SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED BALANCE SHEETS
March 31, 2026 and 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
Assets			
Current assets:			
Cash and bank deposits (Notes 13, 14, 26 and 28)	¥ 521,676	¥ 391,641	$ 3,262,520
Installment sales receivable (Note 28)	546,478	582,451	3,417,625
Lease receivables and investment assets (Notes 14, 27 and 28)	1,739,381	1,734,134	10,877,935
Loans receivable (Notes 14 and 28)	637,287	565,242	3,985,536
Short-term investment securities (Notes 28 and 29)	70,014	16,521	437,866
Merchandise	13,707	15,135	85,723
Real estate for sale (Notes 13 and 14)	347,012	443,728	2,170,185
Real estate for sale in progress (Notes 13 and 14)	51,481	50,264	321,962
Other (Notes 13 and 14)	348,587	344,522	2,180,032
Allowance for doubtful accounts (Note 3)	(9,667)	(8,022)	(60,458)
Total current assets	4,265,960	4,135,620	26,678,926
Property and equipment:			
Assets for lease (Notes 3, 8, 13, 14 and 23)	5,382,950	4,860,828	33,664,483
Advances on purchases of assets for lease (Notes 13 and 14)	303,607	232,690	1,898,734
Other operating assets (Notes 8, 13, 14 and 23)	161,338	205,939	1,008,997
Advances on purchases of other operating assets	1,654	796	10,347
Property and equipment for internal use (Note 8)	28,594	17,901	178,826
Total property and equipment	5,878,146	5,318,156	36,761,389
Intangible assets:			
Goodwill	59,823	60,804	374,129
Other	84,999	81,722	531,580
Total intangible assets	144,822	142,526	905,709
Investments and other assets:			
Investment securities (Notes 14, 28 and 29)	538,804	474,477	3,369,635
Long-term loans receivable	4,064	3,055	25,418
Delinquent receivables (Notes 10 and 28)	29,492	31,147	184,442
Deferred tax assets (Note 24)	11,554	12,193	72,261
Net defined benefit asset (Note 16)	253	246	1,583
Other (Notes 13 and 14)	35,073	33,431	219,346
Allowance for doubtful accounts (Note 3)	(14,027)	(14,443)	(87,724)
Total investments and other assets	605,215	540,109	3,784,961
Total assets	¥ 10,894,144	¥10,136,413	$ 68,130,985

(Continued)

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED BALANCE SHEETS
March 31, 2026 and 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
Liabilities and Net Assets			
Current liabilities:			
Trade notes payable and accounts payable (Note 28)	¥ 89,977	¥ 79,003	$ 562,713
Short-term loans (Notes 11, 13, 14 and 28)	1,435,869	1,126,572	8,979,794
Long-term loans due within one year (Notes 11, 13, 14 and 28)	823,495	860,364	5,150,066
Bonds due within one year (Notes 12, 13, 14 and 28)	172,050	242,902	1,075,985
Commercial paper (Notes 11 and 28)	527,000	700,000	3,295,810
Long-term payables under securitization of lease receivables due within one year (Notes 11, 15 and 28)	3,327	6,665	20,809
Lease obligations (Notes 11, 14, 27 and 28)	5,944	7,819	37,177
Income taxes payable	25,285	17,899	158,131
Deferred profit on installment sales	33,011	35,054	206,452
Reserve for employee bonuses	4,891	3,889	30,588
Reserve for directors' bonuses	1,985	1,237	12,415
Asset retirement obligations (Note 18)	215	–	1,345
Other (Note 14)	263,372	237,096	1,647,106
Total current liabilities	3,386,424	3,318,506	21,178,390
Non-current liabilities:			
Bonds (Notes 12, 13, 14 and 28)	1,386,760	1,089,379	8,672,670
Long-term loans (Notes 11, 13, 14 and 28)	3,977,800	3,641,046	24,876,804
Long-term payables under securitization of lease receivables (Notes 11, 15 and 28)	11,378	23,104	71,159
Lease obligations (Notes 11, 14, 27 and 28)	19,644	23,988	122,854
Deferred tax liabilities (Note 24)	139,230	115,076	870,732
Reserve for directors' retirement benefits	356	331	2,228
Net defined benefit liability (Note 16)	3,353	3,227	20,970
Guarantee deposits received (Notes 14 and 28)	144,555	140,110	904,037
Asset retirement obligations (Note 18)	7,974	6,493	49,869
Other	221,848	245,596	1,387,419
Total non-current liabilities	5,912,900	5,288,354	36,978,743
Total liabilities	9,299,325	8,606,861	58,157,132
Net assets (Notes 17 and 21)**:**			
Shareholders' equity:			
Capital stock	50,000	15,000	312,695
Capital surplus	327,150	421,857	2,045,968
Retained earnings	712,394	624,908	4,455,248
Treasury stock	(73,313)	(73,313)	(458,496)
Total shareholders' equity	1,016,230	988,453	6,355,415
Accumulated other comprehensive income:			
Net unrealized holding gains or losses on securities	34,540	30,244	216,016
Deferred gains or losses on hedges	(685)	(968)	(4,288)
Foreign currency translation adjustments	157,192	119,413	983,065
Remeasurements of defined benefit plans	804	525	5,030
Total accumulated other comprehensive income	191,851	149,214	1,199,822
Stock acquisition rights	117	118	736
Non-controlling interests	386,618	391,766	2,417,879
Total net assets	1,594,819	1,529,551	9,973,853
Total liabilities and net assets	¥ 10,894,144	¥10,136,413	$ 68,130,985

See accompanying notes. (Concluded)

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF INCOME
Years Ended March 31, 2026 and 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
Revenues:			
Lease sales	¥ 1,807,847	¥ 1,658,368	$ 11,306,110
Installment sales	370,160	353,525	2,314,950
Finance revenue	34,806	28,509	217,677
Other revenues (Note 32)	392,907	168,729	2,457,206
Total revenues	2,605,721	2,209,133	16,295,943
Costs and expenses (Note 3)**:**			
Lease costs	1,395,079	1,297,391	8,724,697
Installment costs	346,181	329,481	2,164,991
Finance costs	183,115	160,948	1,145,188
Other costs	283,078	110,023	1,770,348
Total costs and expenses (Note 23)	2,207,455	1,897,845	13,805,224
Gross profit	398,265	311,287	2,490,719
Selling, general and administrative expenses (Note 22)	190,340	139,860	1,190,372
Operating income	207,925	171,427	1,300,347
Other income (expenses):			
Interest income	1,021	460	6,386
Dividend income	1,823	1,493	11,401
Interest expenses	(26,802)	(20,611)	(167,623)
Equity in earnings of affiliates	8,885	12,119	55,567
Value added tax refund	–	816	–
Foreign exchange gains (losses)	(2,352)	506	(14,713)
Amortization of bond issuance costs	(775)	(400)	(4,848)
Gain on sales of investment securities	8,065	3,084	50,442
Impairment loss (Note 23)	(65)	(6,068)	(408)
Loss on valuation of investment securities	(1,590)	(938)	(9,946)
Loss on sales of investments in subsidiaries and affiliates	–	(4,012)	–
Other—net	312	2,750	1,951
Total other income (expenses)—net	(11,479)	(10,800)	(71,791)
Extraordinary gains:			
Settlement income on insurance related to economic sanctions on Russia (Note 23)	25,424	74,022	159,000
Total extraordinary gains	25,424	74,022	159,000
Profit before income taxes	221,870	234,649	1,387,556
Income taxes:			
Current	39,468	39,360	246,830
Deferred	16,772	13,701	104,893
Total income taxes	56,240	53,062	351,723
Profit	165,629	181,587	1,035,832
Profit attributable to non-controlling interests	45,559	47,673	284,927
Profit attributable to owners of parent	¥ 120,069	¥ 133,914	$ 750,906

	Yen		U.S. Dollars (Note 1)
	2026	2025	2026
Per share of common stock (Note 35)**:**			
Basic earnings per share	¥ 1,374.52	¥ 1,533.00	$ 8.60
Diluted earnings per share	1,366.34	1,527.45	8.54

See accompanying notes.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended March 31, 2026 and 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
Profit	¥ 165,629	¥ 181,587	$ 1,035,832
Other comprehensive income (Note 25)**:**			
Net unrealized holding gains or losses on securities	4,837	3,386	30,255
Deferred gains or losses on hedges	(3,843)	(6,973)	(24,034)
Foreign currency translation adjustments	57,226	3,831	357,887
Remeasurements of defined benefit plans	119	(1,341)	746
Share of other comprehensive income of affiliates accounted for using equity method	4,807	894	30,068
Total other comprehensive income	63,147	(203)	394,921
Comprehensive income	¥ 228,777	¥ 181,384	$ 1,430,753
Comprehensive income attributable to:			
Owners of parent	¥ 162,707	¥ 139,608	$ 1,017,556
Non-controlling interests	66,070	41,775	413,197

See accompanying notes.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years Ended March 31, 2026 and 2025

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)	65,767	71,461
Total changes during the period	(0)	65,767	151,631
Balance at March 31, 2025	¥ 118	¥ 391,766	¥1,529,551

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years Ended March 31, 2026 and 2025

Millions of Yen

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at April 1, 2025	¥ 15,000	¥ 421,857	¥ 624,908	¥ (73,313)	¥ 988,453
Changes during the period					
Dividends			(32,583)		(32,583)
Profit attributable to owners of parent			120,069		120,069
Transfer to capital stock from other capital surplus	35,000	(35,000)			–
Decrease resulting from change in fiscal year-end of consolidated subsidiaries			(93)		(93)
Purchases of investments in consolidated subsidiaries		(821)			(821)
Purchases of treasury stock by consolidated subsidiaries		60			60
Change in ownership interest of parent due to transactions with non-controlling interests		(58,947)			(58,947)
Change in scope of consolidation			(1)		(1)
Change in scope of equity method			94		94
Net changes other than shareholders' equity					
Total changes during the period	35,000	(94,707)	87,485	–	27,777
Balance at March 31, 2026	¥ 50,000	¥ 327,150	¥ 712,394	¥ (73,313)	¥1,016,230

	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, 2025	¥ 30,244	¥ (968)	¥ 119,413	¥ 525	¥ 149,214
Changes during the period					
Dividends					
Profit attributable to owners of parent					
Transfer to capital stock from other capital surplus					
Decrease resulting from change in fiscal year-end of consolidated subsidiaries					
Purchases of investments in consolidated subsidiaries					
Purchases of treasury stock by consolidated subsidiaries					
Change in ownership interest of parent due to transactions with non-controlling interests					
Change in scope of consolidation					
Change in scope of equity method					
Net changes other than shareholders' equity	4,296	283	37,778	279	42,637
Total changes during the period	4,296	283	37,778	279	42,637
Balance at March 31, 2026	¥ 34,540	¥ (685)	¥ 157,192	¥ 804	¥ 191,851

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years Ended March 31, 2026 and 2025

	Stock Acquisition Rights	Non-controlling Interests	Total Net Assets
Balance at April 1, 2025	¥ 118	¥ 391,766	¥ 1,529,551
Changes during the period			
Dividends			(32,583)
Profit attributable to owners of parent			120,069
Transfer to capital stock from other capital surplus			–
Decrease resulting from change in fiscal year-end of consolidated subsidiaries			(93)
Purchases of investments in consolidated subsidiaries			(821)
Purchases of treasury stock by consolidated subsidiaries			60
Change in ownership interest of parent due to transactions with non-controlling interests			(58,947)
Change in scope of consolidation			(1)
Change in scope of equity method			94
Net changes other than shareholders' equity	(0)	(5,147)	37,489
Total changes during the period	(0)	(5,147)	65,267
Balance at March 31, 2026	¥ 117	¥ 386,618	¥ 1,594,819

Thousands of U.S. Dollars (Note 1)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at April 1, 2025	$ 93,809	$2,638,261	$3,908,122	$ (458,496)	$6,181,695
Changes during the period					
Dividends			(203,772)		(203,772)
Profit attributable to owners of parent			750,906		750,906
Transfer to capital stock from other capital surplus	218,887	(218,887)			–
Decrease resulting from change in fiscal year-end of consolidated subsidiaries			(587)		(587)
Purchases of investments in consolidated subsidiaries		(5,136)			(5,136)
Purchases of treasury stock by consolidated subsidiaries		381			381
Change in ownership interest of parent due to transactions with non-controlling interests		(368,652)			(368,652)
Change in scope of consolidation			(10)		(10)
Change in scope of equity method			589		589
Net changes other than shareholders' equity					
Total changes during the period	218,887	(592,293)	547,126	–	173,720
Balance at March 31, 2026	$ 312,695	$2,045,968	$4,455,248	$ (458,496)	$6,355,415

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years Ended March 31, 2026 and 2025

	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, 2025	$ 189,148	$ (6,060)	$ 746,800	$ 3,284	$ 933,172
Changes during the period					
Dividends					
Profit attributable to owners of parent					
Transfer to capital stock from other capital surplus					
Decrease resulting from change in fiscal year-end of consolidated subsidiaries					
Purchases of investments in consolidated subsidiaries					
Purchases of treasury stock by consolidated subsidiaries					
Change in ownership interest of parent due to transactions with non-controlling interests					
Change in scope of consolidation					
Change in scope of equity method					
Net changes other than shareholders' equity	26,868	1,771	236,265	1,746	266,651
Total changes during the period	26,868	1,771	236,265	1,746	266,651
Balance at March 31, 2026	$ 216,016	$ (4,288)	$ 983,065	$ 5,030	$1,199,822

	Stock Acquisition Rights	Non-controlling Interests	Total Net Assets
Balance at April 1, 2025	$ 738	$2,450,073	$ 9,565,678
Changes during the period			
Dividends			(203,772)
Profit attributable to owners of parent			750,906
Transfer to capital stock from other capital surplus			–
Decrease resulting from change in fiscal year-end of consolidated subsidiaries			(587)
Purchases of investments in consolidated subsidiaries			(5,136)
Purchases of treasury stock by consolidated subsidiaries			381
Change in ownership interest of parent due to transactions with non-controlling interests			(368,652)
Change in scope of consolidation			(10)
Change in scope of equity method			589
Net changes other than shareholders' equity	(2)	(32,194)	234,454
Total changes during the period	(2)	(32,194)	408,174
Balance at March 31, 2026	$ 736	$2,417,879	$ 9,973,853

See accompanying notes.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2026 and 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
Cash flows from operating activities:			
Profit before income taxes	¥ 221,870	¥ 234,649	$ 1,387,556
Depreciation and other amortization	199,293	179,472	1,246,365
Impairment loss	20,399	10,694	127,578
Amortization of goodwill	10,928	9,414	68,348
Increase (decrease) in allowance for doubtful accounts	504	(10,635)	3,155
Increase (decrease) in other reserves (Note 26)	1,755	(21)	10,981
Increase (decrease) in net defined benefit liability	282	202	1,768
Loss (gain) on disposal of property and equipment for internal use	95	51	594
Loss (gain) on valuation of investment securities	1,590	938	9,946
Loss (gain) on liquidation of investment securities	13	7	84
Loss on valuation of golf club membership	12	10	76
Gain on revision of retirement benefit plan	–	(1,073)	–
Settlement income on insurance related to economic sanctions on Russia	(25,424)	(74,022)	(159,000)
Interest income and dividend income	(2,844)	(1,954)	(17,787)
Interest expenses	209,918	181,559	1,312,812
Amortization of bond issuance costs	775	400	4,848
Loss (gain) on step acquisitions	–	(1,013)	–
Equity in losses (earnings) of affiliates	(8,885)	(12,119)	(55,567)
Loss (gain) on disposal of assets for lease	(46,005)	(24,687)	(287,715)
Loss (gain) on sales of investment securities	(8,055)	(2,885)	(50,381)
Loss (gain) on sales of investments in subsidiaries and affiliates	(589)	4,012	(3,686)
Loss (gain) on sale of business	–	(747)	–
Decrease (increase) in installment sales receivable	42,460	42,803	265,545
Net decrease (increase) in lease receivables and investment assets	4,336	207,700	27,122
Decrease (increase) in loans receivable	(62,776)	(49,711)	(392,597)
Decrease (increase) in operational investment securities	(68,049)	(113,715)	(425,573)
Decrease (increase) in delinquent receivables	2,228	11,278	13,936
Decrease (increase) in real estate for sale	84,027	(59,693)	525,501
Decrease (increase) in real estate for sale in progress	(1,216)	(14,065)	(7,610)
Purchases of assets for lease	(918,160)	(783,577)	(5,742,093)
Proceeds from sales of assets for lease	669,980	490,527	4,189,998
Decrease (increase) in advances on purchases of assets for lease	(57,468)	(37,079)	(359,400)
Purchases of other operating assets	(14,329)	(28,140)	(89,613)
Increase (decrease) in trade notes payable and accounts payable	8,826	16,548	55,199
Other—net	30,417	23,038	190,230
	295,914	198,166	1,850,620
Interest and dividends received	6,338	5,613	39,641
Interest paid	(204,787)	(181,074)	(1,280,721)
Settlement received on insurance related to economic sanctions on Russia	25,424	74,022	159,000
Income taxes paid	(31,959)	(41,682)	(199,869)
Net cash provided by (used in) operating activities	90,930	55,045	568,670

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SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2026 and 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
Cash flows from investing activities:			
Purchases of property and equipment for internal use	(20,611)	(20,988)	(128,902)
Proceeds from sales of property and equipment for internal use	19	1,657	119
Purchases of investment securities	(8,634)	(4,629)	(54,001)
Proceeds from sales and redemption of investment securities	19,564	15,095	122,358
Decrease (increase) in time deposits	(1,548)	(22)	(9,687)
Purchases of investments in subsidiaries resulting in change in scope of consolidation (Note 26)	(44,558)	(58,532)	(278,664)
Proceeds from purchases of investments in subsidiaries resulting in change in scope of consolidation	–	3,160	–
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(604)	–	(3,778)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	11,516	–	72,021
Proceeds from sale of business	–	1,996	–
Other—net	(1,807)	(79)	(11,307)
Net cash provided by (used in) investing activities	(46,665)	(62,342)	(291,841)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	306,199	44,589	1,914,942
Net increase (decrease) in commercial paper	(173,000)	41,000	(1,081,926)
Proceeds from long-term loans	1,627,306	713,769	10,177,028
Repayments of long-term loans	(1,616,537)	(854,697)	(10,109,681)
Proceeds from securitization of lease receivables	139	8,154	872
Repayments of payables under securitization of lease receivables	(15,204)	(12,152)	(95,085)
Proceeds from issuance of bonds	335,399	339,094	2,097,560
Redemption of bonds	(163,464)	(272,197)	(1,022,291)
Repayments of lease obligations	(6,239)	(1,156)	(39,022)
Decrease (increase) in pledged deposits	(831)	–	(5,200)
Increase (decrease) in cash collateral received	(2,181)	(4,985)	(13,643)
Cash dividends paid	(32,583)	(42,454)	(203,772)
Cash dividends paid to non-controlling interests	(15,660)	(5,419)	(97,937)
Payments from non-controlling interests	–	43	–
Repayments to non-controlling interests	(118,684)	(160)	(742,242)
Net cash provided by (used in) financing activities	124,658	(46,573)	779,602
Effect of exchange rate change on cash and cash equivalents	9,434	2,118	59,003
Net increase (decrease) in cash and cash equivalents	178,357	(51,752)	1,115,435
Cash and cash equivalents at the beginning of the year	403,045	454,813	2,520,609
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	13	(16)	85
Cash and cash equivalents at the end of the year (Note 26)	¥ 581,416	¥ 403,045	$ 3,636,128

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, 2026, which was ¥159.90 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, 2026

Number of consolidated subsidiaries: 332 companies

SMFL MIRAI Partners Co., Ltd.

Kenedix, Inc.

CRE, Inc.

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 Helicopters Limited

SMFLH Operations UK Limited

SMFL MIRAI PARTNERS (SINGAPORE) PTE. LTD.

Aravest Pte. Ltd.

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 305 companies

In the year ended March 31, 2026, SMFLH Rotor Limited and its seven subsidiaries including SMFLH Operations UK Limited, and LCI Analytics Limited, LCI Helicopters (UK) Limited, LCI Operations Limited and its 14 subsidiaries became consolidated subsidiaries of the Company because the Group acquired their shares. Macquarie Rotorcraft Limited and Macquarie Rotorcraft Leasing Holdings Limited changed their corporate names to SMFLH Rotor Limited and SMFLH Operations UK Limited, respectively.

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

Sixty-four companies were excluded from the scope of consolidation mainly because they were liquidated.

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

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.

(b) Unconsolidated subsidiaries

For the year ended March 31, 2026

Eifel Leasing Co., Ltd. and other 204 unconsolidated subsidiaries have been excluded from the scope of consolidation mainly 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 54 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, 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.

(2) Application of the equity method

(a) Affiliates accounted for by the equity method

As of and for the year ended March 31, 2026

Number of affiliates accounted for by the equity method: 106 companies

Sumitomo Mitsui Auto Service Company, Limited

SMART Incorporated

Mirai Partners Co., Ltd.

The Shimizu Lease and Card Co., Ltd.

SMBC Leasing (UK) Limited

Other 101 companies

In the year ended March 31, 2026, LCI Investments Limited was excluded from the scope of equity method because the Group sold the shares of LCI Investments and the percentage of voting rights in it held by the Group decreased.

Twenty-four companies were included in the scope of equity method mainly because they were established.

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

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. was 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.

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

For the year ended March 31, 2026

Eifel Leasing Co., Ltd. and other 204 unconsolidated subsidiaries and LivEQuality TOKYO Affordable Housing Supply Investment Limited Partnership and other two affiliates have been excluded from the scope of equity method mainly 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 54 unconsolidated subsidiaries, and Bangkok SMBC Consulting Co., Ltd. and other two 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, 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.

(3) Balance sheet dates of consolidated subsidiaries

For the year ended March 31, 2026

The balance sheet date of Sumitomo Mitsui Finance and Leasing (China) Co., Ltd. and other 142 consolidated subsidiaries is the end of December, the balance sheet date of CRE, Inc. and other 14 consolidated subsidiaries is the end of January, and the balance sheet date of Aviation Management Co., Ltd. and other six consolidated subsidiaries 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 137 consolidated subsidiaries provisionally prepared as of the consolidated balance sheet date have been used.

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 the end of December, the balance sheet date of Bond Bridge Three Tokumei Kumiai and other four consolidated subsidiaries is the end of January, and the balance sheet date of Aviation Management Co., Ltd. and other four consolidated subsidiaries 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.

(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 to eight 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, 2026 and 2025 were ¥35,674 million ($223,102 thousand) and ¥31,162 million, respectively.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) Interest expenses on development projects

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

(t) 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,	2026	2025	2026
Allowance for doubtful accounts	¥ 23,694	¥ 22,465	$ 148,180

(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, etc.

(a) Amounts in the consolidated financial statements

	Millions of Yen		Thousands of U.S. Dollars
As of and for the year ended March 31,	2026	2025	2026
Assets for lease, etc.	¥ 5,385,471	¥ 4,860,828	$ 33,680,244
Impairment losses on assets for lease, etc.			
Costs and expenses	20,334	4,626	127,167

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

For an asset for lease, etc. or a group of assets for lease, etc. for which there is an indication of impairment, when such asset for lease, etc. or group of assets for lease, etc. 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, etc. is measured as the higher of the net realizable value, which is the fair value of the assets for lease, etc. 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, 2026

There were no changes in accounting policies in the year ended March 31, 2026.

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.

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.

- **"Accounting Standard for Subsequent Events"** (ASBJ Statement No. 41, issued on January 9, 2026); and
- **"Implementation Guidance on Accounting Standard for Subsequent Events"** (ASBJ Implementation Guidance No. 35, issued on January 9, 2026)

(1) Overview

The "Accounting Standard for Subsequent Events" and the implementation guidance specify the accounting for, and disclosure of, subsequent events. They were developed and transferred to the ASBJ, setting a comprehensive accounting standard that covers the definitions of, accounting for, and disclosure of subsequent events as a matter of priority as well as with the basic directions of following, in principle, the accounting-related matters in the Auditing Standards Committee Statement No. 560, Practical Guideline No. 1 "Audit Treatment concerning Subsequent Events" issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants. At the same time, they include revised expressions and an organized evaluation period for subsequent events as well as a new disclosure requirement on authorization for issue of financial statements.

(2) Scheduled date of application

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

6. CHANGES IN PRESENTATION

For the year ended March 31, 2026

There were no changes in presentation in the year ended March 31, 2026.

For the year ended March 31, 2025

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

7. ADDITIONAL INFORMATION

For the year ended March 31, 2026

There was no additional information in the year ended March 31, 2026.

For the year ended March 31, 2025

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

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. ¥2,525 million ($15,791 thousand) and ¥386 million were deducted from the costs of property and equipment (assets for lease and other operating assets) at March 31, 2026 and 2025, respectively.

The following table provides the accumulated depreciation of property and equipment at March 31, 2026 and 2025:

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Assets for lease	¥ 864,555	¥ 828,775	$ 5,406,848
Other operating assets	46,181	57,211	288,812
Property and equipment for internal use	14,114	12,715	88,268

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, 2026 and 2025 were ¥32,036 million ($200,350 thousand) and ¥32,028 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, 2026 and 2025 were ¥8,978 million ($56,148 thousand) and ¥9,637 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:

	Millions of Yen		Thousands of U.S. Dollars
As of and for the year ended March 31,	2026	2025	2026
Carrying amounts:			
Balance at the beginning of the year	¥ 1,171,090	¥ 1,174,924	$ 7,323,890
Net increase (decrease) during the year	67,506	(3,834)	422,176
Balance at the end of the year	¥ 1,238,596	¥ 1,171,090	$ 7,746,066
Fair value at the end of the year	¥ 1,518,278	¥ 1,399,859	$ 9,495,172

Notes:
1. The carrying amounts represent the acquisition cost less accumulated depreciation and accumulated impairment losses.
2. For the year ended March 31, 2026, the main reason for the increase was the purchases of properties of ¥275,163 million ($1,720,844 thousand), and the main reason for the decrease was the sales of properties of ¥183,950 million ($1,150,407 thousand). For the year ended March 31, 2025, the main reason for the increase was the purchases of properties of ¥183,437 million, and the main reason for the decrease was the sales of properties of ¥157,094 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. BORROWED MONEY

As of March 31,	Millions of Yen 2026	Millions of Yen 2025	Thousands of U.S. Dollars 2026	Average Interest Rate (%)	Due
Short-term loans from banks and other financial institutions	¥1,435,869	¥1,125,814	$ 8,979,794	1.45	–
Short-term non-recourse loans from banks and other financial institutions	–	758	–	–	–
Long-term loans from banks and other financial institutions due within one year	813,621	821,755	5,088,311	2.70	–
Long-term non-recourse loans from banks and other financial institutions due within one year	9,874	38,608	61,751	2.11	–
Lease obligations due within one year	5,944	7,819	37,177	3.77	–
Long-term loans from banks and other financial institutions excluding those due within one year	3,764,266	3,425,324	23,541,376	3.58	Apr. 2027 - Jan. 2046
Long-term non-recourse loans from banks and other financial institutions excluding those due within one year	213,534	215,721	1,335,422	1.94	Apr. 2027 - Feb. 2031
Lease obligations excluding those due within one year	19,644	23,988	122,854	4.86	Apr. 2027 - Jun. 2039
Other interest bearing debts:					
Commercial paper due within one year	527,000	700,000	3,295,810	0.96	–
Payables under securitization of lease receivables	–	–	–	–	–
Long-term payables under securitization of lease receivables due within one year	3,327	6,665	20,809	0.49	–
Long-term payables under securitization of lease receivables	11,378	23,104	71,159	0.51	Apr. 2027 - Dec. 2034
Total	¥6,804,460	¥6,389,560	$42,554,472	–	–

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

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, 2026 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Long-term loans		
After one year through two years	¥1,066,546	$6,670,081
After two years through three years	634,348	3,967,154
After three years through four years	664,731	4,157,167
After four years through five years	495,425	3,098,343
Lease obligations		
After one year through two years	¥ 3,966	$ 24,803
After two years through three years	2,869	17,942
After three years through four years	2,359	14,753
After four years through five years	1,762	11,019
Other interest bearing debts		
After one year through two years	¥ 3,660	$ 22,889
After two years through three years	4,748	29,694
After three years through four years	838	5,241
After four years through five years	777	4,859
Long-term non-recourse loans		
After one year through two years	¥ 2,764	$ 17,286
After two years through three years	49,283	308,211
After three years through four years	22,387	140,006
After four years through five years	139,100	869,919

12. BONDS

Issuer	Date of Issuance	Millions of Yen 2026	Millions of Yen 2025	Thousands of U.S. Dollars 2026	Interest Rate (%)	Collateral	Due
The Company:							
Euro Medium Term Note (Japanese yen)	Mar. 16, 2022 - Feb. 25, 2026	¥ 32,100	¥ 28,800	$ 200,750	0.20 - 1.21	Unsecured	Apr. 16, 2026 - May 15, 2030
(Due within one year)		22,100	23,000	138,211			
Unsecured Bond (public offering)	Feb. 8, 2018 - Jan. 20, 2026	407,000	367,000	2,545,341	0.20 - 2.32	Unsecured	Jun. 15, 2026 - Apr. 19, 2034
(Due within one year)		70,000	60,000	437,774			
Unsecured Bond (U.S. dollar)	Apr. 25, 2023 - May 1, 2025	239,850	149,530	1,500,000	5.18 - 5.43	Unsecured	Apr. 25, 2028 - May 1, 2030
(Due within one year)		–	–	–			
Unsecured Bond (private placement)		–	100,000	–	–	Unsecured	–
(Due within one year)	–	–	100,000	–			
SMBC AVIATION CAPITAL FINANCE DESIGNATED ACTIVITY COMPANY:							
U.S. Dollar-denominated Bond	Jun. 15, 2021 - Nov. 26, 2025	863,460	620,549	5,400,000	1.90 - 5.70	Unsecured	Oct. 15, 2026 - Nov. 26, 2035
(Due within one year)		79,950	–	500,000			
Otemachi 142 Tokutei Mokuteki Kaisha:							
Specified Bond (private placement) (Note 1)	Sep. 30, 2025	10,000	50,730	62,539	2.05	Secured	Feb. 28, 2031
(Due within one year)		–	50,730	–			
Others (Note 2)	–	6,400	15,672	40,025	–	–	–
(Due within one year)		–	9,172	–			
Total	–	¥ 1,558,810	¥ 1,332,282	$9,748,655	–	–	–
(Due within one year)		172,050	242,902	1,075,985			

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

2. The others include non-recourse debts.

3. The maturities of bonds and non-recourse bonds subsequent to March 31, 2026 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Bonds:		
Within one year	¥ 172,050	$1,075,985
After one year through two years	73,000	456,535
After two years through three years	417,085	2,608,412
After three years through four years	173,935	1,087,774
After four years through five years	213,900	1,337,711
Non-recourse bonds:		
Within one year	¥ –	$ –
After one year through two years	–	–
After two years through three years	100	625
After three years through four years	–	–
After four years through five years	10,000	62,539

13. NON-RECOURSE DEBTS

(1) The non-recourse debts of a consolidated special purpose company at March 31, 2026 and 2025 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Short-term loans	¥ –	¥ 758	$ –
Long-term loans (including current portion)	223,408	254,330	1,397,173
Bonds (including current portion)	10,100	50,930	63,164

(2) Assets corresponding to the non-recourse debts at March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Cash and bank deposits	¥ 11,328	¥ 13,409	$ 70,844
Real estate for sale	175,519	267,506	1,097,680
Real estate for sale in progress	6,212	8,240	38,849
Other (current assets)	1,442	4,086	9,018
Assets for lease	118,893	119,984	743,546
Advances on purchases of assets for lease	5,707	4,004	35,691
Other operating assets	6,785	6,906	42,433
Other (investments and other assets)	668	283	4,178

Part of the amounts presented in Note 14. ASSETS PLEDGED AS COLLATERAL AND CORRESPONDING LIABILITIES is included in the above amounts.

14. ASSETS PLEDGED AS COLLATERAL AND CORRESPONDING LIABILITIES

(1) Assets pledged as collateral at March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Cash and bank deposits	¥ 5,584	¥ 7,805	$ 34,922
Lease receivables and investment assets	1,649	2,131	10,313
Loans receivable	4,930	2,291	30,832
Real estate for sale (*2)	309,311	376,584	1,934,403
Real estate for sale in progress (*2)	31,378	38,045	196,235
Other (current assets)	1,239	1,115	7,749
Assets for lease (*1)	354,462	340,641	2,216,773
Advances on purchases of assets for lease	5,707	4,004	35,691
Other operating assets	41,422	35,057	259,049
Investment securities	17,647	16,456	110,363
Other (investments and other assets)	1	1	6
Total	¥ 773,335	¥ 824,136	$ 4,836,366

*1. Operating lease contract receivables were also pledged as collateral.

*2. In the year ended March 31, 2026, the accounting for a business combination was completed, and the above amounts as of March 31, 2025 have been adjusted accordingly.

(2) Liabilities corresponding to the assets pledged as collateral at March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Short-term loans	¥ 1,406	¥ 758	$ 8,793
Long-term loans (including current portion)	545,393	549,065	3,410,838
Lease obligations (including current portion)	259	585	1,620
Bonds (including current portion)	10,100	50,930	63,164
Other (current liabilities)	265	239	1,657
Guarantee deposits received	1,505	1,545	9,412
Total	¥ 558,930	¥ 603,122	$ 3,495,497

¥19,982 million ($124,966 thousand) and ¥16,779 million of the above total assets were pledged as collateral for debts of entities in which silent partnerships invest and others at March 31, 2026 and 2025, respectively.

15. 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.

16. 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 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,	2026	2025	2025
Balance at the beginning of the year	¥ 4,231	¥ 23,705	$ 26,460
Service cost	536	741	3,352
Interest cost	42	117	263
Actuarial gains or losses	(167)	75	(1,044)
Benefits paid	(186)	(1,342)	(1,163)
Past service cost	0	(48)	0
Decrease due to shift to defined contribution pension plan	–	(19,443)	–
Other	(420)	425	(2,627)
Balance at the end of the year	¥ 4,034	¥ 4,231	$ 25,228

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,	2026	2025	2026
Balance at the beginning of the year	¥ 1,250	¥ 23,057	$ 7,817
Expected return on plan assets	0	125	0
Actuarial gains or losses	–	(233)	–
Employer contributions	100	230	625
Benefits paid	–	(1,256)	–
Decrease due to shift to defined contribution pension plan	–	(20,091)	–
Other	(416)	(581)	(2,602)
Balance at the end of the year	¥ 934	¥ 1,250	$ 5,841

(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,	2026	2025	2026
Funded projected benefit obligations	¥ 3,525	¥ 3,755	$ 22,045
Plan assets	(934)	(1,250)	(5,841)
	2,590	2,504	16,198
Unfunded projected benefit obligations	509	476	3,183
Net of liability and asset on the consolidated balance sheet	¥ 3,099	¥ 2,981	$ 19,381
Net defined benefit liability	¥ 3,353	¥ 3,227	$ 20,970
Net defined benefit asset	(253)	(246)	(1,583)
Net of liability and asset on the consolidated balance sheet	¥ 3,099	¥ 2,981	$ 19,381

(d) Breakdown of retirement benefit expenses

	Millions of Yen		Thousands of U.S. Dollars
For the year ended March 31,	2026	2025	2026
Service cost	¥ 536	¥ 741	$ 3,352
Interest cost	42	117	263
Expected return on plan assets	(0)	(125)	(0)
Amortization of actuarial gains or losses	(7)	35	(44)
Amortization of past service cost	14	15	88
Other	299	220	1,870
Retirement benefit expenses for defined benefit plans	¥ 883	¥ 1,004	$ 5,522
Gain on shift to defined contribution pension plan (Note)	¥ –	¥ 1,073	$ –

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

	Millions of Yen		Thousands of U.S. Dollars
For the year ended March 31,	2026	2025	2026
Past service cost	¥ 14	¥ 1,233	$ 88
Actuarial gains or losses	159	(3,165)	994
Total	¥ 174	¥ (1,931)	$ 1,088

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 and to actuarial gains or losses of ¥(2,891) million 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

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Unrecognized past service cost	¥ 56	¥ 71	$ 350
Unrecognized actuarial gains or losses	(369)	(209)	(2,308)
Total	¥ (312)	¥ (138)	$ (1,951)

(g) Plan assets

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

As of March 31,	2026	2025
Cash and bank deposits	100.0%	100.0%
Total	100.0%	100.0%

(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,	2026	2025
Discount rate	Primarily 1.7%	Primarily 1.5%
Long-term expected rate of return on plan assets	–%	Primarily 4.0%

(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, 2026 and 2025 were ¥2,575 million ($16,104 thousand) and ¥1,920 million, respectively.

17. STOCK OPTIONS

(1) Expenses and account titles for stock options

No items to report.

(2) Gain recognized due to forfeited stock options

	Millions of Yen		Thousands of U.S. Dollars
For the year ended March 31,	2026	2025	2026
Gain on reversal of stock acquisition rights	¥ 0	¥ 0	$ 0

(3) 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.		
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, 2026. The number of stock options was converted into the number of shares.

(i) Number of stock options

Company name	Consolidated Subsidiary (Kenedix, Inc.)		
Name	7th Stock Acquisition Rights	8th Stock Acquisition Rights	9th Stock Acquisition Rights
		(Shares)	
Prior to vesting rights			
As of March 31, 2025	11,014,165	2,202,833	1,542,678
Granted	–	–	–
Forfeited	41,694	–	–
Vested	–	–	–
Unvested	10,972,471	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	$ 4.10	¥ 656	$ 4.10	¥ 656	$ 4.10
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 ($1.88).

(4) 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.

(5) 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.

(6) Total intrinsic value at March 31, 2026 and total intrinsic value at the exercise date of stock options exercised during the year ended March 31, 2026 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, 2026	¥ 13,540	$ 84,678
(b)	Total intrinsic value of options exercised during the year ended March 31, 2026	–	–

18. 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, 2026.

19. CONTINGENT LIABILITIES

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
6,947 (7,143 in 2025) guarantees of obligations for business (including commitments to guarantee obligations)	¥ 59,518	¥ 71,423	$ 372,220
Loan guarantees to affiliates	4,794	4,619	29,981
Loan guarantees to employees (housing loans, etc.)	–	1	–

Of the above guarantees of obligations for business at March 31, 2025, ¥100 million were guaranteed by other third parties.

20. LOAN COMMITMENTS

(1) Lender side

Unused commitments at March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Total loan commitments	¥ 217,262	¥ 156,963	$ 1,358,737
Used loan commitments	103,399	82,032	646,648
Unused loan commitments	¥ 113,862	¥ 74,931	$ 712,083

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, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Total loan commitments	¥ 931,807	¥ 803,453	$ 5,827,436
Used loan commitments	207,920	207,024	1,300,313
Unused loan commitments	¥ 723,886	¥ 596,428	$ 4,527,117

21. 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, 2026 and 2025

	Number of Shares (Thousands of Shares)			
	April 1, 2025	Increase	Decrease	March 31, 2026
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

	Number of Shares (Thousands of Shares)			
	April 1, 2024	Increase	Decrease	March 31, 2025
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, 2026

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, 2026	
			April 1, 2025	Increase	Decrease	March 31, 2026	Millions of Yen	Thousands of U.S. Dollars
Consolidated subsidiary	–	–	–	–	–	–	¥ 117	$ 736
Total		–	–	–	–	–	¥ 117	$ 736

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
Consolidated subsidiary	–	–	–	–	–	–	¥ 118
Total		–	–	–	–	–	¥ 118

(3) Information on dividends

(a) Dividends paid in the years ended March 31, 2026 and 2025

2026

Class of Stock	Total Dividends: Millions of Yen	Total Dividends: Thousands of U.S. Dollars	Dividend per Share: Yen	Dividend per Share: U.S. Dollars	Record Date	Effective Date
Common stock	¥ 32,583	$ 203,772	¥ 373	$ 2.33	March 31, 2025	June 26, 2025

Date of resolution: Ordinary general meeting of shareholders held on June 25, 2025

2025

Class of Stock	Total Dividends: Millions of Yen	Dividend per Share: Yen	Record Date	Effective Date
Common stock	¥ 42,454	¥ 486	March 31, 2024	June 26, 2024

Date of resolution: Ordinary general meeting of shareholders held on June 25, 2024

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

2026

Class of Stock	Total Dividends: Millions of Yen	Total Dividends: Thousands of U.S. Dollars	Dividend per Share: Yen	Dividend per Share: U.S. Dollars	Record Date	Effective Date
Common stock	¥ 51,539	$ 322,320	¥ 590	$ 3.69	March 31, 2026	June 25, 2026

Notes: 1. Date of resolution: Ordinary general meeting of shareholders held on June 24, 2026
2. The dividends were paid out from retained earnings.

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended March 31,	Millions of Yen 2026	Millions of Yen 2025	Thousands of U.S. Dollars 2026
Employee salaries and bonuses	¥ 64,540	¥ 50,730	$ 403,627
Provision of allowance for doubtful accounts and credit losses	12,328	(417)	77,098
Amortization of goodwill	10,928	9,414	68,343
Provision of reserve for employee bonuses	4,891	3,889	30,588
Provision of reserve for directors' bonuses	1,985	1,237	12,414
Retirement benefit expenses	3,458	2,924	21,626
Provision of reserve for directors' retirement benefits	331	231	2,070

23. IMPAIRMENT LOSSES AND RELATED GAIN

The Group recognized impairment losses mainly on the following property and equipment in the years ended March 31, 2026 and 2025.

For the year ended March 31, 2026

Use	Type of Assets	Millions of Yen	Thousands of U.S. Dollars
Assets for lease, etc.	Aircraft	¥ 20,272	$ 126,779

Certain consolidated subsidiaries recognized impairment losses on the assets for lease, etc. 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 (¥20,272 million ($126,779 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%.

For the year ended March 31, 2025

Use	Type of Assets	Millions of Yen
Assets for lease	Aircraft	¥ 4,568

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) 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
Other operating assets	Assets for solar power generation business	¥ 5,952

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%.

Settlement income on insurance related to economic sanctions on Russia

For the year ended March 31, 2026

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.

Afterwards, it filed lawsuits under its insurance contracts in a court in Ireland and reached settlements with some insurance companies in the above lawsuits. Accordingly, in the year ended March 31, 2026, it received insurance settlements of $159 million, and the Group recognized ¥25,424 million as extraordinary gains.

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.

24. INCOME TAXES

(1) Significant components of deferred tax assets and liabilities at March 31, 2026 and 2025

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Deferred tax assets:			
Net operating loss carryforwards (*3)	¥ 139,439	¥ 120,413	$ 872,039
Allowance for doubtful accounts	14,136	12,887	88,405
Amortization of securities	3,838	4,062	24,003
Depreciation	4,342	4,872	27,154
Other	39,608	34,803	247,705
Subtotal deferred tax assets	201,364	177,040	1,259,312
Valuation allowance for net operating loss carryforwards (*3)	(5,190)	(5,485)	(32,458)
Valuation allowance for total deductible temporary differences	(23,723)	(22,404)	(148,361)
Subtotal valuation allowance (*2)	(28,913)	(27,890)	(180,819)
Total deferred tax assets	172,451	149,150	1,078,493
Deferred tax liabilities:			
Depreciation	(254,854)	(209,138)	(1,593,834)
Intangible assets identified in business combinations	(16,249)	(17,472)	(101,620)
Net unrealized holding gains or losses on securities	(15,773)	(13,074)	(98,643)
Special exemption for lease transactions under Corporation Tax Act	(1,909)	(2,114)	(11,939)
Other	(11,339)	(10,233)	(70,913)
Total deferred tax liabilities	(300,126)	(252,033)	(1,876,961)
Net deferred tax assets (liabilities)	¥ (127,675)	¥ (102,883)	$ (798,468)

*1. In the year ended March 31, 2026, the accounting for a business combination was completed, and the above amounts as of March 31, 2025 have been adjusted accordingly.

*2. Valuation allowance increased by ¥1,022 million ($6,391 thousand) in the year ended March 31, 2026 mainly due to the increase of valuation allowance for total deductible temporary differences.

*3. The expiration of net operating loss carryforwards and the related deferred tax assets subsequent to March 31, 2026 and 2025 were as follows:

	Millions of Yen		
As of March 31, 2026	Net Operating Loss Carryforwards (a)	Valuation Allowance	Deferred Tax Assets
Within one year	¥ 35	¥ (29)	¥ 5
After one year through two years	22	(14)	7
After two years through three years	43	(38)	4
After three years through four years	2,441	(2,177)	264
After four years through five years	760	(690)	69
After five years	136,136	(2,239)	133,897
Total	¥ 139,439	¥ (5,190)	¥134,249 (b)

As of March 31, 2025	Millions of Yen Net Operating Loss Carryforwards (a)	Valuation Allowance	Deferred Tax Assets
Within one year	¥ 130	¥ (22)	¥ 108
After one year through two years	92	(48)	43
After two years through three years	41	(35)	5
After three years through four years	27	(12)	14
After four years through five years	2,704	(2,191)	513
After five years	117,417	(3,175)	114,241
Total	¥ 120,413	¥ (5,485)	¥ 114,928 (b)

As of March 31, 2026	Thousands of U.S. Dollars Net Operating Loss Carryforwards (a)	Valuation Allowance	Deferred Tax Assets
Within one year	$ 219	$ (181)	$ 31
After one year through two years	138	(88)	44
After two years through three years	269	(238)	25
After three years through four years	15,266	(13,615)	1,651
After four years through five years	4,753	(4,315)	432
After five years	851,382	(14,003)	837,380
Total	$ 872,039	$ (32,458)	$ 839,581 (b)

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

(b) Deferred tax assets of ¥134,249 million ($839,581 thousand) and ¥114,928 million were recognized with respect to net operating loss carryforwards of ¥139,439 million ($872,039 thousand) and ¥120,413 million (amounts multiplied by the statutory tax rate) at March 31, 2026 and 2025, respectively. Such deferred tax assets at March 31, 2026 and 2025 were recognized primarily for a part of net operating loss carryforwards for certain overseas consolidated subsidiaries and for the Company and certain overseas consolidated subsidiaries, respectively. 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, 2026 and 2025

For the year ended March 31,	2026	2025
Statutory tax rate	30.6%	30.6%
Inclusion of income of specified foreign subsidiaries	2.2	3.4
Difference of statutory tax rates of the Company and overseas consolidated subsidiaries	(9.6)	(14.0)
Changes in valuation allowance	0.6	0.8
Amortization of goodwill	1.5	1.2
Equity in earnings of affiliates	(1.2)	(1.6)
Other	1.2	2.2
Effective income tax rate	25.3%	22.6%

(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).

25. 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, 2026 and 2025

	Millions of Yen		Thousands of U.S. Dollars
For the year ended March 31,	2026	2025	2026
Net unrealized holding gains or losses on securities:			
Gains (losses) during the year	¥ 19,340	¥ 5,951	$ 120,951
Reclassification adjustments	(7,882)	(1,597)	(49,293)
Amount before income taxes and income tax effect	11,457	4,354	71,651
Income taxes and income tax effect	(6,619)	(967)	(41,395)
Net unrealized holding gains or losses on securities	¥ 4,837	¥ 3,386	$ 30,255
Deferred gains or losses on hedges:			
Gains (losses) during the year	¥ (2,471)	¥ 1,798	$ (15,453)
Reclassification adjustments	(2,418)	(9,360)	(15,122)
Amount before income taxes and income tax effect	(4,889)	(7,562)	(30,575)
Income taxes and income tax effect	1,046	588	6,542
Deferred gains or losses on hedges	¥ (3,843)	¥ (6,973)	$ (24,034)
Foreign currency translation adjustments:			
Adjustments during the year	¥ 57,226	¥ 3,831	$ 357,887
Foreign currency translation adjustments	¥ 57,226	¥ 3,831	$ 357,887
Remeasurements of defined benefit plans:			
Adjustments during the year	¥ 167	¥ (230)	$ 1,044
Reclassification adjustments	6	(1,701)	38
Amount before income taxes and income tax effect	174	(1,931)	1,088
Income taxes and income tax effect	(54)	590	(338)
Remeasurements of defined benefit plans	¥ 119	¥ (1,341)	$ 746
Share of other comprehensive income of affiliates accounted for using equity method:			
Gains (losses) during the year	¥ 4,807	¥ 894	$ 30,068
Share of other comprehensive income of affiliates accounted for using equity method	¥ 4,807	¥ 894	$ 30,068
Total other comprehensive income	¥ 63,147	¥ (203)	$ 394,921

26. 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,	2026	2025	2026
Cash and bank deposits	¥ 521,676	¥ 391,641	$ 3,262,520
Time deposits with maturities exceeding three months	(5,428)	(3,595)	(33,946)
Pledged deposits	(831)	–	(5,197)
Certificates of deposit included in short-term investment securities	66,000	15,000	412,758
Cash and cash equivalents	¥ 581,416	¥ 403,045	$ 3,636,128

(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, 2026

The following table provides a summary of assets acquired and liabilities assumed through the acquisition of shares of Macquarie Rotorcraft Limited, which was consolidated for the first time in the year ended March 31, 2026, 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	¥ 2,929	$ 18,318
Non-current assets	153,363	959,118
Goodwill	8,587	53,702
Current liabilities	(2,691)	(16,829)
Non-current liabilities	(124,342)	(777,624)
Acquisition cost of shares	37,847	236,692
Cash and cash equivalents	(944)	(5,904)
Net: Purchases of investments in subsidiaries resulting in change in scope of consolidation	¥ 36,903	$ 230,788

The following table provides a summary of assets acquired and liabilities assumed through the acquisition of shares of LCI Analytics Limited, LCI Helicopters (UK) Limited and LCI Operations Limited, which were consolidated for the first time in the year ended March 31, 2026, 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	¥ 5,215	$ 32,614
Non-current assets	17,599	110,063
Goodwill	458	2,864
Current liabilities	(3,643)	(22,783)
Non-current liabilities	(12,176)	(76,148)
Deferred gains or losses on hedges	(9)	(56)
Acquisition cost of shares	7,443	46,548
Cash and cash equivalents	(717)	(4,484)
Net: Purchases of investments in subsidiaries resulting in change in scope of consolidation	¥ 6,725	$ 42,058

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
Current assets	¥ 1,018
Non-current assets	27,772
Goodwill	19,268
Current liabilities	(2,154)
Non-current liabilities	(3,197)
Foreign currency translation adjustments	(134)
Non-controlling interests	(185)
Acquisition cost of shares	42,387
Cash and cash equivalents	15
Net: Purchases of investments in subsidiaries resulting in change in scope of consolidation	¥ 42,402

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
Current assets	¥ 126,282
Non-current assets	35,678
Goodwill	2,656
Current liabilities	(41,572)
Non-current liabilities	(75,498)
Net unrealized holding gains or losses on securities	62
Non-controlling interests	(22,045)
Acquisition cost of shares	25,564
Previously held shares	(7,130)
Gain on step acquisitions	(494)
Cash and cash equivalents	(17,664)
Net: Purchases of investments in subsidiaries resulting in change in scope of consolidation	¥ 274

27. 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, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Due within one year	¥ 8,503	¥ 7,482	$ 53,177
Due after one year	31,649	27,304	197,930
Total	¥ 40,153	¥ 34,787	$ 251,113

Lessor Side

(1) Finance lease transactions

(a) Breakdown of lease investment assets

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Lease payments receivable	¥1,117,306	¥1,101,739	$ 6,987,530
Estimated residual value	63,402	65,147	396,510
Unearned interest income	(136,210)	(140,305)	(851,845)
Lease investment assets	¥1,044,498	¥1,026,581	$ 6,532,195

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

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Lease receivables:			
Within one year	¥ 225,343	¥ 236,552	$ 1,409,275
After one year through two years	154,223	170,199	964,497
After two years through three years	117,666	116,318	735,872
After three years through four years	81,728	83,439	511,119
After four years through five years	50,619	56,687	316,567
After five years	161,793	144,120	1,011,839
Total	¥ 791,375	¥ 807,318	$ 4,949,187
Lease investment assets:			
Within one year	¥ 321,904	¥ 323,426	$ 2,013,158
After one year through two years	271,198	260,440	1,696,048
After two years through three years	200,414	204,010	1,253,371
After three years through four years	140,372	138,906	877,874
After four years through five years	78,783	74,224	492,702
After five years	104,633	100,731	654,365
Total	¥1,117,306	¥1,101,739	$ 6,987,530

(2) Operating lease transactions

Future minimum lease payments receivable under noncancelable operating leases at March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Due within one year	¥ 444,820	¥ 408,039	$ 2,781,864
Due after one year	2,557,066	2,316,276	15,991,657
Total	¥ 3,001,886	¥2,724,315	$18,773,521

(3) Sublease transactions

Lease receivables and investment assets and lease obligations under sublease transactions on the consolidated balance sheets at March 31, 2026 and 2025 that include unearned interest income were as follows:

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Lease receivables and investment assets	¥ 1,808	¥ 2,103	$ 11,307
Lease obligations	1,812	2,093	11,332

28. 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 operations 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, 2026, the present value of the entire position associated with interest rates would decrease by ¥331 million ($2,070 thousand) (¥496 million at March 31, 2025), and if yen interest rates dropped by 1bp (0.01%), the present value would increase by ¥331 million ($2,070 thousand) (¥496 million at March 31, 2025). 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 30. 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, 2026 and 2025 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

	Millions of Yen			
	March 31, 2026			
	Carrying Amount			
Type	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities:				
Other securities	¥ 92,369	¥ 96,571	¥ –	¥188,940
Derivative transactions (*1) (*2):				
Interest-related transactions	–	(835)	–	(835)
Currency-related transactions	–	(3,319)	–	(3,319)
Total	¥ 92,369	¥ 92,415	¥ –	¥184,784

	Millions of Yen			
	March 31, 2025			
	Carrying Amount			
Type	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	Thousands of U.S. Dollars			
	March 31, 2026			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities:				
Other securities	$ 577,667	$ 603,946	$ –	$1,181,614
Derivative transactions (*1) (*2)				
Interest-related transactions	–	(5,222)	–	(5,222)
Currency-related transactions	–	(20,757)	–	(20,757)
Total	$ 577,667	$ 577,955	$ –	$1,155,622

*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 ¥(2,136) million ($(13,358) thousand) and ¥(626) million at March 31, 2026 and 2025, 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. Deferral hedge accounting is primarily applied to them.

(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, 2026					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Installment sales receivable (*1) (*2)	¥ –	¥ –	¥ 518,928	¥ 518,928	¥ 511,926	¥ 7,002
Lease receivables and investment assets (*2) (*3)	–	–	1,752,028	1,752,028	1,734,239	17,788
Loans receivable (*2)	–	–	635,162	635,162	636,114	(951)
Delinquent receivables (*2)	–	–	15,702	15,702	15,702	–
Total assets	¥ –	¥ –	¥2,921,822	¥2,921,822	¥2,897,983	¥ 23,839
Bonds	¥ –	¥1,534,243	¥ –	¥1,534,243	¥1,558,810	¥ (24,566)
Long-term loans	–	4,714,525	–	4,714,525	4,801,296	(86,770)
Long-term payables under securitization of lease receivables	–	14,278	–	14,278	14,705	(427)
Lease obligations	–	25,371	–	25,371	25,589	(217)
Guarantee deposits received	–	125,286	–	125,286	144,555	(19,269)
Total liabilities	¥ –	¥6,413,705	¥ –	¥6,413,705	¥6,544,956	¥(131,251)

	Millions of Yen					
	March 31, 2025					
	Fair Value				Carrying	
Type	Level 1	Level 2	Level 3	Total	Amount	Difference
Installment sales receivable (*1) (*2)	¥ –	¥ –	¥ 553,724	¥ 553,724	¥ 546,020	¥ 7,704
Lease receivables and investment assets (*2) (*3)	–	–	1,770,631	1,770,631	1,730,114	40,517
Loans receivable (*2)	–	–	566,193	566,193	564,332	1,860
Delinquent receivables (*2)	–	–	16,948	16,948	16,948	–
Total assets	¥ –	¥ –	¥2,907,498	¥2,907,498	¥2,857,415	¥ 50,082
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)

	Thousands of U.S. Dollars					
	March 31, 2026					
	Fair Value				Carrying	
Type	Level 1	Level 2	Level 3	Total	Amount	Difference
Installment sales receivable (*1) (*2)	$ –	$ –	$ 3,245,328	$ 3,245,328	$ 3,201,538	$ 43,790
Lease receivables and investment assets (*2) (*3)	–	–	10,957,023	10,957,023	10,845,772	111,245
Loans receivable (*2)	–	–	3,972,245	3,972,245	3,978,199	(5,947)
Delinquent receivables (*2)	–	–	98,199	98,199	98,199	–
Total assets	$ –	$ –	$18,272,808	$18,272,808	$18,123,721	$ 149,087
Bonds	$ –	$ 9,595,016	$ –	$ 9,595,016	$ 9,748,655	$(153,634)
Long-term loans	–	29,484,209	–	29,484,209	30,026,867	(542,652)
Long-term payables under securitization of lease receivables	–	89,293	–	89,293	91,964	(2,670)
Lease obligations	–	158,668	–	158,668	160,031	(1,357)
Guarantee deposits received	–	783,527	–	783,527	904,034	(120,507)
Total liabilities	$ –	$40,110,725	$ –	$40,110,725	$40,931,557	$(820,832)

*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, 2026 and 2025 in the above table are after deducting the allowance for doubtful accounts of ¥1,540 million ($9,631 thousand) and ¥1,377 million, ¥5,142 million ($32,158 thousand) and ¥4,019 million, ¥1,173 million ($7,336 thousand) and ¥909 million, and ¥13,789 million ($86,235 thousand) and ¥14,199 million, respectively.

*3. The fair values and the carrying amounts as of March 31, 2026 and 2025 include estimated residual values of ¥63,402 million ($396,510 thousand) and ¥65,147 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 30. DERIVATIVE TRANSACTIONS.

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.

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Stocks, etc. with no market value (*1)	¥ 86,873	¥ 81,747	$ 543,296
Investments in partnerships and others	147,510	102,073	922,514
Total	¥ 234,384	¥ 183,821	$ 1,465,816

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

3. Maturities of monetary claims and securities with maturities

	Millions of Yen					
	March 31, 2026					
	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	¥ 231,110	¥ 122,664	¥ 90,383	¥ 54,427	¥ 27,112	¥ 20,780
Lease receivables and investment assets (*1)	481,344	372,194	279,106	194,962	112,246	236,125
Loans receivable	218,398	62,731	69,826	95,132	63,401	129,354
Short-term investment securities and investment securities	70,006	11,396	15,989	13,772	10,916	37,854
Other securities with maturities of the above	70,006	11,396	15,989	13,772	10,916	37,854
Total	¥1,000,859	¥ 568,986	¥ 455,306	¥ 358,293	¥ 213,677	¥ 424,114

	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)	491,849	378,512	282,353	195,856	113,642	206,773
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	¥ 903,406	¥ 564,096	¥ 448,604	¥ 318,719	¥ 261,472	¥ 419,571

	Thousands of U.S. Dollars					
	March 31, 2026					
	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	$1,445,341	$ 767,129	$ 565,247	$ 340,381	$ 169,556	$ 129,956
Lease receivables and investment assets (*1)	3,010,281	2,327,667	1,745,503	1,219,275	701,976	1,476,704
Loans receivable	1,365,841	392,314	436,685	594,947	396,504	808,968
Short-term investment securities and investment securities	437,811	71,270	99,994	86,129	68,268	236,735
Other securities with maturities of the above	437,811	71,270	99,994	86,129	68,268	236,735
Total	$6,259,281	$3,558,386	$2,847,442	$2,240,732	$1,336,316	$2,652,370

*1. Estimated residual values of ¥63,402 million ($396,510 thousand) and ¥65,147 million are excluded from lease receivables and investment assets as of March 31, 2026 and 2025, respectively.

*2. Short-term investment securities and investment securities of ¥0 million that are deemed uncollectible as of March 31, 2025 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, 2026					
	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	¥ 172,050	¥ 73,000	¥ 417,185	¥ 173,935	¥ 223,900	¥ 498,740
Long-term loans	823,495	1,069,310	683,631	687,118	634,525	903,214
Long-term payables under securitization of lease receivables	3,327	3,660	4,748	838	777	1,354
Lease obligations	5,944	3,966	2,869	2,359	1,762	8,686
Total	¥1,004,817	¥1,149,937	¥1,108,434	¥ 864,251	¥ 860,964	¥1,411,995

	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

	Thousands of U.S. Dollars					
	March 31, 2026					
	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	$1,075,985	$ 456,535	$2,609,037	$1,087,774	$1,400,250	$ 3,119,074
Long-term loans	5,150,063	6,687,367	4,275,366	4,297,173	3,968,261	5,648,618
Long-term payables under securitization of lease receivables	20,807	22,889	29,694	5,241	4,859	8,468
Lease obligations	37,173	24,803	17,942	14,753	11,019	54,321
Total	$6,284,034	$7,191,601	$6,932,045	$5,404,947	$5,384,390	$ 8,830,488

29. SECURITIES

(1) Investments in unconsolidated subsidiaries and affiliates

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Investment securities	¥ 185,494	¥ 166,327	$1,160,063
Investments in joint ventures	1,803	–	11,276

Note: In the year ended March 31, 2026, the accounting for a business combination was completed, and the above amount as of March 31, 2025 has been adjusted accordingly.

(2) Other securities with market values

		Millions of Yen		
		March 31, 2026		
	Type	Acquisition Cost	Carrying Amount	Net Unrealized Gains (Losses)
Securities whose carrying amount exceeds the acquisition cost	Stocks	¥ 44,095	¥ 91,648	¥ 47,553
	Bonds:			
	Corporate bonds	–	–	–
	Other	20,872	23,614	2,741
	Subtotal	64,968	115,263	50,295
Securities whose carrying amount does not exceed the acquisition cost	Stocks	3,497	3,341	(155)
	Bonds:			
	Corporate bonds	3,153	3,153	–
	Other	67,189	67,182	(6)
	Subtotal	73,839	73,677	(162)
	Total	¥ 138,807	¥ 188,940	¥ 50,132

		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

		Thousands of U.S. Dollars		
		March 31, 2026		
	Type	Acquisition Cost	Carrying Amount	Net Unrealized Gains (Losses)
Securities whose carrying amount exceeds the acquisition cost	Stocks	$ 275,766	$ 573,158	$ 297,392
	Bonds:			
	Corporate bonds	–	–	–
	Other	130,532	147,680	17,142
	Subtotal	406,304	720,844	314,540
Securities whose carrying amount does not exceed the acquisition cost	Stocks	21,870	20,894	(969)
	Bonds:			
	Corporate bonds	19,719	19,719	–
	Other	420,194	420,150	(38)
	Subtotal	461,782	460,769	(1,013)
	Total	$ 868,086	$ 1,181,614	$ 313,521

Note: Stocks with no market value and investments in partnerships and others (carrying amount: ¥234,384 million ($1,465,816 thousand) and ¥183,821 million as of March 31, 2026 and 2025, 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, 2026		
	Sales Proceeds	Aggregate Gain	Aggregate Loss
Stocks	¥ 9,230	¥ 8,065	¥ 4
Bonds:			
Corporate bonds	–	–	–
Other	3,397	–	499
Total	¥ 12,628	¥ 8,065	¥ 504

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	659	–	–
Total	¥ 7,423	¥ 3,084	¥ 198

Type	Thousands of U.S. Dollars		
	For the Year Ended March 31, 2026		
	Sales Proceeds	Aggregate Gain	Aggregate Loss
Stocks	$ 57,724	$ 50,442	$ 25
Bonds:			
Corporate bonds	–	–	–
Other	21,245	–	3,121
Total	$ 78,974	$ 50,442	$ 3,152

(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 ¥1,590 million ($9,946 thousand) and ¥938 million were recognized during the years ended March 31, 2026 and 2025, respectively.

30. DERIVATIVE TRANSACTIONS

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

(a) Interest rate derivatives

No items to report.

(b) Currency derivatives

	Millions of Yen			
	March 31, 2026			
	Contract Amount			
Type	Total	Due after One Year	Fair Value	Unrealized Gain (Loss)
Over-the-counter transactions:				
Currency swaps	¥ 16,731	¥ 14,423	¥ (2,019)	¥ (2,019)
Total	¥ 16,731	¥ 14,423	¥ (2,019)	¥ (2,019)

	Millions of Yen			
	March 31, 2025			
	Contract Amount			
Type	Total	Due after One Year	Fair Value	Unrealized Gain (Loss)
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)

	Thousands of U.S. Dollars			
	March 31, 2026			
	Contract Amount			
Type	Total	Due after One Year	Fair Value	Unrealized Gain (Loss)
Over-the-counter transactions:				
Currency swaps	$ 104,634	$ 90,200	$ (12,627)	$ (12,627)
Total	$ 104,634	$ 90,200	$ (12,627)	$ (12,627)

(2) Derivative transactions to which hedge accounting is applied

(a) Interest rate derivatives

		Millions of Yen		
		March 31, 2026		
		Contract Amount		
Type	Hedged Item	Total	Due after One Year	Fair Value
Deferral hedge method				
Interest rate swaps:				
Receivable floating rate/payable fixed rate	Future transactions, loans, and others	¥ 687,395	¥ 665,458	¥ (835)
Special treatment				
Interest rate swaps:	Loans, and others			
Receivable floating rate/payable fixed rate		363,410	362,010	(*)
Receivable fixed rate/payable floating rate		37,050	37,050	
Total		¥ 1,087,856	¥ 1,064,518	¥ (835)

		Millions of Yen		
		March 31, 2025		
		Contract Amount		
Type	Hedged Item	Total	Due after One Year	Fair Value
Deferral hedge method				
Interest rate swaps:				
Receivable floating rate/payable fixed rate	Future transactions, loans, and others	¥ 722,487	¥ 592,145	¥ (162)
Special treatment				
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)

		Thousands of U.S. Dollars		
		March 31, 2026		
		Contract Amount		
Type	Hedged Item	Total	Due after One Year	Fair Value
Deferral hedge method				
Interest rate swaps:				
Receivable floating rate/payable fixed rate	Future transactions, loans, and others	$ 4,298,906	$ 4,161,714	$ (5,222)
Special treatment				
Interest rate swaps:	Loans, and others			
Receivable floating rate/payable fixed rate		2,272,733	2,263,977	(*)
Receivable fixed rate/payable floating rate		231,707	231,707	
Total		$ 6,803,352	$ 6,657,398	$ (5,222)

* 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.

(b) Currency derivatives

		Millions of Yen		
		March 31, 2026		
		Contract Amount		
Type	Hedged Item	Total	Due after One Year	Fair Value
Deferral hedge method				
Currency swaps	Future transactions, loans, and others	¥ 30,709	¥ 27,938	¥ (1,300)
Allocation method				
Currency swaps	Loans, and others	3,090	2,941	
Foreign exchange forward contracts:				(*)
Sold		1,588	–	
Total		¥ 35,388	¥ 30,879	¥ (1,300)

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

		Thousands of U.S. Dollars		
		March 31, 2026		
		Contract Amount		
Type	Hedged Item	Total	Due after One Year	Fair Value
Deferral hedge method				
Currency swaps	Future transactions, loans, and others	$ 192,051	$ 174,722	$ (8,130)
Allocation method				
Currency swaps	Loans, and others	19,325	18,393	
Foreign exchange forward contracts:				(*)
Sold		9,931	–	
Total		$ 221,313	$ 193,114	$ (8,130)

* 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.

31. BUSINESS COMBINATIONS

For the year ended March 31, 2026

Business combinations through acquisition

(1) Acquisition of Macquarie Rotorcraft Limited (currently SMFLH Rotor Limited)

On May 15, 2025, SMFL LCI Helicopters Limited (currently SMFL Helicopters Limited), a consolidated subsidiary of the Company, (“SMFLH”) completed the acquisition of 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”) and its seven subsidiaries including Macquarie Rotorcraft Leasing Holdings Limited (currently SMFLH Operations UK Limited) pursuant to the share purchase agreement executed on March 7, 2025.

(a) Outline of the business combination

(i) Name of acquired company and its business

Name: Macquarie Rotorcraft Limited
Business: Helicopter leasing

(ii) Major reason for the business combination

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 is a leading helicopter lessor in terms of the number of aircraft owned, managed and on order and will further expand its business and customer bases that are essential for the sustained growth of the business by involving affiliated companies of MRL.

(iii) Date of the business combination

May 15, 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 SMFLH

(vii) Basis for determining the acquirer

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

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

From May 15, 2025 through December 31, 2025

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

Consideration for acquisition	Cash	¥37,847 million ($236,692 thousand)
Acquisition cost		¥37,847 million ($236,692 thousand)

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

Advisory fees, commissions and other charges: ¥2,996 million ($18,737 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

¥8,587 million ($53,702 thousand)

(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. Accordingly, the difference was recognized as goodwill.

(iii) Method and period of amortization

The goodwill is amortized on a straight-line basis over 14 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	¥ 2,929	$ 18,318
Non-current assets	153,363	959,118
Total assets acquired	¥ 156,293	$ 977,442
Current liabilities	¥ 2,691	$ 16,829
Non-current liabilities	124,342	777,624
Total liabilities assumed	¥ 127,033	$ 794,453

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

No items to report.

(h) Effects on the consolidated statement of income for the year ended March 31, 2026 as though this business combination had been completed as of April 1, 2025, and method of calculating the effects

	Millions of Yen	Thousands of U.S. Dollars
Revenues	¥ 19,078	$ 119,312
Profit before income taxes	4,124	25,791
Profit attributable to owners of parent	3,378	21,126

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, 2025, the beginning of the year ended March 31, 2026. 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, 2025.

The above note is unaudited by KPMG AZSA LLC.

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

SMFL LCI Helicopters Limited (currently SMFL 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: LCI Analytics Limited
Business: Helicopter leasing
b. Name: LCI Helicopters (UK) Limited
Business: Helicopter leasing
c. Name: LCI Operations Limited
Business: Helicopter leasing

(ii) Major reason for the business combination

SMFLH is a leading helicopter lessor in terms of the number of aircraft owned, managed and on order, and the business combination was for SMFLH to acquire companies under the control of LCII and to expand its business base essential for the sustained growth of the business. Furthermore, the Group integrated SMFLH with the companies under the control of 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 SMFLH

(vii) Basis for determining the acquirer

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

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

From April 1, 2025 through December 31, 2025

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

Consideration for acquisition	Cash	¥7,443 million ($46,548 thousand)
Acquisition cost		¥7,443 million ($46,548 thousand)

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

Advisory fees, commissions and other charges: ¥179 million ($1,119 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

¥458 million ($2,864 thousand)

(ii) Reason for goodwill arising from the business combination

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

(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	¥ 5,215	$ 32,614
Non-current assets	17,599	110,063
Total assets acquired	¥ 22,815	$ 142,683
Current liabilities	¥ 3,643	$ 22,783
Non-current liabilities	12,176	76,148
Total liabilities assumed	¥ 15,820	$ 98,937

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

No items to report.

(h) Effects on the consolidated statement of income for the year ended March 31, 2026 as though this business combination had been completed as of April 1, 2025, and method of calculating the effects

	Millions of Yen	Thousands of U.S. Dollars
Revenues	¥ 4,276	$ 26,742
Loss before income taxes	167	1,044
Loss attributable to owners of parent	178	1,113

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, 2025, the beginning of the year ended March 31, 2026. 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, 2025.

The above note is unaudited by KPMG AZSA LLC.

Transaction under common control

Acquisition of additional shares of subsidiary

SMFL MIRAI Partners Co., Ltd., a consolidated subsidiary of the Company, ("SMFL Mirai Partners"), together with its subsidiary SMFL MIRAI PARTNERS (SINGAPORE) PTE. LTD. ("MPS"), acquired all shares of Kenedix, Inc. ("Kenedix") held by a subsidiary of ESR Group Limited. As a result, Kenedix became a wholly owned subsidiary of SMFL Mirai Partners and MPS.

(a) Outline of the transaction

(i) Name of constituent company and its business

Name: Kenedix, Inc.
Business: Real estate

(ii) Date of the business combination

October 2, 2025 (deemed date of acquisition: October 1, 2025)

(iii) Legal form of the business combination

Share acquisition from a non-controlling shareholder

(iv) Name of the company after the business combination

No change

(v) Other matters

SMFL Mirai Partners, together with MPS, acquired all shares of Kenedix because, with the additional share acquisition, SMFL Mirai Partners and Kenedix will further strengthen collaboration to expand real estate-related businesses, including overseas. The Group will continue to respect Kenedix's high level of expertise and management autonomy in the asset management businesses and build a framework to enhance comprehensive customer service and create value.

(b) Overview of accounting treatment applied

The transaction was accounted for as a transaction with non-controlling interests under the classification of transactions under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, revised on January 16, 2019).

(c) Matters related to the acquisition of additional shares of subsidiary

Acquisition cost of the acquired company and each class of consideration

Consideration for acquisition	Cash	¥112,322 million ($702,452 thousand)
Acquisition cost		¥112,322 million ($702,452 thousand)

(d) Change in the Company's ownership interest due to the transaction with non-controlling interests

(i) Cause for change in capital surplus

Acquisition of additional shares of subsidiary

(ii) Decrease in capital surplus due to the transaction with non-controlling interests

¥58,947 million ($368,652 thousand)

(e) Contingent consideration stipulated in the business combination agreement and relevant accounting policy

If conditions stipulated in the share purchase agreement are met in the future, some or all of the contingent consideration will be paid back. When the Group is certain to receive the contingent consideration and the amount of the consideration is reasonably determinable, such amount will be reduced from the acquisition cost, and capital surplus will increase by the same amount.

Completion of accounting for business combination

Business combination with CRE, Inc.

The Group provisionally accounted for the business combination with CRE, Inc. effected on March 21, 2025 (deemed date of acquisition: January 31, 2025) in the year ended March 31, 2025 and completed the accounting in the year ended March 31, 2026. Due to the completion, material adjustments were made to the initial purchase price allocation.

As a result, the provisional amount of goodwill of ¥4,426 million ($27,680 thousand) decreased by ¥1,769 million ($11,063 thousand) to ¥2,656 million ($16,610 thousand) due to the completion.

The decrease in goodwill resulted from increases in current assets of ¥2,048 million ($12,808 thousand), intangible assets (customer-related intangible assets) of ¥4,676 million ($29,243 thousand), non-current liabilities of ¥1,531 million ($9,575 thousand), and non-controlling interests of ¥1,688 million ($10,557 thousand) and a decrease in investments and other assets of ¥1,735 million ($10,851 thousand).

The amortization period for the goodwill and the weighted-average amortization period for the customer-related intangible assets are presented below:

Goodwill:	18 years
Customer-related intangible assets:	12 years

There were no effects on the consolidated statement of income for the year ended March 31, 2025.

For the year ended March 31, 2025

Business combinations 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 for the year ended March 31, 2025.

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

Consideration for acquisition	Cash	¥42,387 million
Acquisition cost		¥42,387 million

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

Advisory fees, commissions and other charges: ¥540 million

(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

(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
Current assets	¥ 11,606
Non-current assets	27,772
Total assets acquired	¥ 39,379
Current liabilities	¥ 2,154
Non-current liabilities	3,197
Total liabilities assumed	¥ 5,352

(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	Weighted-average Amortization Period
Amount allocated to intangible assets other than goodwill	¥	1,548	6 years
Customer-related intangible assets		1,548	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
Revenues	¥	4,389
Profit before income taxes		(1,948)
Profit attributable to owners of parent		(2,028)

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, 2025. 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 for the year ended March 31, 2025.

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

Acquisition-date fair value of previously held shares	¥7,624 million
Consideration for shares acquired on share acquisition date (cash)	¥17, 939 million
Acquisition cost	¥25,564 million

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).

(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

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

Advisory fees, commissions and other charges: ¥242 million

(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

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
Current assets	¥ 124,234
Non-current assets	32,737
Total assets acquired	¥ 156,971
Current liabilities	¥ 41,572
Non-current liabilities	73,967
Total liabilities assumed	¥ 115,539

(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
Revenues	¥ 65,996
Profit before income taxes	8,078
Profit attributable to owners of parent	2,508

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.

32. 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,	2026	2025	2026
Receivables from contracts with customers	¥ 10,828	¥ 8,587	$ 67,717
Contract assets	1,705	1,367	10,663
Contract liabilities	3,527	4,233	22,058

Revenue from contracts with customers

	Millions of Yen		Thousands of U.S. Dollars
For the year ended March 31,	2026	2025	2026
Revenue from contracts with customers	¥ 142,890	¥ 107,453	$ 893,621

33. 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," "Global Environment 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

Global Environment Business .... Leasing of energy conservation facilities and renewable energy power generation facilities, power generation business, circular economy-related 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 Business	Aircraft leasing business, aircraft engine leasing business, helicopter leasing business, leasing and installment sales of vessels, loans, chartered vessel business, etc.
Overseas Business	Sales finance for overseas companies, finance services for capital investments of Japanese companies, etc.

Changes in reportable segments

The Group 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.” 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, became 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.”

Segment information for the year ended March 31, 2025 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

	Millions of Yen						
	Reportable Segment						
As of and for the year ended March 31, 2026	Domestic Leasing	Global Environment	Real Estate	Trans-portation	Overseas	Adjustments (*1)	Consolidated (*4)
Revenues:							
Lease sales	¥ 613,793	¥ 2,025	¥ 328,684	¥ 821,510	¥ 41,833	¥ –	¥1,807,847
Installment sales	260,796	–	–	715	108,648	–	370,160
Finance revenue	10,888	744	3,978	13,389	5,806	–	34,806
Other revenues (*2)	20,739	28,831	315,406	25,550	2,379	–	392,907
Revenues from external customers	906,217	31,600	648,069	861,165	158,668	–	2,605,721
Intersegment revenues or transfers	13,207	61,486	6,113	25,541	166,683	(273,033)	–
Total revenues	¥ 919,424	¥ 93,087	¥ 654,183	¥ 886,706	¥ 325,352	¥(273,033)	¥2,605,721
Segment profit (loss)	¥ 31,631	¥ 6,794	¥ 70,510	¥ 109,937	¥ (3,857)	¥ (25,430)	¥ 189,586
Segment assets	2,025,845	407,463	2,046,069	4,329,669	690,488	1,394,608	10,894,144

	Millions of Yen						
	Reportable Segment						
As of and for the year ended March 31, 2025	Domestic Leasing	Global Environment	Real Estate	Trans-portation	Overseas	Adjustments (*1)	Consolidated (*4)
Revenues:							
Lease sales	¥ 653,608	¥ 2,137	¥ 320,685	¥ 649,749	¥ 32,187	¥ –	¥1,658,368
Installment sales	270,574	4	–	283	82,662	–	353,525
Finance revenue	8,773	1,000	1,844	10,359	6,531	–	28,509
Other revenues (*2)	19,920	22,761	113,151	10,407	2,487	–	168,729
Revenues from external customers	952,876	25,904	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	¥ 963,675	¥ 70,341	¥ 441,927	¥ 695,175	¥ 290,558	¥(252,545)	¥2,209,133
Segment profit	¥ 40,573	¥ 6,327	¥ 56,699	¥ 76,246	¥ 1,263	¥ (15,261)	¥ 165,851
Segment assets (*3)	2,101,407	413,847	2,090,105	3,824,662	605,197	1,101,192	10,136,413

	Thousands of U.S. Dollars						
	Reportable Segment						
As of and for the year ended March 31, 2026	Domestic Leasing	Global Environment	Real Estate	Trans-portation	Overseas	Adjustments (*1)	Consolidated (*4)
Revenues:							
Lease sales	$3,838,605	$ 12,664	$2,055,560	$5,137,649	$ 261,620	$ –	$11,306,110
Installment sales	1,630,994	–	–	4,472	679,475	–	2,314,950
Finance revenue	68,093	4,653	24,878	83,734	36,310	–	217,677
Other revenues (*2)	129,700	180,306	1,972,520	159,787	14,878	–	2,457,206
Revenues from external customers	5,667,398	197,624	4,052,964	5,385,647	992,295	–	16,295,943
Intersegment revenues or transfers	82,595	384,528	38,230	159,731	1,042,420	(1,707,523)	–
Total revenues	$5,749,994	$ 582,158	$4,091,201	$5,545,378	$2,034,722	$(1,707,523)	$16,295,943
Segment profit (loss)	$ 197,817	$ 42,489	$ 440,963	$ 687,536	$ (24,121)	$ (159,037)	$ 1,185,654
Segment assets	12,669,450	2,548,236	12,795,929	27,077,355	4,318,249	8,721,751	68,130,985

*1. a) "Adjustments" for "Segment profit (loss)" of ¥(25,430) million ($(159,037) thousand) and ¥(15,261) million for the years ended March 31, 2026 and 2025 include amortization of goodwill of ¥(8,420) million ($(52,658) thousand) and ¥(8,458) million and corporate and other expenses of ¥(17,009) million ($(106,373) thousand) and ¥(6,803) 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 In the year ended March 31, 2026, the accounting for a business combination was completed, and the above amounts as of March 31, 2025 have been adjusted accordingly.

*4. "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:

	Millions of Yen		Thousands of U.S. Dollars
For the year ended March 31,	2026	2025	2026
Operating income	¥ 207,925	¥ 171,427	$ 1,300,347
Interest income	1,021	460	6,386
Dividend income	1,823	1,493	11,401
Interest expenses	(26,802)	(20,611)	(167,623)
Equity in earnings of affiliates	8,885	12,119	55,567
Value added tax refund	–	816	–
Foreign exchange gains (losses)	(2,352)	506	(14,713)
Amortization of bond issuance costs	(775)	(400)	(4,848)
Other—net	(137)	38	(857)
Ordinary income	¥ 189,586	¥ 165,851	$ 1,185,654

(4) Information by product and service

	Millions of Yen			
	For the Year Ended March 31, 2026			
	Leases, Rentals, and Installment Sales	Loans	Other	Total
Revenues from external customers	¥ 2,178,007	¥ 34,806	¥ 392,907	¥ 2,605,721

	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

	Thousands of U.S. Dollars			
	For the Year Ended March 31, 2026			
	Leases, Rentals, and Installment Sales	Loans	Other	Total
Revenues from external customers	$ 13,621,057	$ 217,674	$ 2,457,205	$ 16,295,943

(5) Geographic information

(a) Revenues

Millions of Yen									
For the Year Ended March 31, 2026									
		Europe and the United States							
Japan		Ireland		Other		Asia and Oceania		Total	
¥	1,594,931	¥	791,401	¥	189,032	¥	30,355	¥	2,605,721

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

Thousands of U.S. Dollars									
For the Year Ended March 31, 2026									
		Europe and the United States							
Japan		Ireland		Other		Asia and Oceania		Total	
$	9,974,553	$	4,949,350	$	1,182,189	$	189,837	$	16,295,943

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, and the United States.
(ii) Major countries and regions included in “Asia and Oceania” are Singapore, Thailand, Indonesia (2025), and Taiwan (2026).

(b) Property and equipment

Millions of Yen									
March 31, 2026									
		Europe and the United States							
Japan		Ireland		Other		Asia and Oceania		Total	
¥	1,533,233	¥	4,064,948	¥	254,400	¥	25,562	¥	5,878,146

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

Thousands of U.S. Dollars									
March 31, 2026									
		Europe and the United States							
Japan		Ireland		Other		Asia and Oceania		Total	
$	9,588,699	$	25,421,814	$	1,590,994	$	159,862	$	36,761,389

(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, 2026						
	Domestic Leasing	Global Environment	Real Estate	Transportation	Overseas	Corporate or Elimination	Total
Impairment losses	¥ 70	¥ –	¥ 57	¥ 1,686	¥ –	¥ –	¥ 1,813

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

	Thousands of U.S. Dollars						
	For the Year Ended March 31, 2026						
	Domestic Leasing	Global Environment	Real Estate	Transportation	Overseas	Corporate or Elimination	Total
Impairment losses	$ 438	$ –	$ 356	$ 10,544	$ –	$ –	$ 11,338

Note: In addition to the above impairment losses, an overseas consolidated subsidiary (the Transportation Business) applying IFRS recognized an impairment loss for a cash generating unit together with fixed assets of ¥18,586 million ($116,235 thousand) in the year ended March 31, 2026.

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

	Millions of Yen						
	For the Year Ended March 31, 2026						
	Domestic Leasing	Global Environment	Real Estate	Transportation	Overseas	Corporate or Elimination	Total
Amortization......	¥ –	¥ –	¥ 1,990	¥ 517	¥ –	¥ 8,420	¥ 10,928
Balance as of March 31	–	–	34,071	9,619	–	16,131	59,823

	Millions of Yen						
	For the Year Ended March 31, 2025						
	Domestic Leasing	Global Environment	Real Estate	Transportation	Overseas	Corporate or Elimination	Total
Amortization......	¥ –	¥ –	¥ 898	¥ 58	¥ –	¥ 8,458	¥ 9,414
Balance as of March 31 (*2)....	–	–	35,808	443	–	24,552	60,804

	Thousands of U.S. Dollars						
	For the Year Ended March 31, 2026						
	Domestic Leasing	Global Environment	Real Estate	Transportation	Overseas	Corporate or Elimination	Total
Amortization......	$ –	$ –	$ 12,445	$ 3,233	$ –	$ 52,658	$ 68,348
Balance as of March 31	–	–	213,077	60,156	–	100,882	374,129

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

*2. In the year ended March 31, 2026, the accounting for a business combination was completed, and the above amounts as of March 31, 2025 have been adjusted accordingly.

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

For the year ended March 31, 2026

No items to report.

For the year ended March 31, 2025

No items to report.

34. RELATED PARTY TRANSACTIONS

(1) Related party transactions

(a) Transactions between the Company and related parties

(i) Fellow subsidiaries

For the year ended March 31, 2026

Category	Related Party	Location	Capital (Millions of Yen)	Capital (Thousands of U.S. Dollars)	Business	Ownership Ratio	Relationship
Subsidiary of other associated company	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 1,771,093	$ 11,076,254	Banking	–	Concurrent officers Borrowing of funds

Transaction	Transaction Amount (Millions of Yen)	Transaction Amount (Thousands of U.S. Dollars)	Account	Balance (Millions of Yen)	Balance (Thousands of U.S. Dollars)
Borrowing of funds	¥ 2,703,307	$ 16,906,235	Short-term loans	¥ 513,655	$ 3,212,351
Payment of interest	11,978	74,909	Long-term loans due within one year	24,674	154,309
			Long-term loans	139,720	873,796

For the year ended March 31, 2025

Category	Related Party	Location	Capital (Millions of Yen)	Business	Ownership Ratio	Relationship
Subsidiary of other associated company	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 1,771,093	Banking	–	Concurrent officers Borrowing of funds

Transaction	Transaction Amount (Millions of Yen)	Account	Balance (Millions of Yen)
Borrowing of funds	¥ 2,539,443	Short-term loans	¥ 537,473
Payment of interest	11,160	Long-term loans due within one year	101,666
		Long-term loans	88,014

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.

(ii) Other associated companies

For the year ended March 31, 2026

No items to report.

For the year ended March 31, 2025

No items to report.

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

Fellow subsidiaries

For the year ended March 31, 2026

Category	Related Party	Location	Capital (Millions of Yen)	Capital (Thousands of U.S. Dollars)	Business	Ownership Ratio	Relationship
Subsidiary of other associated company	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 1,771,093	$ 11,076,254	Banking	–	Concurrent officers Borrowing of funds
Subsidiary of other associated company	SMBC Trust Bank Ltd.	Chiyoda-ku, Tokyo	¥ 87,550	$ 547,530	Banking	–	Concurrent officers Borrowing of funds

Transaction	Transaction Amount (Millions of Yen)	Transaction Amount (Thousands of U.S. Dollars)	Account	Balance (Millions of Yen)	Balance (Thousands of U.S. Dollars)
Borrowing of funds	¥ 375,862	$ 2,350,607	Short-term loans	¥ 36,616	$ 228,993
Payment of interest	23,640	147,842	Long-term loans due within one year	203,198	1,270,782
			Long-term loans	744,763	4,657,680
Borrowing of funds	¥ 5,713	$ 35,729	Long-term loans due within one year	¥ 3,756	$ 23,490
Payment of interest	12,883	80,569	Long-term loans	233,017	1,457,267

For the year ended March 31, 2025

Category	Related Party	Location	Capital (Millions of Yen)	Business	Ownership Ratio	Relationship
Subsidiary of other associated company	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 1,771,093	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 (Millions of Yen)	Account	Balance (Millions of Yen)
Borrowing of funds	¥ 136,792	Short-term loans	¥ 29,072
Payment of interest	23,076	Long-term loans due within one year	205,273
		Long-term loans	584,224
Payment of interest	¥ 14,899	Long-term loans due within one year	¥ 17,445
		Long-term loans	346,287

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.

35. PER SHARE DATA

	Yen		U.S. Dollars
As of and for the year ended March 31,	2026	2025	2026
Net assets per share	¥ 13,829.69	¥ 13,023.60	$ 86.49
Basic earnings per share	1,374.52	1,533.00	8.60
Diluted earnings per share	1,366.34	1,527.45	8.54

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

	Millions of Yen		Thousands of U.S. Dollars
For the year ended March 31,	2026	2025	2026
Basic earnings per share:			
Profit attributable to owners of parent	¥ 120,069	¥ 133,914	$ 750,906
Amount not attributable to common stockholders	–	–	–
Profit attributable to owners of parent related to common stock	120,069	133,914	750,906
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	(713)	(484)	(4,459)
Adjustment of dilutive shares issued by consolidated subsidiary	(713)	(484)	(4,459)
Increase in number of shares of common stock (Thousands of Shares)	–	–	

For the year ended March 31,	2026	2025
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:

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2026	2025	2026
Total net assets	¥1,594,819	¥1,529,551	$ 9,973,853
Amount excluded from total net assets	386,736	391,884	2,418,612
Stock acquisition rights on the above	117	118	736
Non-controlling interests on the above	386,618	391,766	2,417,879
Net assets related to common stock at the fiscal year-end	1,208,082	1,137,667	7,555,235
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	

3. In the year ended March 31, 2026, the accounting for a business combination was completed, and the above amounts as of March 31, 2025 have been adjusted accordingly.

36. SUBSEQUENT EVENTS

For the year ended March 31, 2026

Participation in the acquisition of Air Lease Corporation

SMBC Aviation Capital Limited, a consolidated subsidiary of the Company, ("SMBC Aviation Capital") entered into a series of agreements to acquire Air Lease Corporation ("ALC"), together with Sumitomo Corporation, Apollo Capital Management, L.P. and Brookfield Asset Management Ltd., on September 1, 2025. The acquisition was executed through a new holding company, named Sumisho Air Lease Corporation Designated Activity Company, owned by the four companies ("Sumisho Air Lease"), and, on April 8, 2026, Sumisho Air Lease acquired all issued shares of ALC for $65.00 in cash per share, whereby the four companies indirectly acquired ALC. SMBC Aviation Capital paid $1,350 million for the acquisition, and SMBC Aviation Capital's equity interest in Sumisho Air Lease became 4.99% on a voting-rights basis and 24.99% on an economic-interest basis. Upon completion of the acquisition, SMBC Aviation Capital acquired ALC's aircraft on order for $1,461 million.

The above funds for the acquisition were self-financed by the Company and SMBC Aviation Capital and financed through a syndicated loan of $2,000 million and other forms of debt.

Issuance of large amounts of corporate bonds

SMBC Aviation Capital Finance Designated Activity Company, which is an affiliated company of SMBC Aviation Capital Limited, a consolidated subsidiary of the Company, issued bonds as follows:

a. Type of issue:	U.S. dollar-denominated bond
b. Issuance amount:	$2,000,000 thousand (¥319,800 million) (3-year bond: $650,000 thousand (¥103,935 million) 5-year bond: $750,000 thousand (¥119,925 million) 10-year bond: $600,000 thousand (¥95,940 million))
c. Date of issuance:	July 23, 2026
d. Issue price:	At par value
e. Interest rate:	3-year bond: 4.95% 5-year bond: 5.20% 10-year bond: 5.70%
f. Due:	3-year bond: July 23, 2029 5-year bond: July 23, 2031 10-year bond: July 23, 2036
g. Use of proceeds:	Business funds

SMBC Aviation Capital Limited's execution of aircraft purchase agreements with Airbus and Boeing

SMBC Aviation Capital Limited, a consolidated subsidiary of the Company, has executed an agreement with Airbus S.A.S. to purchase 100 aircraft comprising 65 A321neo and 35 A320neo aircraft and an agreement with The Boeing Company to purchase 100 aircraft comprising 60 737 MAX 10 and 40 737 MAX 8 aircraft. The aircraft are scheduled to be delivered through to the mid-2030s.

37. QUARTERLY INFORMATION (Unaudited)

Semiannual information for the year ended March 31, 2026 was as follows:

Cumulative	1st Half	2nd Half
Revenues (Millions of Yen)	¥ 1,224,087	¥ 2,605,721
Profit before income taxes (Millions of Yen)	120,256	221,870
Profit attributable to owners of parent (Millions of Yen)	65,238	120,069
Basic earnings per share (Yen)	746.82	1,374.52

Cumulative	1st Half	2nd Half
Revenues (Thousands of U.S. Dollars)	$ 7,655,328	$ 16,295,943
Profit before income taxes (Thousands of U.S. Dollars)	752,070	1,387,556
Profit attributable to owners of parent (Thousands of U.S. Dollars)	407,992	750,906
Basic earnings per share (U.S. Dollars)	4.67	8.60

Note: In the year ended March 31, 2026, the accounting for a business combination was completed, and material adjustments to the initial purchase price allocation have been made for relevant items for the 1st half.