The Risk Management Department also measures credit risk and controls risk capital management. Each credit department reviews credit transactions, supervises sales branches and plans and controls security policies and their execution. The Credit Administration Department and the Retail Business Administration Department manage doubtful receivables and make efforts to minimize doubtful receivables. In addition, the independent Internal Audit Department audits the accuracy of the credit risk management, the appropriateness of credit risk evaluation standards, measurement models and the status of the credit risk management and reports the result to the Management Committee and the Board of Directors.

(b) Management of liquidity risk associated with financing and market risk

The Group establishes the basic framework of risk management in market risk and liquidity risk management regulations and determines the structure for risk management operation as well as management system, methods, and rules in market risk and liquidity risk management rules. The Risk Management Department manages and controls market risk and liquidity risk, establishing and monitoring risk limits and guidelines, and reports the current status of market risk and liquidity risk to the Management Committee regularly.

(i) Interest rate risk management

The Group manages interest rate risk by monitoring assets and liabilities with fixed interest rates using ALM and executes hedging appropriately by keeping track of the financial environment and interest rate trend.

(ii) Foreign exchange risk management

The Group has a policy of not taking any foreign exchange risks in principle. The Group manages assets and liabilities in foreign currencies by executing hedging operations on an individual case basis.

(iii) Stock price fluctuation risk management

The Group holds stocks that have price fluctuation risk for the purpose of business strategies. Since it is difficult to buy and sell the stocks flexibly and to control the risk, the Group measures the gains and losses arising from the fluctuation of listed stocks.

(iv) Derivative transactions

The Group sets basic transaction rules, limits and authority, and reporting in derivatives and hedge accounting rules. The Group uses derivative financial instruments to hedge interest rate and foreign exchange risks arising from financing, fund operation and acquisition of operating assets. The Group executes and manages derivative transactions appropriately by establishing the segregation of duties, which segregate functions between the Treasury Department which executes transactions and the Accounting Department which evaluates the transactions.

(v) Liquidity risk management

The Group manages its liquidity risk by maintaining the liquidity of funds through ALM, such as by considering the appropriate financing and the balance of long-term and short-term loans.

(vi) Quantitative information about market risk

Interest rate risk is a key risk variable for the Group, and operating assets such as installment sales receivable, lease receivables and investment assets, and loans receivable, and financial liabilities such as bonds, long-term loans, and interest rate swaps are main financial instruments which are exposed to the interest rate risk. Of non-financial instruments, future minimum lease payments receivable under operating leases are main instruments which are exposed to the interest rate risk. The Group uses an ALM approach to these operating assets including non-financial instruments and financial liabilities. The Group calculates the Basis Point Value (BPV), the change in the present value of a position associated with interest rates if the interest rates change by 0.01% (the change in unrealized gains or losses), on a periodic basis and manages the upper limit by comparing the BPV with a limit established in advance. Assuming all other risk variables except for interest rates are stable, if yen interest rates rose by 1bp (0.01%) at March 31, 2025, the present value of the entire position associated with interest rates would decrease by ¥496 million (\$3,317 thousand) (¥452 million at March 31, 2024), and if yen interest rates dropped by 1bp (0.01%), the present value would increase by ¥496 million (\$3,317 thousand) (¥452 million at March 31, 2024). These amounts are calculated under the assumption that all risk variables except for interest rates are stable, and correlations between interest rates and other risk variables are not considered.

(4) Supplemental explanation of fair values of financial instruments

Since certain assumptions and other factors are adopted in estimating fair values, different assumptions and factors could result in different fair values. Furthermore, for the contract amount regarding derivative transactions described in Note 31. DERIVATIVE TRANSACTIONS, the contract amount itself does not indicate market risk related to derivative transactions.

(5) Fair values of financial instruments and components of financial instruments by level

Carrying amounts, fair values and the differences between them and fair values by level as of March 31, 2025 and 2024 were as follows. In accordance with paragraph 24-16 of the ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," the below table excludes investments in partnerships, for which an amount equivalent to the Group's share is recognized on a net basis in the consolidated balance sheet, and stocks, etc. with no market value.

Based on the observability and the significance of the inputs used to measure the fair value, the fair value of financial instruments is classified into the following three levels:

Level 1: Fair values determined based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values determined based on inputs other than Level 1 inputs that are observable, either directly or indirectly

Level 3: Fair values determined based on significant unobservable inputs

If multiple inputs that are significant to fair value measurement are used, the fair value is classified as the lowest priority level.

(a) Financial assets and financial liabilities that are recorded at fair value on the consolidated balance sheet

Type	Millions of Yen			
	March 31, 2025			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities:				
Other securities.....	¥ 82,111	¥ 58,738	¥ –	¥140,849
Derivative transactions (*1) (*2):				
Interest-related transactions.....	–	(162)	–	(162)
Currency-related transactions.....	–	(1,485)	–	(1,485)
Total.....	¥ 82,111	¥ 57,090	¥ –	¥139,201

Type	Millions of Yen			
	March 31, 2024			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities:				
Other securities.....	¥ 71,336	¥ 24,757	¥ –	¥ 96,094
Derivative transactions (*1) (*2):				
Interest-related transactions.....	–	10,302	–	10,302
Currency-related transactions.....	–	1,300	–	1,300
Total.....	¥ 71,336	¥ 36,361	¥ –	¥107,697

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Type	Thousands of U.S. Dollars			
	March 31, 2025			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities:				
Other securities.....	\$ 549,127	\$ 392,817	\$ –	\$ 941,945
Derivative transactions (*1) (*2).....				
Interest-related transactions	–	(1,083)	–	(1,083)
Currency-related transactions	–	(9,931)	–	(9,931)
Total.....	\$ 549,127	\$ 381,796	\$ –	\$ 930,924

*1. Net assets and liabilities arising from derivative transactions are presented on a net basis.

*2. The carrying amounts of derivatives to which hedge accounting is applied were ¥(626) million (\$ (4,186) thousand) and ¥9,603 million at March 31, 2025 and 2024, respectively. Such derivatives are interest rate swaps and other derivative transactions designated as hedging instruments to fix cash flows of hedged items such as future transactions and loans. The Group mainly applies deferral hedge accounting to those derivative transactions. The Group applied the “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (Practical Solution No. 40, revised on March 17, 2022) to those hedging relationships in the year ended March 31, 2024.

(b) Financial assets and financial liabilities that are not recorded at fair value on the consolidated balance sheet

Information about cash or bank deposits, trade notes payable and accounts payable, short-term loans, and commercial paper that are settled in a short period of time and therefore the fair values of which approximate the carrying amounts is not disclosed.

Type	Millions of Yen						
	March 31, 2025						
	Fair Value				Carrying Amount	Difference	
	Level 1	Level 2	Level 3	Total			
Installment sales receivable (*1) (*2).....	¥ –	¥ –	¥ 553,724	¥ 553,724	¥ 546,020	¥ 7,704	
Lease receivables and investment assets (*2).....	–	–	1,773,389	1,773,389	1,735,822	37,567	
Loans receivable (*2).....	–	–	566,193	566,193	564,332	1,860	
Delinquent receivables (*2).....	–	–	10,438	10,438	10,438	–	
Total assets.....	¥ –	¥ –	¥2,903,746	¥2,903,746	¥2,856,613	¥ 47,132	
Bonds	¥ –	¥1,371,882	¥ –	¥1,371,882	¥1,332,282	¥ 39,600	
Long-term loans	–	4,423,249	–	4,423,249	4,501,410	(78,160)	
Long-term payables under securitization of lease receivables	–	29,491	–	29,491	29,770	(278)	
Lease obligations.....	–	31,586	–	31,586	31,808	(222)	
Guarantee deposits received.....	–	127,531	–	127,531	140,110	(12,579)	
Total liabilities	¥ –	¥5,983,741	¥ –	¥5,983,741	¥6,035,382	¥ (51,640)	

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Type	Millions of Yen							
	March 31, 2024							
	Fair Value				Carrying Amount	Difference		
	Level 1	Level 2	Level 3	Total				
Installment sales receivable (*1) (*2)	¥	—	¥	—	¥ 584,289	¥ 584,289	¥ 579,497	¥ 4,791
Lease receivables and investment assets (*2)		-		-	1,982,209	1,982,209	1,923,744	58,465
Loans receivable (*2)		-		-	516,131	516,131	511,634	4,496
Delinquent receivables (*2)		-		-	20,371	20,371	20,371	—
Total assets	¥	—	¥	—	¥3,103,001	¥3,103,001	¥3,035,247	¥ 67,753
Bonds	¥	—	¥1,279,002	¥	—	¥1,279,002	¥1,267,495	¥ 11,507
Long-term loans		-	4,309,088		-	4,309,088	4,440,021	(130,932)
Long-term payables under securitization of lease receivables		-	33,908		-	33,908	33,768	140
Lease obligations		-	32,561		-	32,561	32,645	(84)
Guarantee deposits received		-	134,941		-	134,941	144,231	(9,290)
Total liabilities	¥	—	¥5,789,501	¥	—	¥5,789,501	¥5,918,161	¥(128,659)

Type	Thousands of U.S. Dollars							
	March 31, 2025							
	Fair Value				Carrying Amount	Difference		
Level 1	Level 2	Level 3	Total					
Installment sales receivable (*1) (*2)	\$	–	\$	–	\$ 3,703,096	\$ 3,703,096	\$ 3,651,575	\$ 51,521
Lease receivables and investment assets (*2)		–		–	11,859,754	11,859,754	11,608,520	251,234
Loans receivable (*2)		–		–	3,786,484	3,786,484	3,774,039	12,439
Delinquent receivables (*2)		–		–	69,805	69,805	69,805	–
Total assets	\$	–	\$	–	\$19,419,153	\$19,419,153	\$19,103,946	\$ 315,201
Bonds	\$	–	\$	9,174,627	\$ –	\$ 9,174,627	\$ 8,909,797	\$ 264,830
Long-term loans		–		29,581,014	–	29,581,014	30,103,725	(522,704)
Long-term payables under securitization of lease receivables		–		197,225	–	197,225	199,090	(1,859)
Lease obligations		–		211,235	–	211,235	212,720	(1,485)
Guarantee deposits received		–		852,879	–	852,879	937,003	(84,124)
Total liabilities	\$	–	\$	40,016,993	\$ –	\$40,016,993	\$40,362,349	\$(345,349)

*1. Deferred profit on installment sales has been deducted from installment sales receivable in the consolidated balance sheet.

*2. Installment sales receivable, lease receivables and investment assets, loans receivable, and delinquent receivables at March 31, 2025 and 2024 in the above table are after deducting the allowance for doubtful accounts of ¥1,377 million (\$9,209 thousand) and ¥1,423 million, ¥4,019 million (\$26,878 thousand) and ¥4,411 million, ¥909 million (\$6,079 thousand) and ¥1,250 million, and ¥14,199 million (\$94,958 thousand) and ¥17,829 million, respectively.

Notes: 1. Explanation of evaluation techniques used for measuring fair value and inputs used for measuring fair value

Assets

Short-term investment securities and Investment securities

Among market prices or prices quoted from information vendors, etc., the fair values of securities that can be determined based on unadjusted quoted prices in active markets (listed stocks, etc.) are classified as Level 1.

The fair values of those with quoted prices in inactive markets are classified as Level 2.

Since the fair values of bonds with a short remaining period, and bonds with variable interest rates reflecting market interest rates in a short period of time approximate their carrying amounts, the fair values are determined to be the same as their carrying amounts and classified as Level 2.

The fair values of investment trusts that have no market price are determined based on the net asset value and classified as Level 2, when there are no significant restrictions on cancellation or repurchase to such an extent that market participants would require compensation for the risk.

Installment sales receivable, Lease receivables and investment assets, and Loans receivable

The fair values of these items are determined by discounting estimated future cash flows, for which consideration has been given to an internal rating for each counterparty, a forecasted default rate based on the internal rating, a forecasted uncollectable rate upon default based on collateral, guarantees, etc., at the market interest rate. Since the effect of unobservable inputs is significant, the fair value is classified as Level 3.

Delinquent receivables

As the Group determines the estimated uncollectible amount based on the estimated collectible amounts covered by collateral and guarantees, the fair value closely approximates the amount obtained by deducting the current estimated uncollectible amount from the carrying amount at the fiscal year-end and is determined to be the same as such amount. Since the effect of unobservable inputs is significant, the fair value is classified as Level 3.

Liabilities

Bonds, Long-term loans, Long-term payables under securitization of lease receivables, Lease obligations, and Guarantee deposits received

Among these items, the fair values of bonds whose prices are provided by industry groups, etc. are determined based on the price information. Those with variable interest rates other than the above reflect market interest rates in a short period of time, and the Company's credit standing has not changed significantly since their execution. Accordingly, their fair values are considered to approximate their carrying amounts and determined to be the same as their carrying amounts. For those with a fixed interest rate, the fair values are measured by discounting the future cash flows using the interest rates applicable to similar financing arrangements for the same remaining maturities.

Since the effect of unobservable inputs on the fair value measurement is insignificant, the fair values are classified as Level 2.

Derivative transactions

The fair values of derivatives are measured by the Discounted Cash Flow Method using observable inputs such as interest rates and forward exchange rates, and are classified as Level 2. Since foreign exchange forward contracts under the allocation method and interest rate swaps under the special treatment are accounted for with hedged items, bonds or long-term loans, the fair values are included in the fair values of the bonds or the long-term loans.

Additional information is provided in Note 31. DERIVATIVE TRANSACTIONS.

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2. The following table provides the carrying amounts of stocks, etc. with no market value and investments in partnerships and others that are excluded from the above information about the fair values of financial instruments.

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Stocks, etc. with no market value (*1)	¥ 81,747	¥ 15,396	\$ 546,693
Investments in partnerships and others	102,073	81,062	682,626
Total	¥ 183,821	¥ 96,458	\$ 1,229,325

*1. Stocks, etc. with no market value include unlisted stocks.

3. Maturities of monetary claims and securities with maturities

	Millions of Yen					
	March 31, 2025					
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Installment sales receivable	¥ 233,667	¥ 133,769	¥ 95,691	¥ 62,708	¥ 32,633	¥ 23,981
Lease receivables and investment assets (*1) ...	491,784	378,575	282,418	195,923	113,712	212,280
Loans receivable	161,368	42,516	63,376	42,657	99,687	157,433
Short-term investment securities and investment securities (*2)	16,521	9,297	7,183	17,497	15,508	31,383
Other securities with maturities of the above	16,521	9,297	7,183	17,497	15,508	31,383
Total	¥ 903,341	¥ 564,159	¥ 448,669	¥ 318,786	¥ 261,542	¥ 425,079

	Millions of Yen					
	March 31, 2024					
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Installment sales receivable	¥ 251,499	¥ 139,984	¥ 101,873	¥ 66,135	¥ 35,180	¥ 21,471
Lease receivables and investment assets (*1) ...	545,031	421,553	304,873	212,849	130,278	247,103
Loans receivable	174,877	66,079	43,397	48,053	39,654	142,928
Short-term investment securities and investment securities (*2)	4	2,261	9,195	8,926	11,588	27,133
Other securities with maturities of the above	4	2,261	9,195	8,926	11,588	27,133
Total	¥ 971,413	¥ 629,879	¥ 459,339	¥ 335,963	¥ 216,701	¥ 438,636

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Thousands of U.S. Dollars						
March 31, 2025						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Installment sales receivable	\$ 1,562,676	\$ 894,596	\$ 639,945	\$ 419,367	\$ 218,237	\$ 160,376
Lease receivables and investment assets (*1) ...	3,288,865	2,531,766	1,888,705	1,310,259	760,463	1,419,648
Loans receivable	1,079,168	284,331	423,835	285,274	666,669	1,052,852
Short-term investment securities and investment securities (*2).....	110,486	62,175	48,037	117,013	103,712	209,878
Other securities with maturities of the above	110,486	62,175	48,037	117,013	103,712	209,878
Total.....	\$ 6,041,202	\$ 3,772,882	\$ 3,000,528	\$ 2,131,920	\$ 1,749,094	\$ 2,842,767

*1. Estimated residual values of ¥65,147 million (\$435,678 thousand) and ¥66,465 million are excluded from lease receivables and investment assets as of March 31, 2025 and 2024, respectively.

*2. Short-term investment securities and investment securities of ¥0 million (\$0 thousand) and ¥0 million that are deemed uncollectible as of March 31, 2025 and 2024 are excluded from the table above.

4. Maturities of bonds, long-term loans, lease obligations, and other interest bearing debts

Millions of Yen						
March 31, 2025						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Bonds	¥ 242,902	¥ 145,565	¥ 58,100	¥ 375,589	¥ 171,494	¥ 338,630
Long-term loans	860,364	657,765	1,012,103	505,093	529,000	937,083
Long-term payables under securitization of lease receivables.....	6,665	4,382	4,726	5,835	1,928	6,231
Lease obligations	7,819	5,636	3,754	2,684	2,201	9,711
Total.....	¥1,117,752	¥ 813,349	¥1,078,685	¥ 889,203	¥ 704,625	¥1,291,656

Millions of Yen						
March 31, 2024						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Bonds	¥ 273,814	¥ 217,225	¥ 146,465	¥ 35,000	¥ 379,659	¥ 215,330
Long-term loans	601,953	733,835	536,107	586,102	732,748	1,249,275
Long-term payables under securitization of lease receivables.....	11,141	4,299	2,640	3,500	5,055	7,130
Lease obligations	9,141	5,880	3,973	2,170	1,362	10,117
Total.....	¥ 896,050	¥ 961,240	¥ 689,186	¥ 626,773	¥1,118,825	¥1,481,853

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Thousands of U.S. Dollars						
March 31, 2025						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Bonds.....	\$1,624,437	\$ 973,484	\$ 388,551	\$2,511,797	\$1,146,887	\$ 2,264,629
Long-term loans.....	5,753,789	4,398,883	6,768,561	3,377,871	3,537,752	6,266,856
Long-term payables under securitization of lease receivables.....	44,573	29,305	31,606	39,022	12,894	41,671
Lease obligations	52,291	37,691	25,105	17,950	14,719	64,943
Total.....	\$7,475,102	\$5,439,370	\$7,213,837	\$5,946,653	\$4,712,265	\$ 8,638,106

30. SECURITIES

(1) Investments in unconsolidated subsidiaries and affiliates

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Investment securities	¥ 168,062	¥ 168,431	\$1,123,935

(2) Other securities with market values

Millions of Yen				
March 31, 2025				
	Type	Acquisition Cost	Carrying Amount	Net Unrealized Gains (Losses)
Securities whose carrying amount exceeds the acquisition cost	Stocks	¥ 36,465	¥ 77,007	¥ 40,542
	Bonds:			
	Corporate bonds	—	—	—
	Other	20,861	23,173	2,312
	Subtotal	57,327	100,181	42,854
Securities whose carrying amount does not exceed the acquisition cost	Stocks	21,936	21,814	(122)
	Bonds:			
	Corporate bonds	2,680	2,680	—
	Other	16,190	16,173	(16)
	Subtotal	40,806	40,667	(139)
	Total	¥ 98,134	¥ 140,849	¥ 42,715

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Millions of Yen				
March 31, 2024				
	Type	Acquisition Cost	Carrying Amount	Net Unrealized Gains (Losses)
Securities whose carrying amount exceeds the acquisition cost	Stocks	¥ 32,652	¥ 69,649	¥ 36,996
	Bonds:			
	Corporate bonds	—	—	—
	Other	21,071	23,108	2,036
	Subtotal	53,724	92,758	39,033
Securities whose carrying amount does not exceed the acquisition cost	Stocks	2,179	2,086	(93)
	Bonds:			
	Corporate bonds	750	750	—
	Other	500	500	—
	Subtotal	3,429	3,336	(93)
	Total	¥ 57,153	¥ 96,094	¥ 38,940

Thousands of U.S. Dollars				
March 31, 2025				
	Type	Acquisition Cost	Carrying Amount	Net Unrealized Gains (Losses)
Securities whose carrying amount exceeds the acquisition cost	Stocks	\$ 243,864	\$ 514,994	\$ 271,130
	Bonds:			
	Corporate bonds	—	—	—
	Other	139,510	154,972	15,462
	Subtotal	383,381	669,973	286,591
Securities whose carrying amount does not exceed the acquisition cost	Stocks	146,700	145,884	(816)
	Bonds:			
	Corporate bonds	17,923	17,923	—
	Other	108,273	108,159	(107)
	Subtotal	272,895	271,965	(930)
	Total	\$ 656,283	\$ 941,945	\$ 285,662

Note: Stocks with no market value and investments in partnerships and others (carrying amount: ¥183,821 million (\$1,229,325 thousand) and ¥96,458 million as of March 31, 2025 and 2024, respectively) are excluded from the above “Other securities.”

(3) Other securities sold during the year

Type	Millions of Yen		
	For the Year Ended March 31, 2025		
	Sales Proceeds	Aggregate Gain	Aggregate Loss
Stocks	¥ 6,764	¥ 3,084	¥ 198
Bonds:			
Corporate bonds	0	—	—
Other.....	17,048	—	—
Total	¥ 23,812	¥ 3,084	¥ 198

Type	Millions of Yen		
	For the Year Ended March 31, 2024		
	Sales Proceeds	Aggregate Gain	Aggregate Loss
Stocks	¥ 23,741	¥ 13,156	¥ 83
Bonds:			
Corporate bonds	659	—	—
Other.....	7,411	—	39
Total	¥ 31,811	¥ 13,156	¥ 123

Type	Thousands of U.S. Dollars		
	For the Year Ended March 31, 2025		
	Sales Proceeds	Aggregate Gain	Aggregate Loss
Stocks	\$ 45,235	\$ 20,625	\$ 1,324
Bonds:			
Corporate bonds	0	—	—
Other.....	114,011	—	—
Total	\$ 159,246	\$ 20,627	\$ 1,324

(4) Impairment of securities

If the fair values of other securities have declined materially below their acquisition costs, the decline is considered other-than-temporary, and the Group reduces their carrying amounts to the fair values and recognizes a valuation loss in the consolidated statement of income.

Impairment losses on other securities, including stocks, etc. with no market value, of ¥938 million (\$6,279 thousand) and ¥3,506 million were recognized during the years ended March 31, 2025 and 2024, respectively.

31. DERIVATIVE TRANSACTIONS

(1) Derivative transaction to which hedge accounting is not applied

(a) Interest rate derivatives

No items to report.

(b) Currency derivatives

Type	Millions of Yen			
	March 31, 2025			
	Contract Amount		Fair Value	Unrealized Gain (Loss)
	Total	Due after One Year		
Over-the-counter transactions:				
Currency swaps	¥ 19,030	¥ 18,250	¥ (1,061)	¥ (1,061)
Foreign exchange forward contracts:				
Bought.....	18,756	—	39	39
Total	¥ 37,786	¥ 18,250	¥ (1,021)	¥ (1,021)

Type	Millions of Yen			
	March 31, 2024			
	Contract Amount		Fair Value	Unrealized Gain (Loss)
	Total	Due after One Year		
Over-the-counter transactions:				
Currency swaps	¥ 18,230	¥ 17,089	¥ 59	¥ 59
Foreign exchange forward contracts:				
Sold.....	118,988	—	1,940	1,940
Total	¥ 137,219	¥ 17,089	¥ 1,999	¥ 1,999

Type	Thousands of U.S. Dollars			
	March 31, 2025			
	Contract Amount		Fair Value	Unrealized Gain (Loss)
	Total	Due after One Year		
Over-the-counter transactions:				
Currency swaps	\$ 127,265	\$ 122,049	\$ (7,096)	\$ (7,096)
Foreign exchange forward contracts:				
Bought.....	125,433	—	261	261
Total	\$ 252,698	\$ 122,049	\$ (6,828)	\$ (6,828)

(2) Derivative transactions to which hedge accounting is applied

(a) Interest rate derivatives

Millions of Yen				
March 31, 2025				
Contract Amount				
Type	Hedged Item	Total	Due after One Year	Fair Value
<u>Deferral hedge method</u>				
Interest rate swaps:	Future transactions, loans, and others			
Receivable floating rate/payable fixed rate		¥ 722,487	¥ 592,145	¥ (162)
<u>Special treatment</u>				
Interest rate swaps:	Loans, and others			
Receivable floating rate/payable fixed rate		355,130	313,654	
Receivable fixed rate/payable floating rate		37,050	37,050	(*)
Total		¥1,114,667	¥ 942,849	¥ (162)

Millions of Yen				
March 31, 2024				
Type	Hedged Item	Contract Amount		Fair Value
		Total	Due after One Year	
<u>Deferral hedge method</u>				
Interest rate swaps:	Future transactions, loans, and others			
Receivable floating rate/payable fixed rate		¥ 994,908	¥ 827,466	¥ 10,302
<u>Special treatment</u>				
Interest rate swaps:	Loans, and others			
Receivable floating rate/payable fixed rate		384,191	355,263	
Receivable fixed rate/payable floating rate		37,050	37,050	(*)
Total		¥1,416,150	¥1,219,779	¥ 10,302

Thousands of U.S. Dollars				
March 31, 2025				
Type	Hedged Item	Contract Amount		Fair Value
		Total	Due after One Year	
<u>Deferral hedge method</u>				
Interest rate swaps:	Future transactions, loans, and others			
Receivable floating rate/payable fixed rate		\$4,831,719	\$3,960,041	\$ (1,083)
<u>Special treatment</u>				
Interest rate swaps:	Loans, and others			
Receivable floating rate/payable fixed rate		2,374,975	2,097,599	(*)
Receivable fixed rate/payable floating rate		247,776	247,776	
Total		\$7,454,471	\$6,305,417	\$ (1,083)

* Since interest rate swaps to which the special treatment is applied are accounted for with the hedged items such as loans, the fair value is included in the fair value of the loans and others.

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(b) Currency derivatives

		Millions of Yen			
		March 31, 2025			
		Contract Amount			
Type	Hedged Item	Total	Due after One Year		Fair Value
<u>Deferral hedge method</u>					
Currency swaps	Future transactions, loans, and others	¥ 32,214	¥ 30,043	¥	(463)
<u>Allocation method</u>					
Currency swaps	Loans, and others	12,793	402		
Foreign exchange forward contracts:					(*)
Sold		4,909	—		
Total		¥ 49,917	¥ 30,446	¥	(463)

		Millions of Yen			
		March 31, 2024			
		Contract Amount			
Type	Hedged Item	Total	Due after One Year	Fair Value	
<u>Deferral hedge method</u>					
Currency swaps	Future transactions, loans, and others	¥ 36,267	¥ 33,110	¥ (692)	
Foreign exchange forward contracts:					
Sold		294	—	(6)	
<u>Allocation method</u>					
Currency swaps	Loans, and others	16,637	12,960		
Foreign exchange forward contracts:					
Sold		4,720	—		
Total		¥ 57,920	¥ 46,071	¥ (699)	

Thousands of U.S. Dollars				
March 31, 2025				
Type	Hedged Item	Contract Amount		Fair Value
		Total	Due after One Year	
<u>Deferral hedge method</u>				
Currency swaps	Future transactions, loans, and others	\$ 215,435	\$ 200,916	\$ (3,096)
<u>Allocation method</u>				
Currency swaps	Loans, and others	85,555	2,688	
Foreign exchange forward contracts:				(*)
Sold		32,830	—	
Total		\$ 333,826	\$ 203,611	\$ (3,096)

* Since contracts to which the allocation method is applied are accounted for with the hedged items such as loans, the fair value is included in the fair value of the loans and others.

32. BUSINESS COMBINATIONS

For the year ended March 31, 2025

Business combination through acquisition

(1) Acquisition of Aravest Pte. Ltd.

SMFL Mirai Partners Co., Ltd. (“SMFL Mirai Partners”) and Kenedix, Inc. (“KDX”), both of which are consolidated subsidiaries of the Company, acquired Aravest Pte. Ltd., a private placement fund business operated by ARA Asset Management Limited (“ARA”), an affiliated company of ESR Group Limited, under the share purchase agreement on December 20, 2024.

(a) Outline of the business combination

(i) Name of acquired company and its business

Name: Aravest Pte. Ltd.

Business: Private placement fund business (real estate asset management business and joint investment business)

(ii) Major reason for the business combination

The purpose of this acquisition is to obtain synergies from the asset management know-how in and outside Japan, mainly in the Asia-Pacific region, of ARA and KDX and the financial foundation and the fund-raising capacity of the Group for mutual use.

(iii) Date of the business combination

December 20, 2024

(iv) Legal form of the business combination

Share acquisition

(v) Name of the company after the business combination

Sumitomo Mitsui Finance and Leasing Company, Limited

(vi) Percentage of voting rights acquired

100%*

* 70% acquired by SMFL Mirai Partners (percentage of voting rights held by the Company: 100%) and 30% acquired by KDX (percentage of voting rights held by the Company: 70%)

(vii) Basis for determining the acquirer

It is based on the fact that SMFL Mirai Partners and KDX acquired the shares in exchange for cash.

(b) The period for which the operating results of the acquired company are included in the consolidated statement of income

The deemed date of acquisition is December 31, 2024, and the difference between the date and the consolidated balance sheet date is three months or less. Accordingly, the operating results of the acquired company are not included in the consolidated statement of income.

(c) Acquisition cost of the acquired company and each class of consideration

Consideration for acquisition	Cash	¥42,387 million (\$283,468 thousand)
Acquisition cost		¥42,387 million (\$283,468 thousand)

(d) Nature and amount of major acquisition-related costs

Advisory fees, commissions and other charges: ¥540 million (\$3,611 thousand)

(e) Amount of and reason for goodwill arising from the business combination, and method and period of amortization

(i) Amount of goodwill arising from the business combination

¥19,268 million (\$128,857 thousand)

(ii) Reason for goodwill arising from the business combination

Goodwill arose since the acquisition cost exceeded the Group's share of the fair value of the acquired company's net assets.

(iii) Method and period of amortization

The goodwill is amortized on a straight-line basis over 20 years.

(f) The assets acquired and the liabilities assumed at the date of the business combination

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 11,606	\$ 77,617
Non-current assets	27,772	185,729
Total assets acquired	¥ 39,379	\$ 263,352
Current liabilities	¥ 2,154	\$ 14,405
Non-current liabilities	3,197	21,380
Total liabilities assumed	¥ 5,352	\$ 35,792

(g) Amount of acquisition cost that was allocated to intangible assets other than goodwill and weighted-average amortization period for each asset class

	Millions of Yen	Thousands of U.S. Dollars	Weighted- average Amortization Period
Amount allocated to intangible assets other than goodwill..	¥ 1,548	\$ 10,352	6 years
Customer-related intangible assets.....	1,548	10,352	6 years

(h) Effects on the consolidated statement of income for the year ended March 31, 2025 as though this business combination had been completed as of April 1, 2024, and method of calculating the effects

	Millions of Yen	Thousands of U.S. Dollars
Revenues	¥ 4,389	\$ 29,352
Profit before income taxes	(1,948)	(13,027)
Profit attributable to owners of parent	(2,028)	(13,562)

Method of calculating the effects

Revenues and profit or loss would be calculated as above as though this business combination had been completed as of April 1, 2024, the beginning of the year ended March 31, 2025. Amortization or depreciation of the goodwill and other items recognized at the date of the business combination was adjusted as though they had arisen as of April 1, 2024.

The above note is unaudited by KPMG AZSA LLC.

(2) Tender offer for CRE, Inc.

SMFL MIRAI Partners Co., Ltd., a consolidated subsidiary of the Company, (the “Tender Offeror”) determined to acquire all the shares of CRE, Inc. (listed on the Prime Market of Tokyo Stock Exchange, securities code: 3458; the “Target Company”) (the “Target Company’s Shares”), excluding Target Company’s Shares held by the Tender Offeror, own shares held by the Target Company, and shares held by shareholders who had agreed not to tender their shares, which are all of the Target Company’s Shares held by Kyobashi Kousan, Etc. as defined below and Kenedix, Inc., through a tender offer under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “Tender Offer”) on January 28, 2025, commenced the Tender offer on January 29, 2025 and completed it on March 13, 2015. Kyobashi Kousan, Etc. means The Nomura Trust and Banking Co., Ltd. acting as a trustee under the securities administration and disposition trust agreement dated April 15, 2021 executed by Kyobashi Kousan, Inc. with The Nomura Trust and Banking and/or Kyobashi Kousan.

As a result of the Tender Offer, the Target Company and its consolidated subsidiaries became consolidated subsidiaries of the Company on March 21, 2025 on which settlement of the Tender Offer commenced.

In response to the result of the Tender Offer, the Tender Offeror intends to acquire all the Target Company’s Shares, excluding Target Company’s Shares held by the Tender Offeror, own shares held by the Target Company, and shares held by shareholders who had agreed not to tender their shares, and implement a squeeze-out procedure by consolidating the Target Company’s Shares for the Tender Offeror and Kyobashi Kousan, Etc. to be the only shareholders of the Target Company. Furthermore, after the squeeze-out procedure, the Tender Offeror plans to make the Target Company repurchase some of its own shares from the Tender Offeror so that the percentages of voting rights held by the Tender Offeror and Kyobashi Kousan, Etc. will finally be 50.1% and 49.9%, respectively.

The specific procedures and the schedule thereof will be announced by the Target Company once decided after consultation between the Tender Offeror and the Target Company.

(a) Outline of the business combination

(i) Name of acquired company and its business

Name: CRE, Inc.

Business: Property management, logistics investment, asset management, and overseas businesses

(ii) Major reason for the business combination

In the “Medium-Term Management Plan (FY2023 to FY2025)” announced on May 12, 2023, the Group upholds the theme of “pursuing the strengths of ‘a business company with financial capabilities’ and taking on the challenge of solving social issues” and sets the creation of new core businesses as one of the pillars of its strategy to realize the theme. As part of such efforts, the Group has been working to strengthen its real estate business. The Group thusly positioned the real estate business as one of the Group’s core businesses for sustained growth and enhancing corporate value and has been strengthening it.

Under such circumstances, the Group found that its real estate business has a strong affinity with the logistics real estate development business and recurring-revenue business, which are the strengths of the Target Company, and that the collaboration with the asset management business of the Target Company in exit strategies on the Group’s equity investment, mezzanine investment, and own properties would lead to the deepening of its asset turnover-based business shown as its strategy in the “Medium-Term Management Plan (FY2023 to FY2025).” Accordingly, the Group determined to enter into this transaction.

(iii) Date of the business combination

March 21, 2025 (share acquisition date)

(iv) Legal form of the business combination

Share acquisition in exchange for cash

(v) Name of the company after the business combination

There is no change in the name of the company.

(vi) Percentage of voting rights acquired

Percentage of voting rights immediately before the date of the business combination:	15.26%
Percentage of voting rights acquired on the date of the business combination:	35.91%
Percentage of voting rights after the acquisition:	51.17%

Note: The percentages of voting rights are rounded off to two decimal places.

(vii) Basis for determining the acquirer

It is based on the fact that the Tender Offeror acquired the shares in exchange for cash.

(b) The period for which the operating results of the acquired company are included in the consolidated statement of income

The deemed date of acquisition is January 31, 2025, and the difference between the date and the consolidated balance sheet date is three months or less. Accordingly, the operating results of the acquired company are not included in the consolidated statement of income.

(c) Acquisition cost of the acquired company and each class of consideration

Acquisition-date fair value of previously held shares	¥7,624 million (\$50,986 thousand)
<u>Consideration for shares acquired on share acquisition date (cash)</u>	<u>¥17,939 million (\$119,969 thousand)</u>
Acquisition cost	¥25,564 million (\$170,962 thousand)

Note: The consideration for shares acquired on share acquisition date is determined by multiplying the number of shares that the Tender Offeror purchased (10,552,742 shares) by the Tender Offer purchase price (¥1,700 (\$11.37)).

(d) Difference between the acquisition cost of the acquired company and the total amount of acquisition costs for transactions until acquisition

Gain on step acquisitions ¥494 million (\$3,304 thousand)

(e) Nature and amount of major acquisition-related costs

Advisory fees, commissions and other charges: ¥242 million (\$1,618 thousand)

(f) Amount of and reason for goodwill arising from the business combination, and method and period of amortization

(i) Amount of goodwill arising from the business combination

¥4,426 million (\$29,599 thousand)

The above amount was provisionally determined because the purchase price allocation has not been completed at the end of the year ended March 31, 2025.

(ii) Reason for goodwill arising from the business combination

The acquisition cost exceeded the Group's share of the fair value of the acquired company's net assets at the date of the business combination. Accordingly, the difference was recognized as goodwill.

(iii) Method and period of amortization

The goodwill will be amortized on a straight-line basis over a period of time for which the effect lasts. The amortization period will be determined on the basis of the purchase price allocation.

(g) The assets acquired and the liabilities assumed at the date of the business combination

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 124,234	\$ 830,830
Non-current assets	32,737	218,933
Total assets acquired	¥ 156,971	\$ 1,049,763
Current liabilities	¥ 41,572	\$ 278,018
Non-current liabilities	73,967	494,663
Total liabilities assumed	¥ 115,539	\$ 772,681

(h) Effects on the consolidated statement of income for the year ended March 31, 2025 as though this business combination had been completed as of April 1, 2024, and method of calculating the effects

	Millions of Yen	Thousands of U.S. Dollars
Revenues	¥ 65,996	\$ 441,356
Profit before income taxes	8,078	54,023
Profit attributable to owners of parent	2,508	16,773

Method of calculating the effects

Revenues and profit or loss would be calculated as above as though this business combination had been completed as of April 1, 2024, the beginning of the year ended March 31, 2025. Amortization or depreciation of the goodwill and other items recognized at the date of the business combination was adjusted as though they had arisen as of April 1, 2024.

The above note is unaudited by KPMG AZSA LLC.

For the year ended March 31, 2024

There were no business combinations in the year ended March 31, 2024.

33. REVENUE RECOGNITION

Information on revenue from contracts with customers was as follows.

Receivables from contracts with customers, contract assets and contract liabilities

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2025	2024	2025
Receivables from contracts with customers.....	¥ 8,587	¥ 4,420	\$ 57,427
Contract assets.....	1,367	1,198	9,142
Contract liabilities	4,233	3,457	28,309

Revenue from contracts with customers

	Millions of Yen		Thousands of U.S. Dollars
For the year ended March 31,	2025	2024	2025
Revenue from contracts with customers.....	¥ 107,453	¥ 79,730	\$ 718,605

34. SEGMENT INFORMATION

(1) General information about reportable segments

The Group's reportable segments are business units of the Group whose discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions regarding the allocation of management resources and evaluate performance.

The Group had the reportable segments of "Domestic Leasing Business," "Environmental and Energy Business," "Real Estate Business," "Transportation Business," and "Overseas Business."

Domestic Leasing Business.....Leasing and installment sales, loans, rental, secondhand trading, etc. of various goods including equipment and machinery for domestic large companies and small and medium-sized companies

Environmental and Energy Business...Leasing of energy conservation facilities and renewable energy power generation facilities, power generation business, etc.

Real Estate Business.....Leasing and loans for real estate, such as commercial facilities, office buildings, and logistics warehouses, real estate rental business, real estate development business, real estate asset management business, etc.

Transportation BusinessAircraft leasing business, aircraft engine leasing business, helicopter leasing business, leasing and installment sales of vessels, loans, chartered vessel business, etc.

Overseas BusinessSales finance for overseas companies, finance services for capital investments of Japanese companies, etc.

Changes in reportable segments

The Group made an organizational change as of April 1, 2024 to strengthen its structure to promote the environmental energy business and established the "Environmental and Energy Business Unit." Accordingly, the "Environmental and Energy Business" was separated from the "Domestic Leasing Business" and became a newly reportable segment, and the Group changed its segmentation to the reportable segments of "Domestic Leasing Business," "Environmental and Energy Business," "Real Estate Business," "Transportation Business," and "Overseas Business."

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Segment information for the year ended March 31, 2024 has been prepared on the new basis of segmentation.

(2) Basis of measurement of revenues, profit or loss, assets, and other items by reportable segment

The accounting policies of each reportable segment are almost consistent with those disclosed in Note 2. SIGNIFICANT ACCOUNTING POLICIES FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS. When more than one business department cooperatively wins a deal, each of such departments recognizes revenue based on actual revenue in accordance with the rules of internal managerial accounting.

(3) Information about revenues, profit or loss, assets, and other items by reportable segment

As of and for the year ended March 31, 2025	Millions of Yen						Adjustments (*1)	Consolidated (*3)
	Reportable Segment							
	Domestic Leasing	Environmental and Energy	Real Estate	Transportation	Overseas			
Revenues:								
Lease sales	¥ 653,640	¥ 2,105	¥ 320,685	¥ 649,749	¥ 32,187	¥ –		¥1,658,368
Installment sales	270,579	–	–	283	82,662	–		353,525
Finance revenue	9,302	470	1,844	10,359	6,531	–		28,509
Other revenues (*2).....	22,094	20,587	113,151	10,407	2,487	–		168,729
Revenues from external customers...	955,617	23,164	435,682	670,799	123,869	–		2,209,133
Intersegment revenues or transfers...	10,798	44,436	6,245	24,375	166,688	(252,545)		–
Total revenues	¥ 966,416	¥ 67,601	¥ 441,927	¥ 695,175	¥ 290,558	¥(252,545)		¥2,209,133
Segment profit (loss)	¥ 39,939	¥ 4,807	¥ 56,699	¥ 76,246	¥ 1,263	¥ (13,106)		¥ 165,851
Segment assets	2,102,054	375,782	2,087,712	3,824,662	605,197	1,138,240		10,133,649

As of and for the year ended March 31, 2024	Millions of Yen						Adjustments (*1)	Consolidated (*3)
	Reportable Segment							
	Domestic Leasing	Environmental and Energy	Real Estate	Transportation	Overseas			
Revenues:								
Lease sales	¥ 681,590	¥ 5,109	¥ 303,684	¥ 618,924	¥ 41,265	¥ –		¥1,650,574
Installment sales	338,610	–	–	285	92,265	–		431,160
Finance revenue	10,327	714	1,728	9,611	4,645	–		27,027
Other revenues (*2).....	18,517	18,199	108,711	10,675	2,603	–		158,707
Revenues from external customers...	1,049,046	24,023	414,125	639,496	140,780	–		2,267,470
Intersegment revenues or transfers ...	10,916	45,665	1,078	31,610	181,181	(270,453)		–
Total revenues	¥1,059,962	¥ 69,689	¥ 415,203	¥ 671,106	¥ 321,961	¥(270,453)		¥2,267,470
Segment profit (loss)	¥ 34,319	¥ 4,228	¥ 52,462	¥ 63,473	¥ 2,259	¥ (7,075)		¥ 149,667
Segment assets	2,284,820	365,827	1,802,089	3,571,884	728,670	942,766		9,696,059

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	Thousands of U.S. Dollars						
	Reportable Segment						
As of and for the year ended March 31, 2025	Domestic Leasing	Environmental and Energy	Real Estate	Trans- portation	Overseas	Adjustments (*1)	Consolidated (*3)
Revenues:							
Lease sales	\$ 4,371,297	\$ 14,077	\$ 2,144,620	\$ 4,345,275	\$ 215,254	\$ –	\$ 11,090,543
Installment sales	1,809,530	–	–	1,893	552,812	–	2,364,245
Finance revenue	62,208	3,143	12,332	69,277	43,677	–	190,660
Other revenues (*2).....	147,756	137,678	756,711	69,598	16,632	–	1,128,397
Revenues from external customers...	6,390,805	154,912	2,913,676	4,486,050	828,389	–	14,773,845
Intersegment revenues or transfers ...	72,213	297,171	41,764	163,011	1,114,746	(1,688,925)	–
Total revenues	\$ 6,463,024	\$ 452,090	\$ 2,955,440	\$ 4,649,067	\$ 1,943,142	\$(1,688,925)	\$ 14,773,845
Segment profit (loss)	\$ 267,097	\$ 32,147	\$ 379,181	\$ 509,904	\$ 8,446	\$ (87,648)	\$ 1,109,149
Segment assets	14,057,741	2,513,088	13,961,827	25,577,891	4,047,328	7,612,118	67,770,011

*1. a) “Adjustments” for “Segment profit (loss)” of ¥(13,106) million (\$ (87,648) thousand) and ¥(7,075) million for the years ended March 31, 2025 and 2024 include amortization of goodwill of ¥(8,458) million (\$ (56,564) thousand) and ¥(8,420) million and equity in earnings of affiliates of ¥7,166 million (\$ (47,923) thousand) and ¥7,624 million which were not allocated to each reportable segment.

b) “Segment assets” in each reportable segment mainly consist of operating assets. “Adjustments” for “Segment assets” principally consist of corporate assets which were not allocated to each reportable segment.

*2. Other revenues include revenue that falls under revenue from contracts with customers.

*3. “Segment profit” was reconciled to ordinary income, which is calculated as operating income plus non-operating income minus nonoperating expenses in the consolidated statement of income as shown below. Ordinary income is required to be presented under Japanese GAAP and is widely used as key financial data in Japan.

Reconciliation between operating income in the consolidated statements of income and ordinary income was as follows:

For the year ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Operating income	¥ 171,427	¥ 157,392	\$ 1,146,443
Interest income	460	241	3,081
Dividend income	1,493	1,565	9,990
Interest expenses	(20,611)	(17,836)	(137,842)
Equity in earnings of affiliates	12,119	8,734	81,047
Value added tax refund	816	1,763	5,463
Foreign exchange gains (losses)	506	(1,068)	3,390
Amortization of bond issuance costs	(400)	(1,140)	(2,679)
Other—net	38	15	254
Ordinary income	¥ 165,851	¥ 149,667	\$ 1,109,149

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(4) Information by product and service

Millions of Yen				
For the Year Ended March 31, 2025				
	Leases, Rentals, and Installment Sales	Loans	Other	Total
Revenues from external customers	¥ 2,011,894	¥ 28,509	¥ 168,729	¥ 2,209,133

Millions of Yen				
For the Year Ended March 31, 2024				
	Leases, Rentals, and Installment Sales	Loans	Other	Total
Revenues from external customers	¥ 2,081,735	¥ 27,027	¥ 158,707	¥ 2,267,470

Thousands of U.S. Dollars				
For the Year Ended March 31, 2025				
	Leases, Rentals, and Installment Sales	Loans	Other	Total
Revenues from external customers	\$ 13,454,785	\$ 190,657	\$ 1,128,396	\$ 14,773,845

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(5) Geographic information

(a) Revenues

Millions of Yen					
For the Year Ended March 31, 2025					
Japan	Europe and the United States		Asia and Oceania	Total	
	Ireland	Other			
¥ 1,425,723	¥ 600,069	¥ 159,749	¥ 23,590	¥ 2,209,133	

Millions of Yen					
For the Year Ended March 31, 2024					
Japan	Europe and the United States		Asia and Oceania	Total	
	Ireland	Other			
¥ 1,518,104	¥ 559,745	¥ 167,981	¥ 21,639	¥ 2,267,470	

Thousands of U.S. Dollars					
For the Year Ended March 31, 2025					
Japan	Europe and the United States		Asia and Oceania	Total	
	Ireland	Other			
\$ 9,534,695	\$ 4,013,034	\$ 1,068,341	\$ 157,761	\$ 14,773,845	

- Notes: 1. The above table presents revenues in countries or regions where the Group companies are located.
2. The classification of countries or regions is based on geographical proximity.
3. (i) Major countries included in “Europe and the United States” are Ireland, the Netherlands, Germany (2024), and the United States (2025).
(ii) Major countries and regions included in “Asia and Oceania” are China (2024), Singapore, Thailand, and Indonesia (2025).

(b) Property and equipment

Millions of Yen					
March 31, 2025					
Japan	Europe and the United States		Asia and Oceania	Total	
	Ireland	Other			
¥ 1,497,638	¥ 3,522,505	¥ 243,958	¥ 54,054	¥ 5,318,156	

Millions of Yen					
March 31, 2024					
Japan	Europe and the United States		Asia and Oceania	Total	
	Ireland	Other			
¥ 1,471,750	¥ 3,388,075	¥ 204,012	¥ 16,692	¥ 5,080,530	

Thousands of U.S. Dollars					
March 31, 2025					
Japan	Europe and the United States		Asia and Oceania	Total	
	Ireland	Other			
\$ 10,015,636	\$ 23,557,179	\$ 1,631,499	\$ 361,493	\$ 35,565,818	

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(6) Information about major customers

Information by major customer is not disclosed because there were no revenues from any single customer accounting for 10% or more of revenues in the consolidated statements of income.

(7) Information about impairment losses on fixed assets by reportable segment

Millions of Yen								
For the Year Ended March 31, 2025								
	Domestic Leasing	Environmental and Energy	Real Estate	Transportation	Overseas	Corporate or Elimination	Total	
Impairment losses	¥ 58	¥ 5,952	¥ 115	¥ 4,568	¥ –	¥ –	¥ 10,694	

Millions of Yen								
For the Year Ended March 31, 2024								
	Domestic Leasing	Environmental and Energy	Real Estate	Transportation	Overseas	Corporate or Elimination	Total	
Impairment losses	¥ 111	¥ –	¥ 122	¥ 30,210	¥ –	¥ –	¥ 30,444	

Thousands of U.S. Dollars								
For the Year Ended March 31, 2025								
	Domestic Leasing	Environmental and Energy	Real Estate	Transportation	Overseas	Corporate or Elimination	Total	
Impairment losses	\$ 388	\$ 39,805	\$ 769	\$ 30,549	\$ –	\$ –	\$ 71,517	

(8) Information about amortization and balance of goodwill by reportable segment

Millions of Yen								
For the Year Ended March 31, 2025								
	Domestic Leasing	Environmental and Energy	Real Estate	Transportation	Overseas	Corporate or Elimination	Total	
Amortization.....	¥ –	¥ –	¥ 898	¥ 58	¥ –	¥ 8,458	¥ 9,414	
Balance as of March 31	–	–	14,129	459	–	47,984	62,573	

Millions of Yen								
For the Year Ended March 31, 2024								
	Domestic Leasing	Environmental and Energy	Real Estate	Transportation	Overseas	Corporate or Elimination	Total	
Amortization.....	¥ –	¥ –	¥ 946	¥ 59	¥ –	¥ 8,420	¥ 9,425	
Balance as of March 31	–	–	14,700	516	–	32,972	48,189	

Thousands of U.S. Dollars								
For the Year Ended March 31, 2025								
	Domestic Leasing	Environmental and Energy	Real Estate	Transportation	Overseas	Corporate or Elimination	Total	
Amortization.....	\$ –	\$ –	\$ 6,005	\$ 388	\$ –	\$ 56,564	\$ 62,962	
Balance as of March 31	–	–	94,489	3,070	–	320,899	418,467	

*1. “Corporate or elimination” represents amortization and unamortized balance of goodwill that were not allocable to reportable segments.

(9) Information about gain on bargain purchase by reportable segment

For the year ended March 31, 2025

No items to report.

For the year ended March 31, 2024

No items to report.

35. RELATED PARTY TRANSACTIONS

(1) Related party transactions

(a) Transactions between the Company and related parties

(i) Fellow subsidiaries

For the year ended March 31, 2025

Category	Related Party	Location	Capital		Business	Ownership Ratio	Relationship
			(Millions of Yen)	(Thousands of U.S. Dollars)			
Subsidiary of other associated company	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 1,771,093	\$ 11,844,399	Banking	—	Concurrent officers Borrowing of funds

Transaction	Transaction Amount		Account	Balance	
	(Millions of Yen)	(Thousands of U.S. Dollars)		(Millions of Yen)	(Thousands of U.S. Dollars)
Borrowing of funds	¥ 2,539,443	\$ 16,982,833	Short-term loans	¥ 537,473	\$ 3,594,416
Payment of interest	11,160	74,634	Long-term loans due within one year	101,666	679,904
			Long-term loans	88,014	588,604

For the year ended March 31, 2024

Category	Related Party	Location	Capital		Business	Ownership Ratio	Relationship
			(Millions of Yen)	(Thousands of U.S. Dollars)			
Subsidiary of other associated company	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 1,770,996		Banking	—	Concurrent officers Borrowing of funds

Transaction	Transaction Amount		Account	Balance	
	(Millions of Yen)	(Thousands of U.S. Dollars)		(Millions of Yen)	(Thousands of U.S. Dollars)
Borrowing of funds	¥ 2,587,282		Short-term loans	¥ 525,342	
Payment of interest	7,513		Commercial paper	20,000	
			Long-term loans due within one year	44,351	
			Long-term loans	172,426	

Note: Terms and conditions for transactions and determination policy

As for the borrowing of funds, interest rates have been reasonably determined taking the market interest rate into consideration.

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(ii) Other associated companies

For the year ended March 31, 2025

No items to report.

For the year ended March 31, 2024

For the year ended March 31, 2024							
Category	Related Party	Location	Capital		Business	Ownership Ratio	Relationship
			(Millions of Yen)				
Other associated company	Sumitomo Corporation	Chiyoda-ku, Tokyo	¥	220,423	General trading	Directly owned 50%	Concurrent officers Purchase of receivables

Transaction	Transaction Amount		Account	Balance	
	(Millions of Yen)			(Millions of Yen)	
Purchase of receivables	¥	25,712	—	¥	—

Note: Terms and conditions for transactions and determination policy

As for the purchase of receivables, interest rates have been reasonably determined taking the market interest rate into consideration.

(b) Transactions between consolidated subsidiaries of the Company and its related parties

Fellow subsidiaries

For the year ended March 31, 2025

Category	Related Party	Location	Capital		Business	Ownership Ratio	Relationship
			(Millions of Yen)	(Thousands of U.S. Dollars)			
Subsidiary of other associated company	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 1,771,093	\$ 11,844,399	Banking	—	Concurrent officers Borrowing of funds
Subsidiary of other associated company	SMBC Trust Bank Ltd.	Chiyoda-ku, Tokyo	¥ 87,550	\$ 585,501	Banking	—	Concurrent officers Borrowing of funds

Transaction	Transaction Amount				Balance	
	(Millions of Yen)	(Thousands of U.S. Dollars)	Account		(Millions of Yen)	(Thousands of U.S. Dollars)
Borrowing of funds	¥ 136,792	\$ 914,813	Short-term loans		¥ 29,072	\$ 194,423
Payment of interest	23,076	154,324	Long-term loans due within one year		205,273	1,372,788
			Long-term loans		584,224	3,907,069
Payment of interest	¥ 14,899	\$ 99,639	Long-term loans due within one year		¥ 17,445	\$ 116,666
			Long-term loans		346,287	2,315,836

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For the year ended March 31, 2024

Category	Related Party	Location	Capital	Business	Ownership Ratio	Relationship
			(Millions of Yen)			
Subsidiary of other associated company	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 1,770,996	Banking	—	Concurrent officers Borrowing of funds
Subsidiary of other associated company	SMBC Trust Bank Ltd.	Chiyoda-ku, Tokyo	¥ 87,550	Banking	—	Concurrent officers Borrowing of funds

Transaction		Transaction Amount	Account		Balance
		(Millions of Yen)			(Millions of Yen)
Borrowing of funds	¥	554,572	Short-term loans	¥	16,723
Payment of interest		28,159	Long-term loans due within one year		87,401
			Long-term loans		671,977
Borrowing of funds	¥	287,024	Long-term loans due within one year	¥	8,449
Payment of interest		24,248	Long-term loans		436,209

Note: Terms and conditions for transactions and determination policy

As for the borrowings of funds, interest rates have been reasonably determined taking the market interest rate into consideration.

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Years Ended March 31, 2025 and 2024

36. PER SHARE DATA

As of and for the year ended March 31,	Yen		U.S. Dollars
	2025	2024	2025
Net assets per share	¥ 13,023.60	¥ 12,040.66	\$ 87.10
Basic earnings per share	1,533.00	1,485.12	10.25
Diluted earnings per share	1,527.45	1,479.44	10.22

Notes: 1. Basic earnings per share and diluted earnings per share were calculated based on the following:

For the year ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Basic earnings per share:			
Profit attributable to owners of parent	¥ 133,914	¥ 129,731	\$ 895,566
Amount not attributable to common stockholders	—	—	—
Profit attributable to owners of parent related to common stock	133,914	129,731	895,566
Average number of shares of common stock during the year (Thousands of Shares)	87,354	87,354	
Diluted earnings per share:			
Adjustment for profit attributable to owners of parent	(484)	(496)	(3,237)
Adjustment of dilutive shares issued by consolidated subsidiary	(484)	(496)	(3,237)
Increase in number of shares of common stock (Thousands of Shares)	—	—	

For the year ended March 31,	2025	2024
Overview of potential common shares that were not included in the calculation of diluted earnings per share because they have no dilutive effect	—	—

2. Net assets per share were calculated based on the following:

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Total net assets	¥1,527,863	¥1,377,920	\$10,217,772
Amount excluded from total net assets	390,196	326,117	2,609,483
Stock acquisition rights on the above	118	118	790
Non-controlling interests on the above	390,078	325,999	2,608,695
Net assets related to common stock at the fiscal year-end	1,137,667	1,051,803	7,608,286
Number of shares of common stock at the fiscal year-end used for the calculation of net assets per share (Thousands of Shares)	87,354	87,354	

37. SUBSEQUENT EVENTS

For the year ended March 31, 2025

(1) Change in segmentation

The Group has changed its segmentation on the grounds that it made an organizational change as of April 1, 2025 to create a new growth driver that places decarbonization and carbon neutrality as well as a circular economy at its core and established the “Global Environment Business Unit.”

Previously, the Group had the reportable segments of “Domestic Leasing Business,” “Environmental and Energy Business,” “Real Estate Business,” “Transportation Business,” and “Overseas Business.” As a result of the organizational change, the “Global Environment Business,” which constitutes the “Environmental and Energy Business,” the Circular Economy Division from the “Domestic Leasing Business,” and other departments, has become a newly reportable segment, and therefore the Group has the reportable segments of “Domestic Leasing Business,” “Global Environment Business,” “Real Estate Business,” “Transportation Business,” and “Overseas Business” for periods beginning on or after April 1, 2025.

Revenues and profit or loss for the year ended March 31, 2025 and assets as of March 31, 2025 for each reportable segment on the new basis of segmentation are currently under evaluation.

(2) Acquisition of helicopter leasing companies from LCI Investments Limited

SMFL LCI Helicopters Limited, a consolidated subsidiary of the Company, (“SMFLH”) completed the acquisition of a business under the control of LCI Investments Limited, an affiliate of the Company, (“LCII”) which includes the acquisition of all the shares of helicopter leasing companies under the control of LCII on April 1, 2025 pursuant to the share purchase agreement executed on December 31, 2024.

(a) Outline of the business combination

(i) Names of acquired companies and their business

- a. Name: LAGERS Leasing limited
Business: Helicopter leasing
- b. Name: LCI Analytics Limited
Business: Helicopter leasing
- c. Name: LCI Helicopters (UK) Limited
Business: Helicopter leasing
- d. Name: LCI Operations Limited
Business: Helicopter leasing

(ii) Reason for the business combination

The business combination was for SMFLH to acquire companies under the control of LCII and to broaden SMFLH’s business base essential for the sustained growth of the business whose number of aircraft owned, managed and on order is major in the helicopter leasing industry. Furthermore, the Group integrated SMFLH with LCII and seeks to streamline the corporate structure. By bringing in the LCII management with considerable expertise and combining it with the Group’s strengths such as the Company’s creditworthiness, the Group will offer more competitive proposals than ever before to helicopter operating companies. The Group will, moreover, aim to further expand its asset turnover-based business through business expansion, increase in the number of owned aircraft and the expansion of products for investors in the future.

(iii) Date of the business combination

April 1, 2025

(iv) Legal form of the business combination

Share acquisition in exchange for cash

(v) Name of the company after the business combination

Sumitomo Mitsui Finance and Leasing Company, Limited

(vi) Percentage of voting rights acquired

100%*

* Acquired through SMFL LCI Helicopters Limited

(vii) Basis for determining the acquirer

It is based on the fact that SMFLH acquired a majority of the voting rights of the acquired companies in (i) above in exchange for cash.

(b) Acquisition cost of the acquired companies and each class of consideration

Consideration for acquisition	Cash	¥7,628 million (\$51,013 thousand)
Acquisition cost		¥7,628 million (\$51,013 thousand)

(3) Receipt of settlement income on insurance related to economic sanctions on Russia subsequent to March 31, 2025

SMBC Aviation Capital Limited, a consolidated subsidiary of the Company, filed lawsuits under its insurance contracts in a court in Ireland. It reached settlements with some insurance companies in the above lawsuits, and subsequent to March 31, 2025, it received insurance settlements of \$159 million. Accordingly, the Group expects to recognize income of the same amount in the consolidated statement of income for the year ending March 31, 2026.

(4) Investment in Macquarie Rotorcraft Limited

On May 15, 2025, SMFL LCI Helicopters Limited, a consolidated subsidiary of the Company, (“SMFLH”) completed an investment of ¥39,915 million (\$266,936 thousand) in Macquarie Rotorcraft Limited, an affiliated helicopter leasing company of Macquarie Asset Management, which is an asset management company of Macquarie Group, a major financial services company in Australia, (“MRL”) pursuant to the share purchase agreement executed on March 7, 2025. The acquisition cost has not yet been determined and the above investment amount is provisional since consideration for the share acquisition pursuant to the agreement is under scrutiny.

MRL owns a fleet of about 120 leased helicopters, and its portfolio mainly consists of medium-sized helicopters, which are core aircraft for SMFLH. SMFLH will further expand its business and customer bases that are essential for the sustained growth of the business whose number of aircraft owned, managed and on order is major in the helicopter leasing industry by involving affiliated companies of MRL.

This transaction, however, is currently under investigation and review by the Competition and Markets Authority in the UK (“CMA”), and the Group expects it will take a certain amount of time for CMA to complete the investigation and review.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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38. QUARTERLY INFORMATION (Unaudited)

Semiannual information for the year ended March 31, 2025 was as follows:

Cumulative	1st Half	2nd Half
Revenues (Millions of Yen)	¥ 976,088	¥ 2,209,133
Profit before income taxes (Millions of Yen)	93,223	234,649
Profit attributable to owners of parent (Millions of Yen)	55,269	133,914
Basic earnings per share (Yen)	632.71	1,533.00

Cumulative	1st Half	2nd Half
Revenues (Thousands of U.S. Dollars)	\$ 6,527,707	\$ 14,773,845
Profit before income taxes (Thousands of U.S. Dollars)	623,440	1,569,249
Profit attributable to owners of parent (Thousands of U.S. Dollars)	369,618	895,566
Basic earnings per share (U.S. Dollars)	4.23	10.25