

Annual Securities Report (Full Version)

The 26th Fiscal Year

From April 1, 2024 to March 31, 2025

Sun Frontier Fudousan Co., Ltd.

(Translation) This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

A n n u a l S e c u r i t i e s R e p o r t

1. This is an English translation of the Annual Securities Report based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act filed via the Electronic Disclosure for Investors' Network (EDINET) system as set forth in Article 27-30-2 of the said act.
2. Appended to the back of this document, are English translations of the auditors' report that was attached to the Annual Securities Report when it was filed using the aforementioned method, and the internal control report and confirmation letter that were filed at the same time as the Annual Securities Report.

Contents

The 26th Annual Securities Report	
Cover	1
Part I Corporate Information	2
Item 1. Overview of the Company and Its Consolidated Subsidiaries	2
1. Summary of Business Results	2
2. History	5
3. Description of Business	6
4. Overview of Subsidiaries and Affiliates	10
5. Employees	11
Item 2: Business Overview	13
1. Management Policy, Business Environment and Tasks Ahead, etc.	13
2 Sustainability Policy and Initiatives	16
3. Risk Factors	29
4. Analyses of Consolidated Financial Position, Operating Results and Cash Flows From the Management's Perspective	37
Item. 3 Property, Plants and Equipment	45
1. Overview of Capital Investment	45
2. Major Facilities	45
3. Plans for Capital Investment, Disposal of Property, Plants and Equipment, etc.	46
Item. 4 Information on the Company	47
1. Information on the Company's Shares, etc.	47
2. Acquisitions, etc. of Treasury Share	57
3. Dividend Policy	58
4. Corporate Governance, etc.	58
Item. 5 Financial Information	89
1. Consolidated Financial Statements, etc.	90
2. Non-Consolidated Financial Statements, etc.	139
Item. 6 Outline of the Stock Operations of the Company	155
Item. 7 Reference Information on the Company	157
1. Information on the Parent Company	157
2. Other Reference Information	157
Part II Information on Guarantors, etc., for the Company	158
Audit Report	
Internal Control Report	
Confirmation	

Cover

Document title	Annual Securities Report
Clause of stipulation	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	June 23, 2025
Fiscal year	The 26th Fiscal Year (from April 1, 2024 to March 31, 2025)
Company name	Sun Frontier Fudousan Kabushiki Kaisha
Company name in English	Sun Frontier Fudousan Co., Ltd.
Title and name of representative	Seiichi Saito, President Representative Director
Address of registered head office	1-2-2 Yurakucho, Chiyoda-ku, Tokyo, Japan
Telephone number	+81 3 5521-1301
Name of contact person	Takeshi Hirahara, Senior Executive Officer, General Manager of Corporate Planning Division
Nearest place of contact	1-2-2 Yurakucho, Chiyoda-ku, Tokyo, Japan
Telephone number	+81 3 5521-1301
Name of contact person	Takeshi Hirahara, Senior Executive Officer, General Manager of Corporate Planning Division
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan)

Part I Corporate Information

Item 1. Overview of the Company and Its Consolidated Subsidiaries

1. Summary of Business Results

(1) Consolidated

Fiscal year	22nd	23rd	24th	25th	26th
Year ended	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025
Net sales (million yen)	59,632	71,251	82,777	79,868	103,174
Ordinary profit (million yen)	7,524	12,215	14,722	17,374	20,446
Profit attributable to owners of parent company (million yen)	4,274	7,415	11,612	11,917	14,163
Comprehensive income (million yen)	4,006	7,738	11,980	12,375	14,787
Net assets (million yen)	69,773	74,452	83,965	94,416	105,892
Total assets (million yen)	127,485	136,512	152,519	188,661	218,190
Net assets per share (yen)	1,368.14	1,463.74	1,663.33	1,864.36	2,102.79
Earnings per share (yen)	87.77	152.26	238.98	245.50	291.58
Fully diluted earnings per share (yen)	87.73	152.12	238.76	230.74	257.26
Equity ratio (%)	52.3	52.2	52.9	48.0	46.8
Return on equity (ROE) (%)	6.5	10.8	15.3	13.9	14.7
Price earnings ratio (times)	11.0	6.9	5.4	8.0	6.7
Cash flows from operating activities (million yen)	4,733	17,443	16,544	-11,003	-4,236
Cash flows from investing activities (million yen)	451	-9,386	-6,681	-4,254	-8,809
Cash flows from financing activities (million yen)	-1,150	449	2,039	21,040	9,479
Cash and cash equivalents at end of period (million yen)	21,319	29,951	41,914	47,866	44,754
Number of employees [Number of temporary employees] (persons)	641 [475]	696 [532]	702 [601]	763 [656]	895 [835]

Notes: 1. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the 23rd fiscal year. Business results for the 23rd fiscal year are the figures after the application of the accounting standard, etc.

2. The Company has adopted the Employee Stock Ownership Plan (J-ESOP), and the Company’s shares held by the trust account of the Employee Stock Ownership Plan are included as treasury shares in the consolidated financial statements. Therefore, when calculating earnings per share, the weighted average number of shares for the period in common shares is calculated including the number of the said shares as treasury share. In calculating the amount of net assets per share, the said number of shares is included in the number of treasury shares to be deducted from the total number of issued shares at the end of the period.

3. The “Accounting Standard for Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard of 2022”) has been applied from the beginning of the 26th fiscal year. Business results for the 26th fiscal year are the figures after applying this accounting standard retroactively. For the Revised Accounting

Standard of 2022, the transitional treatment stipulated in the proviso of Article 20-3 is applied. As a result, business results for the 26th fiscal year are the figures after the application of this accounting standard.

(2) The Company

Fiscal year	22nd	23rd	24th	25th	26th
Year ended	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025
Net sales (million yen)	42,002	59,563	52,097	52,929	72,930
Ordinary profit (million yen)	7,994	14,356	11,753	11,614	15,339
Profit (million yen)	5,314	9,284	7,871	7,953	10,821
Share capital (million yen)	11,965	11,965	11,965	11,965	11,965
Total number of shares outstanding (shares)	48,755,500	48,755,500	48,755,500	48,755,500	48,755,500
Net assets (million yen)	68,204	74,432	79,859	85,382	93,100
Total assets (million yen)	114,729	124,800	137,212	168,972	186,019
Net assets per share (yen)	1,400.21	1,527.80	1,645.34	1,757.95	1,915.70
Dividends per share (Including interim dividends per share) (yen)	42.00 (-)	44.00 (21.00)	48.00 (23.00)	58.00 (26.00)	66.00 (33.00)
Earnings per share (yen)	109.12	190.65	161.98	163.85	222.78
Fully diluted earnings per share (yen)	109.07	190.47	161.83	154.00	196.56
Equity ratio (%)	59.4	59.6	58.2	50.5	50.0
Equity profit margin (%)	8.0	13.0	10.2	9.6	12.1
Price earnings ratio (times)	8.9	5.5	7.9	12.0	8.8
Dividend payout ratio (%)	38.5	23.1	29.6	35.4	29.6
Number of employees (persons)	319	322	329	351	361
Total shareholder yield (%)	123.0	138.5	172.6	262.6	270.4
(Comparison index: TOPIX including dividends) (%)	(142.1)	(145.0)	(153.4)	(216.8)	(213.4)
Highest share price (yen)	1,077	1,263	1,317	1,965	2,235
Lowest share price (yen)	703	912	1,005	1,241	1,450

Notes: 1. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the 23rd fiscal period. Business results for the 23rd fiscal period are the figures after the application of the accounting standard, etc.

2. The Company has adopted the Employee Stock Ownership Plan (J-ESOP), and the Company’s shares held by the trust account of the Employee Stock Ownership Plan are included as treasury shares in the consolidated financial statements. Therefore, when calculating earnings per share, the weighted average number of shares for the period in common shares is calculated including the number of the said shares in treasury share. In calculating the amount of net assets per share, the said number of shares is included in the number of treasury shares to be deducted from the total number of issued shares at the end of the period.

3. The dividend of 58 yen per share for the 25th fiscal year includes the 25th anniversary commemorative dividend of 2 yen per share.

4. Prior to April 3, 2022, the highest and lowest share prices were recorded on the First Section of the Tokyo Stock Exchange, and after April 4, 2022, were recorded on the Prime Market of the Tokyo Stock Exchange.
5. The “Accounting Standard for Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard of 2022”) has been applied from the beginning of the 26th fiscal year. Business results for the 26th fiscal year are the figures after applying this accounting standard retroactively. For the Revised Accounting Standard of 2022, the transitional treatment stipulated in the proviso of Article 20-3 is applied. As a result, business results for the 26th fiscal year are the figures after the application of this accounting standard.

2. History

Year and month	Matter
April 1999	Established Sun Frontier Co., Ltd. in 1-4-8, Nishiki-cho, Kanda, Chiyoda-ku, Tokyo and its main business was in brokerage, leasing and management of commercial real estate.
December 1999	Acquired a license from the Minister of Construction (currently Minister of Land, Infrastructure, Transport and Tourism) as a Real Estate Broker.
September 2000	Acquired the 1st building of the Company for rental business of real estate (Chuo-ku, Tokyo).
November 2000	Changed trade name to Sun Frontier Fudousan Co., Ltd. for the purpose of clarifying business details.
January 2001	Started Replanning Business (Started Real Estate Revitalization Business).
April 2001	Started rental brokerage of commercial real estate.
January 2002	Obtained a general construction business license as a construction business (approved by the Governor of Tokyo). Registered as a First-class Architect Office (registered by the Governor of Tokyo).
April 2002	Relocated the head office (registered address of the head office) to 10-4, Ginza 3-chome, Chuo-ku, Tokyo.
February 2003	Registered a real estate appraisal business (registered by the Governor of Tokyo).
November 2004	Registered a general real estate investment advisory business (Minister of Land, Infrastructure, Transport and Tourism registration).
December 2004	Listed its shares on the JASDAQ Securities Exchange. Established the first real estate fund specializing in property revitalization and started Real Estate Securitization Business.
April 2005	Relocated the head office to 3-9-11, Ginza, Chuo-ku, Tokyo.
July 2005	Established SF Building Support Inc. and started Rent Guarantee Business.
August 2005	Registered the business of a seller of trust beneficiary rights (registered by the Director-General of the Kanto Local Finance Bureau).
December 2005	Obtained a special construction business license (from the Governor of Tokyo).
February 2007	Got listed on the First Section of the Tokyo Stock Exchange.
June 2007	Relocated the head office to 1-2-2, Yurakucho, Chiyoda-ku, Tokyo.
September 2007	Registered as a Type II Financial Instruments Business Operator (registered by the Director-General of the Kanto Local Finance Bureau).
January 2012	Made Yubi Co., Ltd. (now SF Building Maintenance Inc.) into a consolidated subsidiary and started Building Maintenance Business.
March 2013	Established Sun Frontier Fudousan Taiwan Co., Ltd. in Taipei City.
August 2015	Established Sun Frontier Hotel Management Inc. and started Hotel Operation Business.
December 2015	Established SUN FRONTIER VIETNAM CO., LTD. in Vietnam.
April 2016	Started Conference Room Rental Business.
December 2016	Made Hotel Sky Court Hotel Co., Ltd. (currently Sky Heart Hotel Inc.) into a consolidated subsidiary.
November 2017	Established Sun Frontier Sado Co., Ltd. and started Regional Revitalization Business.
October 2018	Obtained permission for the Act on Specified Joint Real Estate Ventures (approved by Commissioner of the Financial Services Agency / Minister of Land, Infrastructure, Transport and Tourism), started specified joint real estate ventures.
December 2018	Established Sun Frontier NY Co., Ltd. in the United States and started Real Estate Revitalization Business in New York, U.S.A.
January 2019	Made Kouwa Corporation (currently SF Engineering Inc.) into a consolidated subsidiary.
April 2019	Spun off Conference Room Rental Business and established Sun Frontier Space Management Inc.
February 2021	Made Communication Development Inc. (currently SF Communication Inc.) into a consolidated subsidiary.
April 2021	Made Hotel Osado Co., Ltd. into a consolidated subsidiary.
April 2022	Shifted from the First Section of the Tokyo Stock Exchange to the Prime Market due to the market restructuring of the Tokyo Stock Exchange.
June 2022	Shifted from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee.
January 2024	Made Nihon Toshi Hotel Kaihatsu Co., Ltd. into a consolidated subsidiary.
July 2024	Made Oriental Resort Associates Inc. into a consolidated subsidiary.
September 2024	Established Sun Frontier Asset Management Inc.

3. Description of Business

The Group consists of the Company and 32 consolidated subsidiaries and includes the Real Estate Revitalization Business, the Real Estate Service Business, the Hotel and Tourism Business and other businesses.

The business and the positioning of the Company and its affiliates in relation to the business are as follows.

(1) Real Estate Revitalization Business

In Real Estate Revitalization Business, we are engaged in Replanning Business and Rental Building Business.

(i) Replanning Business

We raise market value by purchasing an existing office building in central Tokyo and transforming it into a high-quality, well-designed building with a new concept that embodies the needs from the clients' perspective and improve occupancy rate through ability of tenant mediation rooted in the local community, and then sell it to building owners and investors. In addition, after sales, we are working to build deep and long-term relationships with clients by staying close to them through Property Management Business and other real estate services and striving to maintain and improve the value of assets.

Also, in New York, U.S.A., we are developing businesses that utilize the knowledge we have cultivated in Replanning Business in Japan to purchase existing entire apartment buildings, turn them into comfortable living spaces of Japanese quality thereby increasing their market value, and sell them to investors in Japan.

Furthermore, in Real Estate Specified Joint Business, we fractionalize prime real estate properties, mainly in central Tokyo, and offer these small-lot investment products to a wide range of investors, allowing them to start investing with small amounts.

(Major affiliated company) Sun Frontier NY Co., Ltd.

(ii) Rental Building Business

The Company conducts Rental Building Business by purchasing, holding or leasing and subleasing properties in accordance with the Company's ownership standards, such as profitable business buildings that are located in good locations and are expected to increase their value in the future. The Company has maintained high occupancy rates and secured stable rent income through the Group's comprehensive real estate services and management capabilities cultivated in the Group's leasing, property management, construction solutions, and Rent Guarantee Business, etc. Moreover, rental income from replanning properties under planning until sale belongs to this business too.

(2) Real Estate Service Business

In Real Estate Service Business, we operate Property Management Business, Building Maintenance Business, Sales Brokerage Business, Leasing Brokerage Business, Conference Room Rental Business and Rent Guarantee Business.

(i) Property Management Business

A. Property Management Business

As building owners' management partner, we are engaged in comprehensive property management from building management to tenant management and account operations. In addition, we continue to provide services to clients who purchase real estate through Replanning Business or intermediary services so that they can safely own a building.

B. Building Maintenance Business

We are engaged in comprehensive maintenance operations of buildings, from environmental maintenance management operations such as rope access cleaning of exterior windows and walls and building cleaning with strength in repair work, to security management operations, maintenance and inspection, in addition to waterproofing work and exterior wall repair work.

(Major affiliated company) SF Building Maintenance Inc.

(ii) Brokerage Business

A. Brokerage Business

The Company engages in a consulting Brokerage Business in which it coordinates with financial institutions, attorneys at

law, tax accountants, etc., evaluates and assesses properties promptly in response to information on the sale of commercial profitable buildings and single-building profitable condominiums, and introduces potential buyers. In addition, among the abundant property information we have, properties that meet certain requirements are designated as Replanning Business purchase properties, and we are engaged in introducing recycled properties to customers as sales properties.

(Major affiliated company) Sun Frontier Fudousan Taiwan Co., Ltd.

B. Leasing Business

The Company specializes in commercial real estate and conducts leasing operations of community-based offices and stores limited to the central Tokyo area. In addition, we will match tenants with the properties we have purchased and will be responsible for rebuilding them as high-occupancy, high-profit buildings. It is also an important role to provide feedback to Replanning Business on the potential needs that can be obtained through day-to-day brokerage operations pursuing the needs of both building owners and tenants.

(iii) Conference Room Rental Business

We are working to maximize the value of space and time in central Tokyo office buildings and operate “Vision Center” which is our Conference Room Rental Business. We have concentrated on our stores in the central Tokyo area, where we can make use of our familiarity with the local area and branch network that we have cultivated in Office Building Business, and are pursuing convenience by responding quickly, flexibly and sensitively to client requests.

(Major affiliated company) Sun Frontier Space Management Inc.

(iv) Rent Guarantee Business

Rent Guarantee Business provides guarantees to building owners for rent payment obligations for tenants using commercial real estate and focuses on reducing the economic burden of the tenant security deposit system. By reducing security deposits, tenants can reduce their financial burden when they move in. At the same time, the credibility of tenants will be supported, making it possible for them to move into offices and stores. For building owners, in addition to the delinquent rent, restoration costs, and administrative burden, the Group provides peace of mind to building owners by reducing the mental burden associated with negotiations with tenants who are delinquent in rent.

(Major affiliated company) SF Building Support Inc.

(3) Hotel and Tourism Business

In Hotel and Tourism Business, we operate Hotel Development Business and Hotel Operation Business.

(i) Hotel Development Business

After the revitalization of existing hotels and the development of new hotels, we plan to sell them as investment products to Japanese and Asian wealthy individuals to secure stable profits. In particular, the Group has entered into a long-term lease agreement with clients, the buyer of the hotels operated by the Group, after the sale of the hotels, and is working to build a deep and long-term relationship with clients.

(Major affiliated company) Sun Frontier Hotel Management Inc.

(ii) Hotel Operation Business

Under the theme of “a heartwarming and fun hotel” where our heart-warming employee’s welcome guests, we operate our own hotel brands, “HIYORI Hotels & Resorts,” “Sky Heart Hotel,” “Joytel Group Hotels,” and “Spring Sunny Hotel & Resorts” which is a joint hotel brand with the Chunqiu Group in China.

In addition, we have been working toward regional revitalization in regions including Sado Island in Niigata prefecture, Miyako Island in Okinawa prefecture, Rokkasho Village in Aomori prefecture, and Sakata City in Yamagata prefecture under the slogan “We will energize local regions through tourism!”

(Major affiliated companies) Sun Frontier Hotel Management Inc.
Sky Heart Hotel Inc.

Sun Frontier Sado Co., Ltd.
Nihon Toshi Hotel Kaihatsu Co., Ltd.
Oriental Resort Associates Inc.

(4) Other

In Other, we are engaged in Overseas Development Business and Construction Business.

(i) Overseas Development Business

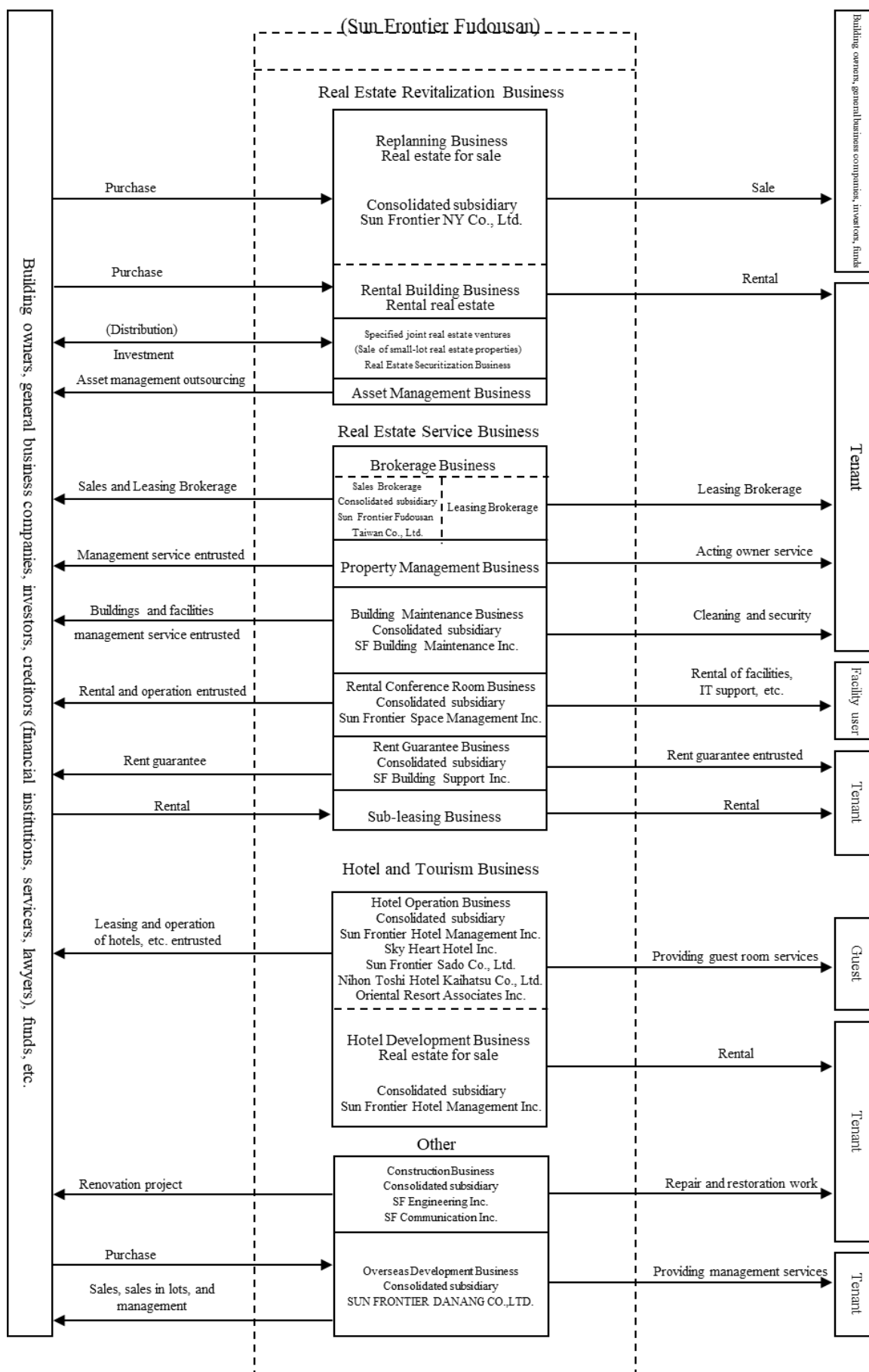
The Group is promoting development and management business of high-rise condominiums in Vietnam in order to provide wealthy clients in Japan and Asia with opportunities to invest in real estate in large Asian cities and contribute to the development of the local economy.

(Major affiliated company) SUN FRONTIER DANANG CO., LTD.

(ii) Construction Business

The Group is engaged in renovation planning, repair and renovation of commercial real estate. In addition to interior work for tenants moving in and out, restoration, owner-requested construction, and renovation work. We also engage in contract work for interior finishing work in buildings and telecommunications work from major construction companies.

(Major affiliated companies) SF Engineering Inc.
SF Communication Inc.



4. Overview of Subsidiaries and Affiliates

Company name	Location	Share capital	Major business	Ownership of voting rights (%)	Relationship
(Consolidated subsidiaries)					
SF Building Support Inc.	Chiyoda-ku, Tokyo	50 million yen	Rent Guarantee Business	100.0	-
SF Building Maintenance Inc.	Sumida-ku, Tokyo	20 million yen	Building Maintenance Business	100.0	One person serving concurrently as a director
Sun Frontier Space Management Inc.	Minato-ku, Tokyo	50 million yen	Conference Room Rental Business	100.0	-
SF Engineering Inc.	Sumida-ku, Tokyo	20 million yen	Construction and interior finishing business	100.0	One person serving concurrently as a director
Sun Frontier Hotel Management Inc. (Note 1)	Chiyoda-ku, Tokyo	100 million yen	Hotel development and hotel planning and operation business	100.0	Two persons serving concurrently as officers
Sky Heart Hotel Inc.	Chiyoda-ku, Tokyo	10 million yen	Hotel planning and operation business	100.0	-
Sun Frontier Sado Inc.	Sado-shi, Niigata	100 million yen	Hotel planning and operation business and Regional Revitalization Business	100.0	One person serving concurrently as a director
Nihon Toshi Hotel Kaihatsu Co., Ltd.	Nishi-ku, Osaka-shi, Osaka	25 million yen	Hotel planning and operation business	100.0	One person serving concurrently as a director
Sun Frontier NY Co., Ltd.	United States	3,000 thousand U.S. dollars	Real Estate Revitalization Business in the United States	100.0	One person serving concurrently as a director
Oriental Resort Associates Inc.	Onna Village, Kunigami-gun, Okinawa	50 million yen	Hotel planning and operation business	100.0	One person serving concurrently as a director
Sun Frontier Asset Management Inc.	Chiyoda-ku, Tokyo	110 million yen	Real estate investment management business	100.0	One person serving concurrently as a director
Other 21 companies					

Note: 1. Net sales (excluding internal net sales between consolidated companies) of Sun Frontier Hotel Management Inc. accounted for more than 10% of the consolidated net sales. Major profit and loss information is as follows.

(1) Net sales	14,231 million yen
(2) Ordinary profit	2,411 million yen
(3) Net income	1,560 million yen
(4) Net assets	13,674 million yen
(5) Total assets	31,821 million yen

5. Employees

(1) Consolidated

As of March 31, 2025

Segment Name	Number of Employees
Real Estate Revitalization Business	71 (1)
Real Estate Service Business	386 (278)
Hotel and Tourism Business	300 (539)
Reportable segment Total	757 (818)
Other	92 (8)
Company-wide (common)	46 (9)
Total	895 (835)

- Notes:
1. The number of employees is the number of working employees.
 2. Figures in parentheses in the “Number of Employees” column are temporary employees.
 3. Temporary employees include part-time and contract employees but exclude agency workers.
 4. The number of employees listed as “Company-wide (common)” refers to those belonging to corporate divisions.

(2) The Company

As of March 31, 2025

Number of Employees	Average age (years old)	Average length of service (years)	Average annual salary (thousand yen)
361 (21)	36.0	7.0	7,459

Segment Name	Number of Employees
Real Estate Revitalization Business	71 (1)
Real Estate Service Business	224 (8)
Hotel and Tourism Business	0 (0)
Reportable segment Total	295 (9)
Other	20 (3)
Company-wide (common)	46 (9)
Total	361 (21)

- Notes:
1. The number of employees is the number of working employees.
 2. Average annual salary includes bonuses and non-standard wages.
 3. Figures in parentheses in the “Number of Employees” column are temporary employees.
 4. Temporary employees include part-time and contract employees but exclude agency workers.
 5. The number of employees listed as “Company-wide (common)” refers to those belonging to corporate divisions.

(3) Status of labor unions

Although no labor union has been formed, labor-management relations have progressed smoothly.

(4) KPIs for diversity

(Disclosure based on the Act on the Promotion of Women's Active Engagement in Professional Life and Child Care and Family Care Leave Act)

	Ratio of female employees in managerial positions (%) Note 1, 2	Percentage of male employees taking childcare leave (%) Note 3	Wage differentials between men and women (%)		
			All employees	Employees	Temporary employees Note 4
Sun Frontier Fudousan Co., Ltd.	7.6	21.4	79.3	78.2	110.7
Sun Frontier Hotel Management Inc.	14.6	50	96.4 Note 5	64.8	217.5

- Notes: 1. Calculated in accordance with the provisions of the “Act on the Promotion of Women's Active Engagement in Professional Life” (Act No. 64 of 2015).
2. The ratio of female employees in managerial positions is the ratio as of the end of March 2025 in comparison to all employees.
3. In accordance with the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991), the percentage of male employees taking childcare leave between April 1, 2024 and March 31, 2025 is calculated based on Article 71-6, Item 1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991) in comparison to all employees.
4. Temporary employees include part-time and contract employees but exclude agency workers, specified skilled workers, foreign skill interns, and short-term interns.
5. The ratio of part-time employees to all employees of Sun Frontier Hotel Management Inc. is 59.6%, of which 74.7% are female employees. As a result, there is a large difference in wages between men and women. However, the reason for the difference is that the working style has an upper income limit based on the employee's wishes.

For other indicators related to diversity, please refer to “Sustainability” ESG data Social [S]-related data

https://www.sunfrt.co.jp/sustainability/en/library/esg_social/ on the Company's website.

Item 2: Business Overview

1. Management Policy, Business Environment and Tasks Ahead, etc.

The forward-looking statements herein are based on the judgment of the Group as of the end of the current consolidated fiscal year.

(1) Management policies and strategies

(i) Basic policy of corporate management

The Group practices philosophy management and attaches importance to being a group that shares the value of altruism. “Not for profit, but for trust. Change yourself, solve problems from clients' point of view and exceed expectations.” Based on this principle, we are committed to solving social issues through our corporate activities while proactively changing and taking on new challenges in management. We also aim to achieve harmony with our shareholders and contribute to the realization of a sustainable and prosperous society.

Credo Altruism ~ We believe in helping others, as many as we can, throughout our lives. ~
Mission Our mission is to look after every employee and pursue the happiness of both mind and matter. At the same time, to co-create a sustainable society by contributing to the evolution and development of the human society.
Vision Our vision is to become the most appreciated visionary company that fully utilizes limited resources and continues the challenges to create new values.

(ii) Target management indicator

Aiming for stable growth over the medium to long term, the Group places importance on maintaining at least 20% Ordinary profit margin from the perspective of profitability and productivity, at least 45% Equity Ratio from the perspective of financial security, and at least 14% ROE, which indicates how effectively the Group managed Shareholders' equity.

(iii) Management environment

The Japanese economy has continued to recover moderately as the employment and income environments have improved and inbound demand has surged. On the monetary front, the Bank of Japan has decided to hold off on additional interest rate hikes due to uncertainties brought about by the U.S. tariff policy, and the rise in domestic interest rates showed signs of stabilizing. However, due to policy changes in the U.S., the slowdown in the Chinese economy, and geopolitical uncertainties, we need to closely monitor future economic growth.

(2) Priority business and financial issues to be addressed

Since its foundation, our Group has been practicing philosophy-based management centered on the spirit of “altruism.” We have defined our corporate philosophy as “reducing the waste of non-reproducible resources and contributing to the perpetual prosperity of the people, plants and animals,” and we have been developing business activities that contribute to the sustainability of society.

The spirit of “altruism” is the idea of valuing others as much as oneself. The core of our business philosophy is the desire to bring smiles to many people and contribute to the prosperity of humanity, flora, and fauna on Earth. Instead of focusing on profit and loss, we base our judgments on right and wrong, with a sense of “rightness” and “compassion,” sharing the value that “the joy of others is our own joy,” and we place great importance on being close to our customers.

To redefine this philosophy of our Group and to ensure our Group’s sustainable growth, we have established a Sustainability Vision. Furthermore, we have identified three important issues (materiality): “environmental protection,” “regional revitalization,” and “human resource development,” and we are promoting sustainability management integrated with the spirit of “altruism.” By continuing to implement concrete measures for realizing this vision and addressing important issues, we aim to contribute to the realization of a sustainable society through our business activities and enhance our corporate value over the medium to long term.

Sustainability Vision and important issues (materiality)

1. Sustainability Vision

We will contribute to the realization of a sustainable society through our business activities while respecting the heart of altruism, the Company policy.

2. Important issues (materiality)

We have identified three important issues (materiality) that should be addressed to achieve our Sustainability Vision. In these three items of “Environmental Protection,” “Regional Revitalization,” and “Human Resource Development,” we will implement specific measures. Furthermore, the specific measures will be reviewed as needed in response to future environmental and social trends, as well as changes in the business environment.

Important issues	Vision	Specific measures
Environmental protection	Increase environmental sustainability by significantly reducing waste and greenhouse gas emissions, as a frontier of Real Estate Revitalization Business.	■ Extending the life and health of real estate ■ Energy conservation and reduction of environmental impact by Real Estate Revitalization Business
Regional revitalization	Create sustainable growth of regional economies through offices, hotels, and tourism, as a frontier for sustainable regional revitalization.	■ Create buildings, offices, and spaces with “job satisfaction” and “creativity” that contribute to economic growth ■ Prevent and mitigate disaster through regional cooperation
Human resource development	Spread the concept of “altruism” that is indispensable for realizing a sustainable society, as a frontier of philosophy management.	■ Create workplaces with job satisfaction, creativity, and growth opportunities. ■ Respect and utilize diversity

(3) Medium-Term Management Strategy

In May 2024, we formulated our long-term vision (hereafter, “Long-term Vision 2035”), which outlines our vision for the next 10 years, and our medium-term management plan (hereafter, “Medium-term Management Plan 2028”), which covers the fiscal year ending March 2028.

<Overview of Long-Term Vision 2035>

Based on the values of the Company policy “altruism,” the Group's Company Philosophy is to “Look after every employee and pursue the happiness of both mind and matter. At the same time, co-create a sustainable society by contributing to the evolution and development of the human society.” Through the realization of this vision, we aim to achieve the following Long-Term Vision 2035 and its quantitative target we have formulated.

- Long-Term Vision 2035

Utilize limited resources to fill the world with smiles and excitement!

Becoming a corporate group that continues to challenge the creation of future value.

- Quantitative target

Aim for 300 billion yen in net sales and 60 billion yen in ordinary profit in fiscal 2035.

<Outline of the Medium-term Management Plan 2028>

The following is an overview of the next medium-term management plan for the three-year period (from the fiscal year ending March 31, 2026 to the fiscal year ending March 31, 2028) following the achievement of the current medium-term management plan based on the Long-Term Vision 2035, the ideal image in 10 years.

- Basic policy

Work to resolve social issues by promoting cooperation and diversification within our core business through product making and heartwarming services from clients' point of view.

- Quantitative target

		FY2028/3 (Target)
Profit plan	Net sales	135 billion yen
	Ordinary profit	27 billion yen
Management indicator	Ordinary profit margin	20%
	ROE	14% or more
	Equity ratio	45% level

2 Sustainability Policy and Initiatives

■ Sustainability Vision

We will contribute to the realization of a sustainable society through our business activities while respecting the heart of altruism, the Company policy.

■ Three important sustainability issues (materiality)

Important Issues	Vision
Environmental protection	Increase environmental sustainability by significantly reducing waste and greenhouse gas emissions, as a frontier of Real Estate Revitalization Business.
Regional revitalization	Create sustainable growth of regional economies through offices, hotels, and tourism, as a frontier for sustainable regional revitalization.
Human resource development	Spread the concept of “altruism” that is indispensable for realizing a sustainable society, as a frontier of philosophy management.

■ Specific measures and KPIs

Important issues	Social issues to be solved	Key measures	Specific measures	Indicators	Objectives (KPIs)	Fiscal 2024 (FY2025/3) results
1 Environmental protection	The demolition of small and medium-sized buildings that can still be used if their value is increased = Waste of resources	Extending the life and health of real estate	Extension of economic lives of buildings through real estate revitalization constructions	Extension rate of economic lives	Extend average useful lives by 30% or more	50.5%
			Maintain the “health” of buildings by improving the occupancy rate of old buildings through comprehensive real estate support	Occupancy rate for buildings over 30 years old	90% or more	92.8%
				Rate of continued building management after property sales	90% or more	98.0%
		Energy conservation and reduction of environmental impact by Real Estate Revitalization Business	Reduction of CO2 emissions through promotion of real estate revitalization	CO2 emissions compared with building reconstruction	Reduce by 12% or more on average	12.8%
			Offset real estate revitalization constructions’ CO2 emissions with credits	Carbon offset	100%	100.0%
2 Regional revitalization	Revitalization of regional economies	Create buildings, offices, and spaces with job satisfaction and creativity that contribute to economic growth	Promotion of real estate revitalization with consideration for well-being	Supply rate of new replanning properties that exceed company standards	Fiscal 2023: 30% Fiscal 2025: 50% Fiscal 2030: 70%	76.0%
				Tenant satisfaction survey	Conduct annually	Completed
	Responding to increasingly severe natural disasters	Disaster prevention and mitigation by regional coordination	Providing setup offices with emergency supplies and installation space	Number of office lots with emergency supplies and installation space	Fiscal 2024: 20 lots Fiscal 2027: 50 lots Fiscal 2030: 75 lots	33 lots

Important issues	Social issues to be solved	Key measures	Specific measures	Indicators	Objectives (KPIs)	Fiscal 2024 (FY2025/3) results
			Providing information that contributes to the improvement of tenants' disaster prevention awareness	Disaster prevention information posting on dedicated website (Company-owned properties)	Publication rate of 100%	100%
3 Human resource development	Decrease in the working-age population due to the declining birthrate and aging population (decrease in actual labor force) and elimination of the gender gap	Respect and utilize diversity	Creating a work environment suited to each employee's life stage and provide flexible training opportunities	Ratio of women in managerial positions (Sun Frontier Fudousan Co., Ltd.)	Fiscal 2035: 15% or more	9.2% (April 1, 2025)
		Create a workplace with job satisfaction, creativity, and growth opportunities	Establishment of next-generation leader development program, support system for external trainings, etc.	Ratio of training hours to designated working hours (Sun Frontier Fudousan Co., Ltd.)	12% or more	12.0%
			Utilization of DX, improvement of business processes and improvement of individual abilities	Ordinary profit per hour (per Sun Frontier Fudousan Co., Ltd. regular employee)	Year-on year increase	17,949 yen (Increased by 35.6% YoY)

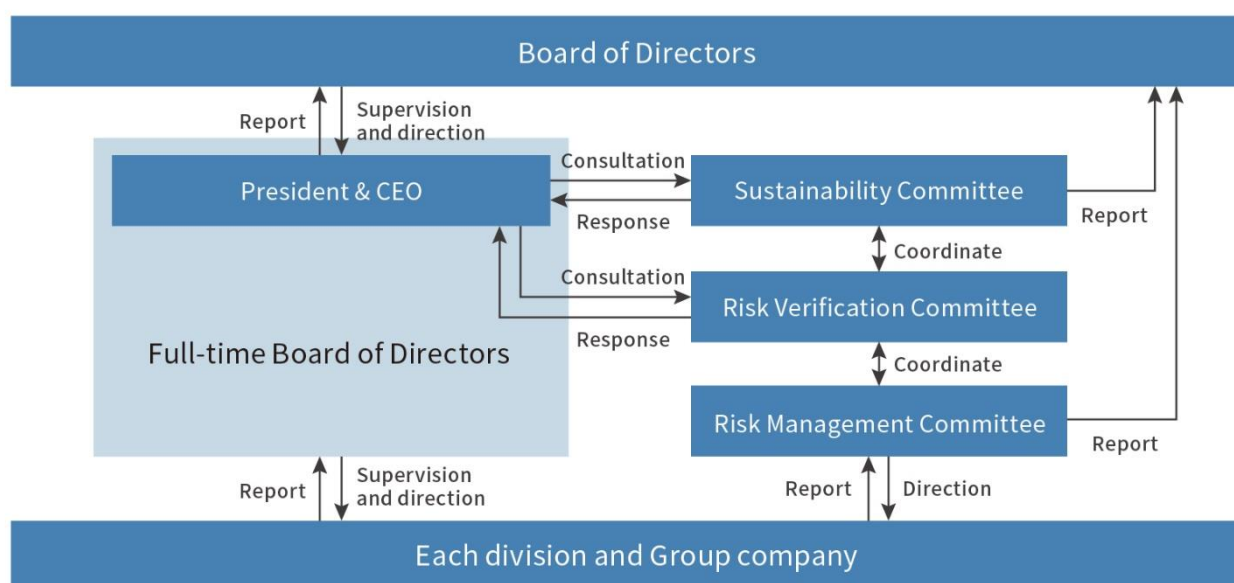
■ Information Disclosure Based on the TCFD Recommendations

i. Governance

The Company recognizes addressing climate change and environmental issues as a critical management priority. In coordination with the Risk Verification Committee, the Sustainability Committee compiles information on risk opportunities associated with climate change, examines response measures, and submits periodic reports to the Board of Directors. The Board of Directors oversees the progress of initiatives related to climate change issues discussed and reported by executive departments and formally places these issues on the agenda at least once a year.

The President and CEO assumes ultimate responsibility for the assessment and management of risks, including that related to climate change, and receives reports on climate-related initiatives from the advisory bodies—the Sustainability Committee and the Risk Verification Committee.

Sustainability Promotion System



Meetings and Roles in the System of Sustainability Promotion

Organizations and committees	Roles
Board of Directors	Receive reports from the Sustainability Committee on climate-related risk management and oversees progress of measures.
President & CEO	Receive reports on overall sustainability activities, including climate-related initiatives, from the advisory bodies—Sustainability Committee. Assumes ultimate responsibility for the assessment and management of risks.
Risk Verification Committee	As an advisory body to the President and CEO, it deliberates on comprehensive risk evaluation, including those related to climate change. It reviews risks reported by the Risk Management Committee and provides instructions to business divisions through the same committee.
Risk Management Committee	Deliberate on the comprehensive management of operational risks, including those related to climate change, and discusses appropriate response measures. The committee is convened monthly.
Sustainability Committee	As an advisory body to the President and CEO, it promotes sustainability activities, including climate change measures. In connection with the Risk Verification Committee and Risk Management Committee, compiling risk opportunities related to climate change from each department and group company, consider countermeasures, and regular reports to the Board of Directors. The committee is convened quarterly.
Organizations and committees	Roles
Board of Directors	Receive reports from the Sustainability Committee on climate-related risk management and oversees progress of measures.
President & CEO	Receive reports on overall sustainability activities, including climate-related initiatives, from the advisory bodies—Sustainability Committee. Assumes ultimate responsibility for the assessment and management of risks.
Risk Verification Committee	As an advisory body to the President and CEO, it deliberates on comprehensive risk evaluation, including those related to climate change. It reviews risks reported by the Risk Management Committee and provides instructions to business divisions through the same committee.
Risk Management Committee	Deliberate on the comprehensive management of operational risks, including those related to climate change, and discusses appropriate response measures. The committee is convened monthly.
Sustainability Committee	As an advisory body to the President and CEO, it promotes sustainability activities, including climate change measures. In connection with the Risk Verification Committee and Risk Management Committee, compiling risk opportunities related to climate change from each department and group company, consider countermeasures, and regular reports to the Board of Directors. The committee is convened quarterly.

ii. Strategy

Based on the TCFD recommendations, we analyzed scenarios of risk opportunities related to climate change. Through the scenario analysis, we defined 1.5°C and 4°C scenarios based on scientific evidence from IEA (International Energy Agency) and assessed the importance of risk opportunities related to climate that might affect operations as of 2030.

Definition of Scenarios

Scenario configuration	1.5°C scenario	4°C scenario
World view	The Japanese government will promote severe measures against climate change, including the introduction of a carbon tax, which will lead to drastic social changes, and regulations on plastic and climate change related information disclosure will be required. Damage from natural disasters such as flooding is limited	There will be no climate action by the government beyond current measures and no climate change action is required. Extreme weather events such as droughts and floods due to rising temperatures will become apparent, sites will be damaged, and response costs and recovery costs at the time of the disaster are expected.
Reference scenario	IEA The Net-Zero Emissions by 2050 Scenario (NZE) / IEA World Energy Outlook 2021/ IEA World Energy Outlook 2018/ IPCC AR6 SSP1-1.9	IEA World Energy Outlook 2021/ IEA World Energy Outlook 2018/ IPCC AR6 SSP5-8.5
Characteristics	Transition risks related to policies, etc. are likely to become apparent.	Physical risks associated with abnormal weather, etc. are likely to become apparent.

Identification and assessment of risks and opportunities

We assessed the impact of climate-related transition and physical risks across all of our group's businesses, including Real Estate Revitalization, Real Estate Services, Hotel and Tourism, and Other Businesses (Overseas Development and Construction). For transition risks, we considered a wide range of factors including policy and regulatory changes, as well as market shifts. For physical risks, we examined both acute and chronic risks. We will take action on those risk opportunities that are assessed to have a particularly significant impact on our business.

Scope: Real Estate Revitalization Business, Real Estate Service Business, Hotel and Tourism Business, Other Business (Overseas Development Business and Construction Business)

Impact : High: Very significant impact (> 19% of net sales)
: Medium: Significant (10-19% of net sales)
: Small: Limited impact (<10% of net sales)

Term of risk occurrence: Short term : Within one year
Medium term : Within 1 to 5 years
Medium to long term : Within 5 to 10 years
Long term : Over 10 years

List of risks and opportunities

The list includes the risk opportunities recognized by the Company whose impact on the business is “medium” or above.

above:

Main category	Sub-category	Details of risk opportunities	Impact on business and financial results		Details of risk opportunities
			1.5°C	4°C	
Company-wide					
Transition risk	Reputation	Stakeholder Concerns about Passive ESG Responses	Medium	—	Medium to long term
Real Estate Revitalization Business					
Transition risk	Policy regulation	Additional capital investment costs due to increased energy efficiency standards to be met in repairs	Medium	—	Short term
Physical risk	Chronic	Increase in cost of air conditioning equipment and increase in energy cost at owned properties	Small	Medium	Medium term
Opportunity	Products and Services	Increase in selling prices to property owners and building owners by improving the environmental performance of properties in replanning	Medium	Medium	Short term
Hotel and Tourism Business					
Transition risk	Policy regulation	There is a growing trend toward constructing buildings with high environmental performance, leading to shortages of environmentally friendly materials and rising labor costs due to the concentration of construction projects	Medium	—	Medium term
Opportunity	Products and Services	Contribute to the local community by conserving and coexisting with nature in the area where the hotel is located, thereby improving the image of the hotel and increasing the number of guests	Medium	Medium	Medium term

Financial impact

The list includes the results of calculating the financial impact of the risk opportunities recognized by the Company.

Risk / Opportunity	Business impact	Calculation method *Base year is Fiscal 2022. *The impact in 2030 is calculated by reflecting the CAGR (Compound Annual Growth Rate)	Financial impact 2030 (billion yen)		Degree of influence
			1.5°C	4°C	
Carbon tax	Increased tax burden due to large increase in carbon tax	【Company-wide】 Company's CO2 emissions × carbon price per unit of emissions	3.23	—	Small
Carbon tax	Large increase in carbon tax leading to higher costs for raw materials with large unit emissions	【Real Estate Revitalization】 Input cost of raw materials* × emission intensity of raw materials × carbon price per emission *For cement and ready-mixed concrete with high emission intensity, the amount of input is calculated from the total floor area of properties sold in the base year using an LCA tool	1.93	—	Small
Sales losses due to natural disasters	Sales loss due to interruption of business activities because of damage to a business site caused by a natural disaster.	【Real Estate Revitalization】 (*Not calculated as the impact on rent income is difficult to calculate)	—	—	—
		【Hotel Management】 Daily sales loss × maximum days of downtime* × damage ratio* *Determined by investigating the flood depth level at the time of the occurrence of a storm surge at the hotel	1.97 Probability of occurrence: 1.4 %	1.97 Probability of occurrence: 2.8 %	Small
Flood damage due to sea level rise	Occurrence of flood damage to owned real estate due to high tides and heavy rains caused by rising sea levels	【Real Estate Revitalization】 (*Not calculated because the properties owned are located in Tokyo and the impact of storm surge is minimal.)	—	—	—
		【Hotel Management】 Repair cost by flood depth level due to sea level rise × amount of real estate owned* *Determined by investigating the flood depth level at the time of the occurrence of a storm surge at the hotel (owned property)	0.62 Probability of occurrence: 1.4 %	0.62 Probability of occurrence: 2.8 %	Small
Improvement of selling prices of properties	Improving the selling price to the wealthy and building owners by improving the environmental performance of the property	【Real Estate Revitalization】 Total floor area of BELS certified properties (*1) × difference in rent between BELS certified and ordinary properties (*2) (*1) Total floor area of BELS certified properties in the base year (*2) Difference in unit price per tsubo between the BELS certified property in the base year and the Company's RP property in the vicinity as of March 31, 2024	0.81	0.81	Small
Employee Health	Increase in cost due to heat allowance from rising temperatures	【Property Management / Building Maintenance】 Heat allowance × Number of extremely hot days	0.002	0.003	Small

Business Continuity	Profit loss due to operational shutdown	【Property Management / Building Maintenance】 Daily profit loss × Maximum number of shutdown days × Damage ratio	0.0003	0.001	Small
Increased Demand Opportunity	Revenue increase from expanded maintenance demand	【Property Management / Building Maintenance】 Maintenance service revenue × (1 + Probability of flood occurrence)	6.47	6.56	Small
Business Continuity	Profit loss due to operational shutdown	【Rent Conference Room】 Daily profit loss × Maximum number of shutdown days × Damage ratio	0.0002	0.0004	Small
Employee Health	Increase in cost due to heat allowance from rising temperatures	【Construction】 Heat allowance × Number of extremely hot days	0.0004	0.001	Small
Additional Labor Cost	Additional personnel cost due to reduced work efficiency from rising temperatures	【Construction】 Additional number of workers due to reduced efficiency × Labor cost per person	0.01	0.002	Small
Carbon Tax	Cost increase due to carbon pricing	【Overseas Development】 Scope 1 & 2 emissions × Carbon price	0.0001	—	Small

iii. Risk management

To establish a sustainability framework, the Company has set company-wide risk management regulations and established the Sustainability Committee to address overall sustainability issues, including those related to climate change. With regard to climate-related risks, the Risk Verification Committee evaluates risks reported by the Risk Management Committee. The Sustainability Committee then deliberates on appropriate countermeasures. Following this, each business department and group company implements risk responses accordingly. In addition, the Board of Directors receives reports from the Risk Management Committee on the status and response measures concerning comprehensive risk management, including climate-related risks.



iv. Metrics and Targets

The Company calculates greenhouse gas emissions as an indicator for evaluating climate-related risk opportunities. In Fiscal years 2022, we calculated "fuel use (CO₂)" for Scope 1, "electricity supplied by others (CO₂)" for Scope 2, and "other indirect emissions (CO₂)" for Scope 3. We will continue to monitor our greenhouse gas emissions, expand the scope, and aim for reductions, while building systems and setting targets.

Greenhouse Gas Emissions

(Consolidated)

Unit : t-CO₂e

	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024
Scope1 *1	4,088.5	3,237.9	3,391.9	3,645.7
Scope2 *2	6,692.5	7,633.7	7,281.2	7,693.1
Scope3 *3	194,929.0	152,744.0	148,333.7	336,043.2

(Non-consolidated)

Unit : t-CO₂

	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024
Scope1 *1	0.0	0.0	0.0	0.0
Scope2 *2	196.3	195.1	88.0	121.0
Scope3 *3	194,929.0	152,744.0	148,333.7	274,961.7

*1 Emissions from gas and gasoline use *2 Emissions from electricity use *3 Other indirect emissions

Calculation period : Fiscal 2021 (April 2021 to March 2022), Fiscal 2022 (April 2022 to March 2023), Fiscal 2023 (April 2023 to March 2024) and Fiscal 2024 (April 2024 to March 2025)

To be disclosed : domestic and international consolidated subsidiaries

Calculation method : market-based

*Calculation methods are based on location (calculated using the average emission intensity for Japan as a whole) and market (calculated using the emission intensity of each electric power company). We adopted the latter market-based method.

*Scope 2 Emission Factors Used: Emission factors by electric utility provider based on actual results for Fiscal 2020, Fiscal 2021, Fiscal 2022, and Fiscal 2023.

*From Fiscal 2024 onward, the Scope 3 boundary has been expanded to cover the entire consolidated group. (Fiscal 2021 to Fiscal 2023 calculations covered only our replanning business.)

For the calculation of Category 1, the recycled content method (cut-off approach) has been adopted.

Greenhouse gas emissions reduction target (compared to fiscal 2022)

	2030	2050	Fiscal 2024 Results
Total of Scope 1 and Scope 2	22% reduction (annual reduction of 2.7%)	Carbon neutral	11.7% increase

Please refer to "Sustainability" <https://www.sunfrt.co.jp/en/sustainability/> on the Company's website for the status of the Group's sustainability management initiatives and information on ESG-related data.

■Initiatives to human capital management

The Sun Frontier Group has promoted the permeation of the Sun Frontier Philosophy and Amoeba Management, in which each and every employee participates in management, toward the Company Philosophy of "Look after every employee and pursue the happiness of both mind and matter. At the same time, co-create a sustainable society by

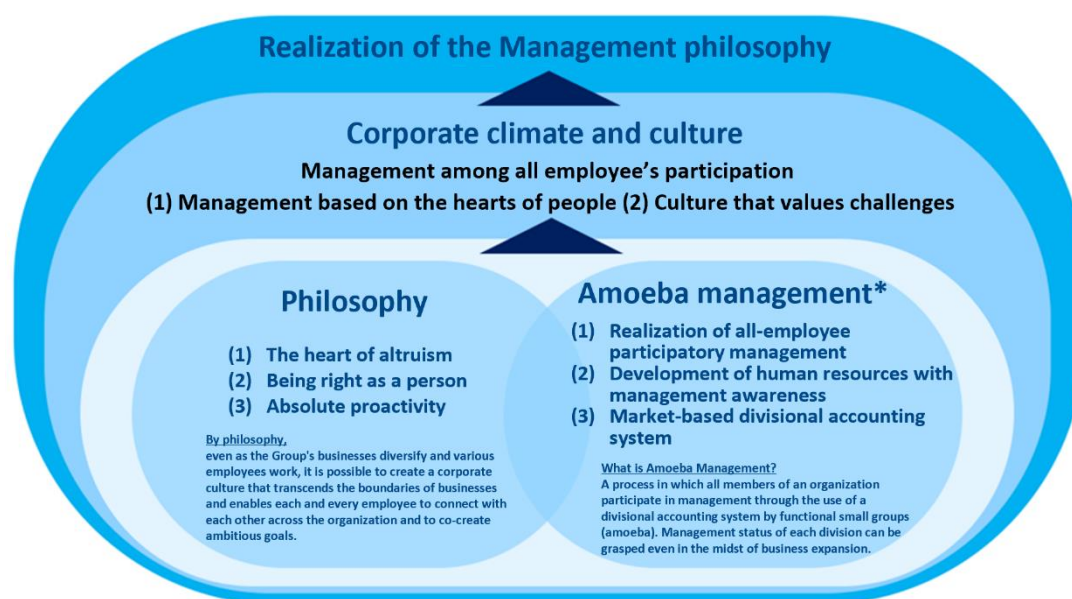
contributing to the evolution and development of the human society.” While fostering a sense of unity throughout the Sun Frontier Group, each and every one of our employees works voluntarily and independently, and we create a corporate culture and work environment where each and every one of us can make the most of his or her abilities. In this way, we value the motivation and job satisfaction of each and every one of our employees. In line with our core principle of “Not for profit, but for trust,” we are developing businesses based on a relationship of trust with clients rather than chasing profit.

At the Sun Frontier Group, the core of all employees' decisions and actions is a philosophy based on “rightness as a person.” The “Philosophy” states that “the results of life and work = way of thinking × enthusiasm × ability.” The Sun Frontier Group places importance not only on abilities and enthusiasm, but also on the judgment axis of “rightness as a person.” We encourage the growth of each and every person in order to contribute to the advancement and development of the city and society. Even as the Group's businesses diversify and a variety of employees work, this common approach transcends the boundaries of businesses and creates a culture in which each and every employee is connected across the organization and co-creates high goals. Also, by promoting Amoeba Management, we are contributing to the expansion of our organization and business by developing human resources with a managerial mindset and producing new leaders.

The Sun Frontier Group aims to realize a workplace environment that provides “job satisfaction,” “creativity,” and “growth opportunities,” where each and every employee can make the most of his or her capabilities by providing educational opportunities to enhance the abilities, skills, and expertise of each employee, as well as to polish the “way of thinking” based on the Group's philosophy.

◆ Approach to human capital

Creating a good corporate culture and realizing Company Philosophy through Philosophy and Amoeba Management.



*“Amoeba Management” is a registered trademark of Kyocera Corporation

◆ Ideal human resources

“Sun” in the company name “Sun Frontier” is a symbol of the power to continue to shine in the highest and largest way, and a symbol of the love that falls on everyone. “Frontier” refers to our attitude of developing businesses with a venture spirit, always being forward-looking, believing in unlimited potential, and continuing to challenge the creation of new value.

Employees who gather in Sun Frontier are expected to have both the “heart of altruism” and “frontier spirit.”

◆Human resource development policies

Together with our colleagues who share our values of altruism, we will cultivate human resources who can develop new fields with a frontier spirit toward the realization of a sustainable society.

We aim to create a society that can be inherited by future generations. We foster human resources who have the kindness to care for the people around them and the strength to do the right thing, and who boldly take on challenges in areas where they have no experience.

Please refer to our website for initiatives related to human resource development in the Group.

https://www.sunfrt.co.jp/en/company/bring_comp/

■Internal environment development policy

Creating a workplace environment with job satisfaction, creativity, and growth opportunities. We aim to create a “co-creation” organization in which all employees set their own goals, work actively toward those goals, and continue to create new value based on mutual trust.

<Job satisfaction>

A climate that encourages challenge and growth and rewards peers who have taken on challenges.

We respect the voluntary initiatives of our employees to contribute to people and society. We place importance on a culture of trust and respect for each other's challenges. We believe that we can achieve even higher goals as a company by providing an environment that matches the life stages of each employee.

<Creativity>

A corporate culture that envisions the future and aims to create new values.

New ideas are born by constantly improving the current situation and refining sensitivity while envisioning the future. We believe that the existence of an environment in which people respect each other will lead to the creation of new values by leveraging diverse ideas.

<Growth opportunities>

A culture that stimulates the desire to learn and works toward high goals.

We respect our employees' desire to learn and grow and provide opportunities for them to do so.

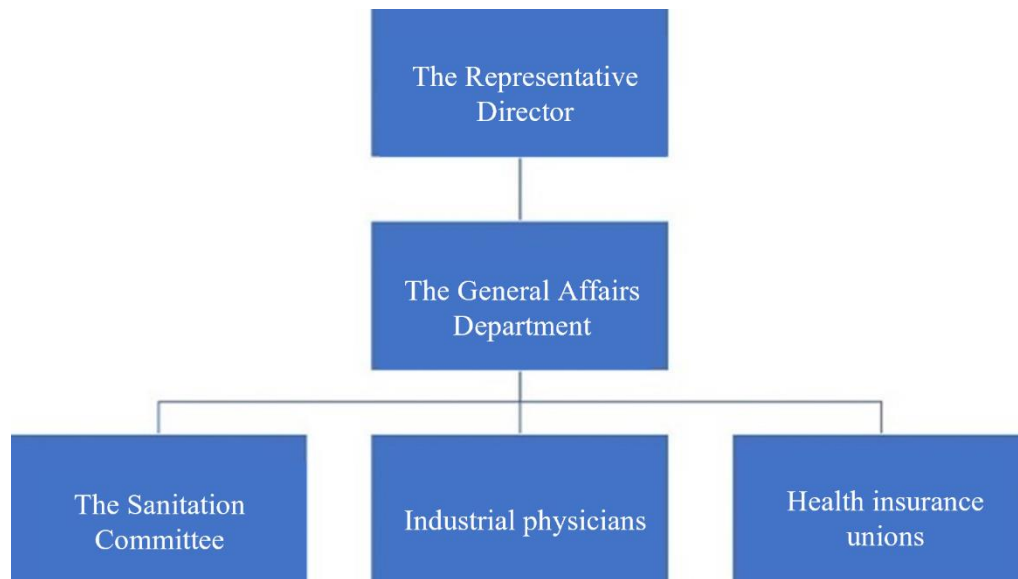
We believe that the foundation of a company that continues to grow is a company that boldly predicts future changes and continuously strives to achieve its goals.

■Health management initiatives

<Health declaration>

Sun Frontier Fudousan will protect all employees, aim for material and spiritual happiness, and maintain and improve the health of employees.

<Health management promotion system>

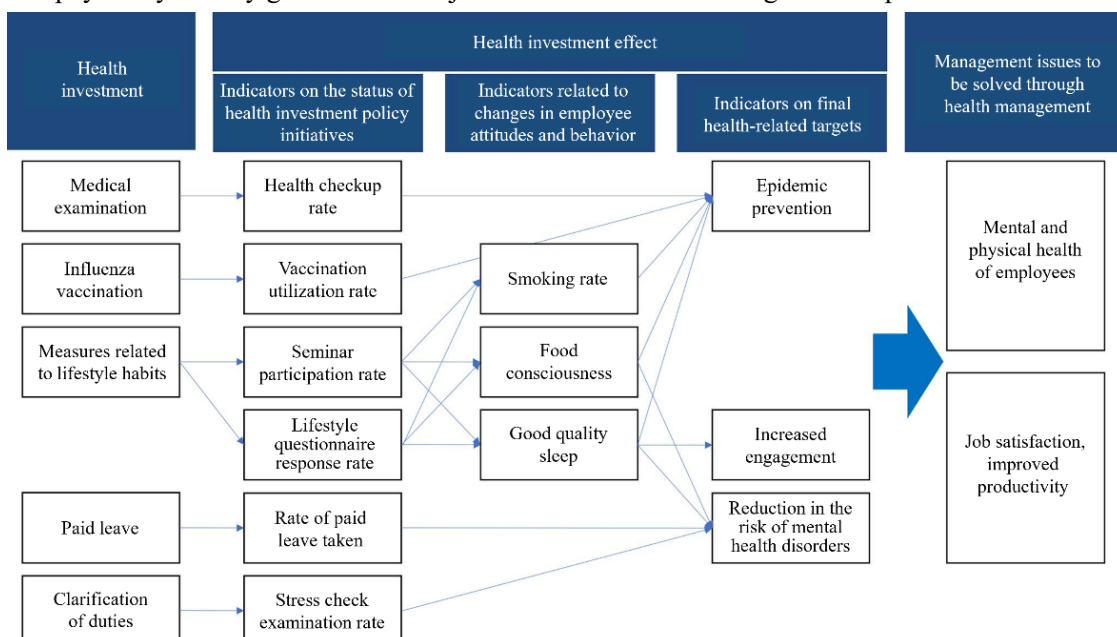


The chief executive officer for the promotion of health management is the President Representative Director, and the General Affairs Department plays a central role in cooperation with the sanitation committee, industrial physicians, and health insurance unions. The sanitation committee, chaired by General Manager of the General Affairs Department, is held once a month by personnel in charge of labor affairs, employees with experience in sanitation, and industrial physicians. The committee discusses ways to maintain and improve the health of employees and discusses issues related to the creation of a comfortable working environment. In addition, the General Affairs Department and the health insurance unions will work together to regularly exchange information and discuss measures.

<Management issues to be solved through health management>

- Maintaining and promoting the mental and physical health of employees
- Help employees feel more of job satisfaction and be more productive by maintaining their physical and mental health

To maintain and improve the mental and physical health of employees, we are working on epidemic prevention, increased engagement, and reduction of risk of mental health problems. In addition, we believe that being mentally and physically healthy gives a sense of job satisfaction and encourages one to pursue further career advancement.



<Initiatives and targets for improving health issues>

	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025 (Targets)
Participation rate in regular health checkups	98.9%	99.1%	99.7%	98.0%	100.0%
Rate of paid leave taken	66.5%	64.2%	68.4%	66.8%	-
Number of paid leave taken	10.2 days	10.3 days	11.6 days	10.7 days	-
Participation rate in stress check	100.0%	100.0%	100.0%	100.0%	100.0%
High stress rate	11.5%	9.3%	9.6%	9.3%	Less than 10%
Turnover rate (regular employees only) *1	12.8%	7.3%	9.1%	7.4%	-
Average years of service	6.34 years	6.71 years	6.80 years	6.94 years	-
Smoking rate*2	-	19.4%	-		-
Exercise habituation rate *2 *3	-	25.4%	-		-
Rate of taking rest by sleeping*2	-	56.0%	-		-
Appropriate weight ratio (BMI 18.5 to 25) *2	-	71.6%	-		-
Number of work-related accidents	1	5	0	3	-

*1 Turnover rate: Number of regular employees who left during the fiscal year / Number of regular employees at the beginning of the fiscal year

*2 Age 40 or older

*3 Exercise at least twice a week for at least 30 minutes at a time

For information on the Group's health management initiatives, please refer to the Company's website

https://www.sunfrt.co.jp/en/company/health_management_declaration/

3. Risk Factors

Among the matters related to the business overview and financial information described in the Annual Securities Report, the following are matters that may have a significant impact on investors' decisions.

The forward-looking statements in this document are those determined by the Group as of the end of the consolidated fiscal year under review.

1. Business environment surrounding the Group and characteristics of the Group's business

(1) Business environment

The Group is working on “real estate revitalization and utilization” mainly in central Tokyo and developing one stop real-estate services that include brokerage, management, guarantee, construction, leasing, and trading, centered on office buildings and commercial buildings in central Tokyo, which is influential in enhancing market competitiveness as a company. However, the Group's operating results and financial position may be affected by a downturn in the real estate market, such as a rise in vacancy rate or a decline in rent, due to worsening economic conditions.

(2) Status of competition

The Group's businesses are comprised of Replanning Business, Rental Building Business, brokerage and leasing, Property Management Business, Building Maintenance Business, Rent Guarantee Business, Conference Room Rental Business, Hotel Development Business, Hotel Operation Business, Overseas Development Business, and Construction Business. These businesses are characterized by the organic combination of these businesses to provide consistent services related to commercial real estate. In addition, the Company aims to maintain and strengthen its competitiveness and differentiate itself from competitors by conducting business operations in a coordinated manner, such as by linking the functions of each business

unit with comprehensive strengths and purchasing potentially superior properties from a broad network of customers. However, if this advantage is not maintained, the Group's operating results and financial position may be affected.

(3) Characteristics of Replanning Business

- (i) Replanning Business is a revitalization business that mainly targets commercial real estate. It is a business that improves profits by regenerating commercial real estate that is inactive or has high vacancy rate and low profits. The buyer is an individual or corporation that invests mainly in real estate for rent income. In the event of turmoil in the financial markets due to worsening economic conditions or a credit crunch, etc., the distribution market for real estate may be sluggish, and the inventories value of properties handled in Replanning Business may decline. In addition, sales activities may not progress as planned, which may have an impact on the Group's operating results and financial position.
- (ii) Replanning Business procures funds mainly by borrowing from financial institutions and purchases properties, so the interest-bearing debt balance changes depending on the status of property purchases and sales. In raising funds, the Company does not rely on borrowings from specific financial institutions and strives to raise funds on stable and appropriate terms while always balancing with multiple financial institutions. However, if turmoil in the financial markets arises due to a credit crunch or other factors, the Group's operating results and financial position may be adversely affected due to a failure to procure the necessary funds for business development.
- (iii) Replanning Business will purchase the property and sell it after the completion of replanning. Cost of sales and net sales of the business will be recorded when the property is sold. In addition, the amount per transaction is high compared to revenues from other Real Estate Service Business, etc. Consequently, the Group's operating results and financial position may be affected by factors such as the timing of the sales and changes in amount.

(4) Hotel development

The Group is responsible for everything from planning, development, revitalization and management of hotels. Some of the properties owned by the Group may be sold to investors after stable operations. However, the basic business model is to continue leasing and operating the property even after it is sold. Unlike the Replanning Business, in the Hotel Development Business, there are cases in which the Company starts development from scratch by purchasing land on its own. In such cases, the Group's operating results and financial position may be affected by the fact that it takes a considerable period of time to complete the project, which may result in a longer period of time during which it is unable to record revenue, such as hotel room revenue, or by the fact that the Group's business period may be relatively longer making it more susceptible to economic fluctuations.

(5) Hotel operations

Hotel Operation Business generally tends to be affected by economic trends and consumer spending. Accordingly, the Group's operating results and financial position may be affected by a decline in demand for business trips by companies and a decline in demand for leisure activities by individuals due to the sluggish economy, oversupply of rooms due to the opening of new hotels, or a decline in room rates and occupancy rate due to the spread of infectious diseases. In addition, fluctuations in foreign currency exchange rates, territorial disputes with neighboring countries, growing anti-Japanese sentiment, and other changes in the situation may lead to a decrease in the number of foreign tourists, a reduction in travel forecast, or a decline in consumer confidence. These changes may have an impact on the Group's operating results and financial

position.

(6) Country risk

The Group's strategy is to expand its Overseas Business. However, the Group may be exposed to risks such as exchange rate trends, differences in religions, cultures and business practices, uncertainty in economic conditions, political instability such as conflicts, civil commotions, terrorism and riots, and problems in local labor-management relations. There are also risks associated with political, economic, legal or other obstacles, such as investment regulations, restrictions on remittances and tax system reforms including tax rate changes. The expansion of Overseas Business operations may require a long period of time before the realization of investment profits and may affect the Group's operating results and financial position.

(7) Disasters, etc.

In the event of a natural disaster such as an earthquake, storm or flood, or a man-made disaster such as a war, terrorism or fire, the value of real estate held, managed or invested by the Group may be significantly impaired, which may have an impact on the Group's operating results and financial position.

(8) Risks of lawsuits

There is a possibility that a lawsuit or other claim may be filed by a business partner or client in connection with a property for which the Group conducts trading, leasing, trading or leasing brokerage or management. The contents and results of these lawsuits may affect the Group's operating results and financial position.

(9) Risks related to climate change and the environment

As a corporate citizen, we are aware of the inevitableness and importance of addressing global environmental issues. Any delay in the use of products with a low environmental impact or in the initiatives toward a carbon-neutral society could lead to a decline in the social reputation of the Group, which in turn could affect its performance.

(10) Risks related to the supply chain

The Group relies on external suppliers for materials and fixtures. In the event of a supply shortage, delivery delay or price hike in materials and fixtures that are used in the Group's products in a cross-sectional manner, the Group's business period may be extended, or business costs may rise, adversely affecting the Group's operating results.

(11) Risks related to the market interest rates

Our group secures short-term and long-term interest-bearing debts from financial institutions and other sources to operate and expand our business. When new financing is necessary, the cost of capital may increase during periods of rising market interest rates. Furthermore, an increase in market interest rates may lead to a decline in the purchasing intent of real estate buyers and an increase in the expected return on real estate demanded by investors. This could result in a decrease in our group's real estate sales revenue and a decline in the value of our owned assets. Consequently, our group's business, financial condition, and operating results may be adversely affected.

(12) Risks related to foreign exchange fluctuations

Our group operates businesses overseas, and fluctuations in foreign exchange rates can affect the costs of financing overseas operations, the amount of profit or loss from overseas operations included in our consolidated financial statements, and the amounts recorded for assets and liabilities. Significant fluctuations in exchange rates can also influence import prices, impacting construction and energy costs, and may become

a factor in cost variations in our group's individual businesses. Additionally, changes in exchange rates can affect the performance of tenant companies, potentially impacting our group's rental income. These factors may influence our group's business, financial condition, and operating results.

2. Asset valuation

(1) Risks related to the evaluation of real estate for sale (including real estate for sale in process)

The Group holds a large amount of inventories in real estate for sale and real estate for sale in process (office buildings, hotel assets, etc.). The valuation of these inventories is based on the net selling price. The net selling price is the estimated amount of sales less the estimated amount of future construction costs and the estimated amount of sales expenses, etc., and the estimated amount of sales is mainly the return on profits estimated based on the business plan formulated by the Group. In addition, these inventories are exposed to risks such as lengthening of the ownership period due to delays in commercialization, tenant leasing status, profitability due to the management status such as hotel occupancy rates, fluctuations in the investment yield of real estate, and rising market interest rates. As a result, there is a possibility that the net selling price will decline and a valuation loss will be recognized. As a result, the Group's operating results and financial position may be affected.

(2) Risks related to the non-current assets impairment loss related to Hotel Business

The Group owns non-current assets (buildings, facilities attached to buildings, land, software, etc.) in the Hotel Development Business and Hotel Operation Business of the Hotel and Tourism Business segment. These non-current assets are exposed to risks such as changes in the real estate market in the future and a decline in the occupancy rate of hotel rooms. In the future, as the above-mentioned risks increase, and if the total estimated undiscounted future cash flows over the remaining economic useful lives of the hotel's major assets, which are calculated based on the hotel's business plan, decreases, there is a possibility that a non-current assets impairment loss will occur. As a result, the Group's operating results and financial position may be affected.

3. Legal regulations

The Group's business is subject to legal restrictions under the Real Estate Brokerage Act, the Construction Business Act, the Act on Real Estate Appraisal, the Real Estate Investment Advisory Business Registration Regulation, the Financial Instruments and Exchange Act, the Act on Architects and Building Engineers, the Security Services Act, the Act on Advancement of Proper Condominium Management, the Rental Residential Management Business Registration Regulation, and the Act on Maintenance of Sanitation in Buildings, and related approvals have been obtained.

The expiration dates of licenses, permissions, etc. pertaining to the Group's major operations are as follows. Currently, there are no grounds for cancellation of such licenses, permissions, etc., but if such grounds arise in the future, the Group's business activities may be significantly affected.

The business of the Group may also be affected in the future if these laws and regulations are revised or abolished or if new laws and regulations are established.

(1) The validity period and other expiration dates are stipulated by laws, regulation, contracts, etc. as follows.

License, permission, registration, etc.	Company name	Validity period, registration date	Type	Relevant laws	Issuer of registration, etc.
Residential land buildings business operator license	Sun Frontier Fudousan Co., Ltd	December 29, 2024 - December 28, 2029	-	Real Estate Brokerage Act	Minister of Land Infrastructure, Transport and Tourism
	Sun Frontier Hotel Management Inc.	January 8, 2022 - January 7, 2027			Governor of Tokyo
	SF Building Maintenance Inc.	February 25, 2022 - February 24, 2027			Governor of Tokyo
	Sun Frontier Okinawa Co., Ltd.	January 9, 2024 - January 8, 2029			Governor of Okinawa Prefecture
Specific construction business license	Sun Frontier Fudousan Co., Ltd	July 20, 2022 - July 19, 2027	Building construction, roof construction, steel structure construction, carpenter construction, tile, brick and block construction, interior finishing work	Construction Business Act	Governor of Tokyo
General construction license	SF Engineering Inc.	January 17, 2023 - January 16, 2028	Building construction, interior finishing work		Governor of Tokyo
	SF Building Maintenance Inc.	December 25, 2023 - December 24, 2028	Waterproofing work, interior finishing work, building construction, carpenter construction, plastering work, stonework, roof construction, tile, brick and block construction, sheet metal work, glass work, painting work, heat insulation work, fittings work, firefighting facilities work		Governor of Tokyo

License, permission, registration, etc.	Company name	Validity period, registration date	Type	Relevant laws	Issuer of registration, etc.
	SF Communication Inc.	March 10, 2022 - March 9, 2027	Electrical work, telecommunications work		
Real estate appraiser registration	Sun Frontier Fudousan Co., Ltd.	February 7, 2023 - February 6, 2028	-	Act on Real Estate Appraisal	Governor of Tokyo
General real estate investment advisory business registration	Sun Frontier Fudousan Co., Ltd.	November 3, 2024 - November 2, 2029	-	Real Estate Investment Advisory Business Registration Regulation	Minister of Land, Infrastructure, Transport and Tourism
Type II Financial instruments business operator registration	Sun Frontier Fudousan Co., Ltd.	Registered on September 30, 2007	-	Financial Instruments and Exchange Act	Director-General of Kanto
Specified joint real estate ventures permit	Sun Frontier Fudousan Co., Ltd.	Approved on October 29, 2018	-	Act on Specified Joint Real Estate Ventures	Minister of Land, Infrastructure, Transport and Tourism, Commissioner of the Financial Services Agency
First class architect office registration	Sun Frontier Fudousan Co., Ltd.	February 1, 2025 - January 31, 2030	-	Act on Architects and Building Engineers	Governor of Tokyo
Security business certification	Sun Frontier Fudousan Co., Ltd.	December 26, 2021 - December 25, 2026	-	Security Services Act	Tokyo Metropolitan Public Safety Commission
	SF Building Maintenance Inc.	April 5, 2024 - April 4, 2029			
Antique dealer	Sun Frontier Fudousan Co., Ltd.	Registered on October 2, 2019	-	Secondhand Goods Business Act	Tokyo Metropolitan Public Safety Commission
	SF Communication Inc.	Registered on June 23, 2010			
Condominium management business registration	SF Building Maintenance Inc.	January 8, 2022 - January 7, 2027	-	Act on Advancement of Proper Condominium Management	Minister of Land, Infrastructure, Transport and Tourism
Rental residential management business registration	Sun Frontier Fudousan Co., Ltd.	October 20, 2021 - October 19, 2026	-	Act on Proper Management of Rental Housing	Director of Kanto Regional Development Bureau
	SF Building Maintenance Inc.	February 1, 2022 - January 31, 2027	-		

License, permission, registration, etc.	Company name	Validity period, registration date	Type	Relevant laws	Issuer of registration, etc.
Building environment sanitation comprehensive management business registration	SF Building Maintenance Inc.	September 18, 2021 - September 17, 2027	-	Act on Maintenance of Sanitation in Buildings	Governor of Tokyo
Building drinking water storage tank cleaning business registration	SF Building Maintenance Inc.	June 29, 2024 - June 28, 2030	-	Act on Maintenance of Sanitation in Buildings	Governor of Tokyo
Fire defense equipment business registration	SF Building Maintenance Inc.	Registered on July 3, 2018	-	Fire Service Act	Chief of Honjo Fire Station
Outdoor advertising business license	SF Building Maintenance Inc.	December 6, 2023 - December 5, 2028	-	Outdoor Advertisement Act	Governor of Tokyo
Money lending business registration	SF Building Support Inc.	July 1, 2023 - June 30, 2026	-	Money Lending Business Act	Governor of Tokyo
General chartered passenger automobile transport business	Okesa Kanko Taxi Co., Ltd.	Registered on January 19, 1999	-	Road Transport Act	Director, Hokuriku Shinetsu Transport Bureau
General passenger automobile transport business	Okesa Kanko Taxi Co., Ltd.	Registered on May 6, 1955	-	Road Transport Act	Director, Hokuriku Shinetsu Transport Bureau
Registered electric construction business operator license	SF Communication Inc.	October 3, 2020 - October 2, 2025	-	Electrical Construction Business Law	Governor of Tokyo

(2) In conducting real estate securitization business, the Group will use special purpose companies (SPC) established by either special purpose companies based on the Asset Securitization Act or stock companies and limited liability companies based on the Companies Act. If a special purpose company based on the Asset Securitization Act conducts securitization business, it will be subject to the regulations of the Asset Securitization Act.

4. Changes in accounting standards and the real estate tax system

Changes in accounting standards and the real estate tax system may have an impact on the Group's operating results and financial position due to increased costs of property acquisitions and sales.

5. Protection of personal information

The Group is a "business entity handling personal information" that holds personal information on building owners, tenants, hotel guests, etc. in the course of business, and it is forecasted that related information will

increase as the Group expands its business in the future. Although we are strengthening our information management system to ensure thorough internal information management, if personal information such as customer information is leaked outside due to unforeseen circumstances, it may damage the credibility of the Group and affect its operating results and financial position.

4. Analyses of Consolidated Financial Position, Operating Results and Cash Flows From the Management's Perspective

A summary of the Company's financial position, operating results and cash flows for the consolidated fiscal year under review, as well as the content of recognition, analysis and discussion regarding the Company's operating results and other aspects from the perspective of management, are as follows. The forward-looking statements contained herein are based on judgments made as of the end of the consolidated fiscal year under review.

(1) Operating Results

The Japanese economy continued to recover moderately. However, due to uncertainties brought about by the U.S. tariff policy, among other factors, the Bank of Japan has decided to hold off on additional interest rate hikes. As a result, although the rise in domestic interest rates is showing signs of stabilizing, we need to closely monitor future trends. The global economy is affected by policy changes in the U.S., the slowdown in the Chinese economy, and geopolitical uncertainties, and there is a sense of uncertainty about future economic growth.

In the real estate market, the new supply of office buildings began to decline, and the trend of returning to offices also continued. Rent increases and improvements in vacancy rates continued. We expect an increase in supply due to the completion of several large-scale office buildings in 2025, but the impact on the market is expected to be limited. In the real estate investment market, due to the low cost of raising funds compared to the European and U.S. markets, there is continued strong investment interest in stable income properties from high-net-worth individuals and institutional investors, particularly in Asia. In the hotel and tourism market, the occupancy rate of accommodation facilities and average room rates are rising due to the expansion of domestic travel and inbound demand, while the effects of labor shortages and over tourism are becoming apparent.

In this business environment, our Group's office building business renovated the purchased properties into office buildings that accommodate hybrid working styles that combine company visits with remote work, and we are focusing on commercializing products that meet social value. Property sales for the current fiscal year progressed as planned, achieving the full-year forecast. With regard to purchasing properties, we are steadily proceeding with our Medium-term Management Plan 2028 and beyond, with a view to achieving sustainable growth, while assessing changes in the market. In addition, in the hotel development business, construction work is generally progressing steadily toward the opening of new hotels in the future. The hotel operations business benefited from the expansion of tourism demand, and results from enhanced hospitality and marketing were observed, leading to significant increases in occupancy rates and average room rates, resulting in substantial growth in performance. This fiscal year, we reached the net sales and profit targets outlined in the Medium-Term Management Plan 2025, announced in May 2021, and achieved a record high.

(Millions of yen)

	Results for FY2024/3	Results for FY2025/3	Rate of change	Forecast (MMP2025)	Achievement rate
Net sales	79,868	103,174	29.2%	100,000	103.2%
Gross profit	26,405	32,225	22.0%	31,000 *	104.0%
Operating profit	17,600	21,279	20.9%	20,870 *	102.0%
Ordinary profit	17,374	20,446	17.7%	20,000	102.2%
Profit attributable to owners of parent	11,917	14,163	18.8%	14,000	101.2%
Ordinary profit ratio	21.8%	19.8%	-	20%	-
Equity ratio	48%	46.8%	-	50% level	-
ROE	13.9%	14.7%	-	10% or more	-

*Gross profit and operating profit are not quantitative target in the medium-term management plan.

The results by segment are as follows.

(Real Estate Revitalization Business)

- (1) In the Replanning Business, we renovate buildings with declining occupancy rates that require repairs and improved designs from a client-centric perspective. In this way, we aim to transform them into high-occupancy, high-value-added buildings. In the real estate revitalization business in New York, we utilize the know-how we have cultivated in Japan to provide real estate investment opportunities for investors in Japan, which in turn contributes to enriching the lives of local residents. In the Real Estate Specified Joint Business, we fractionalize prime real estate properties, mainly in central Tokyo, and offer these small-lot investment products to a wide range of investors, allowing them to start investing with small amounts.

In the current fiscal year, the number of properties sold was 38 (of which, two were NY and three were small-lot owned products), an increase of 13 from 25 in the previous fiscal year. As a result, both net sales and profit increased. In the next fiscal year, in addition to further advances in the real estate revitalization business in New York and the real estate specific joint business, we will expand our business domains and respond to the demands of a wider range of clients by expanding the replanning business to Osaka and developing residential properties.

- (2) In the Rental Building Business, the Group aims to build a stable earnings base as a stock business. Even while commercializing properties in the replanning business, the Group is working to increase rental income by leveraging the know-how it has accumulated in the real estate services business.

During the current fiscal year, the vacancy rate improved due to favorable leasing activities, and despite an increase in net sales compared to the previous fiscal year, profits declined due to the incurrence of construction costs and other expenses.

<Results of the Real Estate Revitalization Business>

(Millions of yen)

	Results for FY2024/3	Results for FY2025/3	Rate of change	Forecast	Achievement rate
Net sales	51,027	71,339	39.8%	69,800	102.2%
Replanning Business	48,395	68,684	41.9%	67,000	102.5%
Rental Building Business	2,632	2,654	0.9%	2,800	94.8%
Gross profit	16,593	22,114	33.3%	21,230	104.2%
Replanning Business	15,981	21,860	36.8%	20,600	106.1%
Rental Building Business	612	253	-58.5%	630	40.2%
Segment profit	15,602	20,104	28.9%	-	-
Replanning Business	14,989	19,850	32.4%	-	-
Rental Building Business	612	253	-58.5%	-	-

(Real Estate Service Business)

In the Real Estate Service Business, we are engaged in (1) Property Management Business, (2) Building Maintenance Business, (3) Sales Brokerage Business, (4) Leasing Brokerage Business, (5) Rental Conference Room Business, and (6) Rent Guarantee Business.

- (1) In the Property Management Business, we strive to enhance the profitability of owners' properties and maximize their real estate value by building management that caters to the needs of tenants, thereby supporting high occupancy and high profitability in building management.

During the current fiscal year, the number of buildings contracted increased by 49 from the previous fiscal year to 542, and the occupancy rate remained at the same level as the previous fiscal year at 94.23%. As a result, both net sales and profits increased. The number of buildings contracted reached 500, which was the target set for the end of the fiscal year under the medium-term management plan, ahead of schedule, and exceeded the forecast of 540 for the current fiscal year. We will continue to strive to enhance client satisfaction and create enthusiastic fans by providing prompt and high-quality services.

- (2) In the Building Maintenance Business, the Group conducts inspections, cleaning, renovation work, surveys, and other activities to maintain and manage buildings under the slogan “Making Tokyo the Most Beautiful City in the World.”

In the current fiscal year, both sales and profits increased from the previous fiscal year due to the increase in the number of buildings under management through collaboration with various divisions within the Group. While enhancing our service content to absorb inflationary pressures with appropriate management fees, we will continue to expand our business results.

- (3) As part of its real estate consulting services, the Sales Brokerage Business provides services to promptly resolve issues related to property sales and purchases for clients in each division, including the Property Management Business and the Leasing Brokerage Business.

During the current fiscal year, there was strong investment appetite for Japanese real estate among investors, particularly in Asia, mainly due to the depreciation of the yen against the U.S. dollar driven by interest rate differentials between Japan and overseas, as well as the divestment of dollar assets under the Trump administration. As a result, the number of external brokerage transactions, including those involving overseas investors, increased, leading to higher net sales and profits compared to the previous fiscal year. We expect strong performance to continue in the future, driven by sustained strong investment appetite from overseas investors.

- (4) In the Leasing Brokerage Business, we have established a service network of 12 locations in key areas of central Tokyo. We provide services to support tenants in opening and relocating their businesses while solving all kinds of issues related to building management according to the requests of building owners.

In the current fiscal year, the office market continued its recovery trend, and both sales and profits remained at the same level as the previous fiscal year. In the next fiscal year, the office leasing market will continue to improve further due to the trend of returning to offices, and we expect the number of brokerage deals concluded by our company to continue to increase on a full-year basis. Riding this tailwind, we will actively consider opening new locations and resolving the issues of more building owners.

- (5) The Rental Conference Room Business has established 18 locations in the Tokyo metropolitan area, providing spaces that meet diverse customer needs, including training, seminars, exhibitions, test sites, and parties.

During the current fiscal year, we opened three new locations and expanded floor space at three existing locations, bringing the total size of our operations to 18 locations and 9,711 tsubo. Due to an increase in orders for long-term and large-scale events from repeat customers, sales increased compared to the previous fiscal year; however, profits declined due to the recording of new opening costs for large-scale locations. Continuing with our policy of “not selling rooms, but achieving success in events,” we will

continue to increase the profitability of our business as a whole. At the same time, we will promote new openings and expansion of existing locations with the aim of achieving the 16,000 tsubo target set in the Medium-Term Management Plan 2028.

- (6) The Rent Guarantee Business provides TRI-WINS (Triwins), a rent guarantee service that comprehensively covers occupancy surveys, examinations, guarantees for delinquent payments, lawsuits for the surrender and vacating of buildings, and evictions in offices and stores. The business strives to resolve the risks and issues faced by both owners and tenants, and to contribute to economic growth and social stability.

In the current fiscal year, both net sales and profits increased compared with the previous fiscal year. This was due to the steady progress in business performance resulting from an increase in the number of new contracts for credit guarantees, which is the Company's main business.

<Results of Real Estate Service Business>

(Millions of yen)					
	Results for FY2024/3	Results for FY2025/3	Rate of change	Forecast	Achievement rate
Net sales	10,497	12,488	19.0%	11,650	107.2%
Gross profit	5,636	6,124	8.7%	6,300	97.2%
Segment profit	5,612	6,112	8.9%	-	-

(Hotel and Tourism Business)

In the Hotel and Tourism Business, we are engaged in (1) Hotel Development Business and (2) Hotel Operation Business.

- (1) In Hotel Development Business involves the development and revitalization of hotels with rich charm that will lead to the revitalization of cities and society.

In the current fiscal year, the number of properties sold was 3, an increase of 2 from the previous fiscal year. However, sales decreased in both net sales and profit due to a reaction to the unusually large-scale property sold in the previous fiscal year. In the next fiscal year, three hotels are scheduled to be completed, and “STITCH HOTEL Kyoto” in Kyoto Kawaramachi is scheduled to open in June 2025. This hotel is not a development premised on reconstruction, but rather a hotel revitalization project to reduce waste of resources, with the intention of creating new value for existing real estate. In September 2025, we plan to open “Tabino Hotel Kakogawa,” a regional revitalization hotel in Kakogawa City, Hyogo. This hotel is close to the station and in a good location with plenty of restaurants, etc. All rooms are equipped with a washing machine, microwave oven, 2-door refrigerator, etc., so guests can spend a comfortable time even during a long stay. At present, the number of newly scheduled hotels and hotels under construction or planning totals 16 hotels with 2,502 rooms.

- (2) The Hotel Operation Business values the culture and history of the region, and while operating hotels that develop together with the region, provides natural-friendly services under the theme of “Heart-warming and Fun Hotels.”

As of the end of the current fiscal year, the number of hotel-operated guest rooms is 28, or 3,144 rooms. In addition to the expansion of inbound demand, both net sales and profits increased significantly year on year as a result of continued increases in occupancy rates and average price per room based on our group's high value-added strategy. We expect that the Hotel Operation Business will continue to perform well in the future, coupled with the expansion of tourism demand due to the relaxation of visas for Chinese

people and other factors, as well as the results of efforts to improve operational efficiency and strengthen marketing through the use of systems. In April 2025, the Hiyori Hotel Osaka Suminoe Koen Station was re-branded as the third Hiyori Hotel. By expanding our services as a "hotel that is warm and enjoyable" unique to the Hiyori brand, and providing customers with high-quality time and space, we aim to offer "a truly unique hotel experience tailored for each customer."

< Hotel and Tourism Business Results >

(Millions of yen)

	Results for FY2024/3	Results for FY2025/3	Rate of changes	Forecast	Achievement rate
Net sales	16,977	18,831	10.9%	17,430	108.0%
Hotel Development Business	5,270	3,071	-41.7%	3,000	102.4%
Hotel Operation Business, etc.	11,707	15,760	34.6%	14,430	109.2%
Gross profit	4,440	4,479	0.9%	3,840	116.6%
Hotel Development Business	2,200	991	-54.9%	1,100	90.1%
Hotel Operation Business, etc.	2,240	3,487	55.6%	2,740	127.3%
Segment profit	4,369	4,072	-6.8%	-	-
Hotel Development Business	2,134	779	-63.5%	-	-
Hotel Operation Business, etc.	2,234	3,293	47.4%	-	-

(Other Business)

In Other Business, we are engaged in (1) Overseas Development Business and (2) Construction Business.

- (1) As for Overseas Development Business operations, the Group entered Da Nang City, the largest city in central Vietnam, where growth is expected, and is developing a comprehensive range of businesses from development and sales of high-rise condominiums to leasing and management services.

In the current fiscal year, we started construction of our second project, HIYORI Aqua Tower, in August. Sales activities will begin in the fall of 2025, and the building is scheduled to be completed in the fall of 2026. As a result, both sales and profits remained at the same level as the previous fiscal year.

- (2) In the Construction Business, the Group is engaged in interior work for offices and houses, and telecommunications network work for offices, with a focus on renovation plans for office spaces, appearances, entrances, and other areas.

In the fiscal year under review, net sales declined in reaction to the receipt of orders for large-scale projects at Group subsidiaries in the previous fiscal year. On the other hand, profit increased due to an improvement in the profit margin and other factors.

<Other results>

(Millions of yen)

	Results for FY2024/3	Results for FY2025/3	Rate of change	Forecast	Achievement rate
Net sales	2,409	1,992	-17.3%	2,560	77.8%
Gross profit	352	498	41.3%	420	118.6%
Segment profit	301	435	44.6%	-	-

Our sustainability initiatives during the current fiscal year are as follows.

Under our Sustainability Vision, “We will contribute to the realization of a sustainable society through our business activities, valuing the spirit of altruism, which is our company motto (Credo),” our group is promoting efforts to resolve social issues through business.

We recently revised the environmental policy established in 2004 to the Policy on Environmental Conservation and Natural Capital and Biodiversity. This revision clarifies our recognition of the impact of business activities on the global environment, biodiversity, and water resources, and our commitment to conserving natural capital and biodiversity, with the aim of contributing to more proactive and ongoing global environmental protection.

In order to achieve our long-term vision 2035, our group recognizes the importance of contributing to society through our business activities across the entire supply chain. To gain the understanding of our business partners regarding our group's approach to procurement, we have established a supply chain management philosophy. Our group will continue to promote sustainability management to achieve a sustainable society. Our group's efforts regarding sustainability can be found on the sustainability site below.

(<https://www.sunfrit.co.jp/sustainability/en/>)

Production, orders received and sales results are as follows.

(i) Production performance

As it is difficult to define production operations of the Group (the Company and its consolidated subsidiaries; the same shall apply hereinafter), the actual production results are omitted.

(ii) Orders received

As the Group does not manufacture to order, the record of orders received is omitted.

(iii) Sales performance

The sales results by segment for the current consolidated fiscal year are as follows.

Segment Name	Amount (million yen)	YoY Change (%)
Real Estate Revitalization Business	71,339	39.8
Real Estate Service Business	12,488	19.0
Hotel and Tourism Business	18,831	10.9
Other	1,992	-17.3
Adjustment	-1,477	-
Total	103,174	29.2

Notes: 1. Adjustment is intersegment eliminations.

2. The current consolidated fiscal year is not listed because, among the net sales to external clients, there is no client that accounts for 10% or more of net sales in the consolidated statement of income.

(2) Consolidated Financial Position

Total assets at the end of the current consolidated fiscal year amounted to 218,190 million yen (up 15.7% compared with the end of the previous fiscal year), liabilities amounted to 112,298 million yen (up 19.2% compared with the end of the previous fiscal year), and net assets amounted to 105,892 million yen (up 12.2% compared with the end of the previous fiscal year).

The increase in total assets was mainly due to an increase of 5,518 million yen in real estate for sale, an increase of 21,335 million yen in real estate for sale in process and an increase of 1,459 million yen in long-term loans, which were partially offset by a decrease of 2,947 million yen in cash and deposits and a decrease of 1,141 million yen in land of non-current assets.

The increase in liabilities was mainly due to an increase of 2,026 million yen in income taxes payable and an increase of 14,946 million yen in long-term borrowings, which were partially offset by a decrease of 2,067 million yen in current portion of long-term borrowings.

The increase in net assets was mainly due to the recording of 14,163 million yen in profit attributable to owners of parent, which was partially offset by the dividend payment of 3,165 million yen. Equity ratio decreased by 1.2 percentage points to 46.8%.

(3) Consolidated Cash Flows

Cash and cash equivalents (hereinafter called, “funds”) at the end of the current period decreased by 3,112 million yen from the beginning of the fiscal year to 44,754 million yen as a result of a decrease of 4,236 million yen of funds provided by operating activities, a decrease of 8,809 million yen of funds provided by investing activities, and an increase of 9,479 million yen of funds provided by financing activities.

Cash flows for the current consolidated fiscal year and their factors are as follows.

(Cash flows from operating activities)

Net cash outflow used in operating activities was 4,236 million yen compared with net cash outflow used in operating activities of 11,003 million yen in the previous fiscal year. This was mainly due a decrease of 25,042 million yen from an increase in inventories and corporate income tax payments of 5,071 million yen, despite profit before income taxes of 20,552 million yen and depreciation of 2,612 million yen.

(Cash flows from investing activities)

Net cash outflow used in investing activities was 8,809 million yen compared with net cash outflow used in investing activities of 4,254 million yen in the previous fiscal year. This was mainly due to outflow of 4,019 million yen in purchase of property, plant and equipment and 2,369 million yen for the acquisition of subsidiary shares resulting in a change in the scope of consolidation, despite 165 million yen in proceeds from the sale of property, plant and equipment and 129 million yen in proceeds from collection of guaranteed deposits.

(Cash flows from financing activities)

Net cash provided by financing activities was 9,479 million yen compared with net cash provided by financing activities of 21,040 million yen in the previous fiscal year. This was mainly due to 36,535 million yen in proceeds from long-term borrowings, despite 23,703 million yen in repayments of long-term borrowings.

(Sources of capital and liquidity of funds)

The main demand for funds in our business activities is purchase in inventory assets, which is related to the Real Estate Revitalization Business. Purchase of inventory assets is provided by long-term borrowings from financial institutions secured by individual inventory assets and funds acquired through operating activities. As a basic policy, the inventory assets are to be sold within one year, and a lump-sum repayment of borrowings is made at the time of sale of the inventory asset, while taking into account the monthly scheduled repayment and this ensures sufficient liquidity of funds.

(Financial measures)

The Group's fiscal policy is to create a debt structure that extends the weighted average borrowing period by reducing the ratio of short-term borrowings to interest-bearing debt and increasing the ratio of long-term borrowings. In addition, we are working to build a solid financial base by securing a substantial amount of cash and deposits as a basic policy.

(4) Significant accounting estimates and assumptions used in such estimates

The Group's consolidated financial statements are prepared in accordance with accounting standards generally accepted in Japan. The accompanying consolidated financial statements include estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. However, actual results may differ from these estimates and assumptions.

Among the accounting estimates and assumptions used in the preparation of the consolidated financial statements, significant ones are described in "Item 5. Financial Information, 1. Consolidated Financial Statements, etc. (1) Notes to Consolidated Financial Statements (Significant Accounting Estimates)."

5. Material Agreements, etc.

Not applicable

6. Research and Development Activities

Not applicable.

Item. 3 Property, Plants and Equipment

1. Overview of Capital Investment

The Group's capital investment in the current consolidated fiscal year was 4,833 million yen, mainly for the acquisition of hotel facilities (4,302 million yen).

2. Major Facilities

(1) Reporting company

As of March 31, 2025, the facilities, invested capital and employees at each business site were as follows.

Facility name / location	Segment name	Use	Book value (million yen)				Number of employees
			Buildings and structures	Land (square meters)	Others	Total	
Head Office (Chiyoda-ku, Tokyo)	Real Estate Revitalization Business, Real Estate Service Business, Other, company-wide (common)	Corporate headquarters facility	86	- (-)	43	130	178
Branches, etc. (Chuo-ku, Tokyo, etc.)	Real Estate Service Business	Commercial facility	51	- (-)	22	74	224
Rental property for business use (Minato-ku, Tokyo, etc.)	Real Estate Revitalization Business	Buildings for rent, etc.	2,702	3,584 (1,598)	0	6,287	-
Real estate for Hotel Operation Business (Shimogyo-ku, Kyoto-shi, Kyoto)	Hotel Operation Business	Hotel operation	3,670	5,396 (898)	12	9,079	-
Sub-leased property, etc. (Chuo-ku, Tokyo, etc.)	Real Estate Service Business and Other	Property management contract facilities, etc.	184	- (-)	39	223	-

Notes: 1. Of the book value, "Others" consists of vehicles, tools, furniture and fixtures, and construction in progress.

2. Details of major facilities leased from companies other than consolidated companies are as follows.

Facility name / location	Segment name	Use	Leased area (square meters)
Head Office (Chiyoda-ku, Tokyo)	Real Estate Revitalization Business, Real Estate Service Business, Other, company-wide (common)	Corporate headquarters facility	2,145
Property Management Business Department (Chiyoda-ku, Tokyo)	Real Estate Service Business	Commercial facility	1,003
Ginza branch and others (Chuo-ku, Tokyo, etc.)	Real Estate Service Business	Commercial facility	972
Sub-leased property, etc. (Chuo-ku, Tokyo, etc.)	Real Estate Service Business and Other	Property management contract facilities, etc.	9,165

(2) Domestic subsidiaries

Company name	Facility name / location	Segment name	Use	Book value (million yen)				Number of employees
				Buildings and structures	Land (square meters)	Others	Total	
Sun Frontier Hotel Management Inc.	Head office and hotel facilities (Chiyoda-ku, Tokyo, etc.)	Hotel and Tourism Business	Corporate headquarters facility and hotel operation	1,056	607 (33,153)	2,683	4,347	174 (279)
Sky Heart Hotel Inc.	Head office and hotel facilities (Chiyoda-ku, Tokyo, etc.)	Hotel and Tourism Business	Hotel operation	78	63 (1,600)	6	148	20 (30)
Sun Frontier Sado Co., Ltd.	Head office and hotel facilities (Sado-shi, Niigata)	Hotel and Tourism Business	Hotel operation	626	23 (23,984)	68	718	40 (73)
Hotel Osado Co., Ltd.	Head office and hotel facilities (Sado-shi, Niigata)	Hotel and Tourism Business	Hotel operation	573	91 (21,603)	66	732	11 (24)
Nihon Toshi Hotel Kaihatsu Co., Ltd.	Head office and hotel facilities (Nishi-ku, Osaka-shi, Osaka)	Hotel and Tourism Business	Hotel operation	600	- (-)	129	730	26 (103)
Oriental Resort Associates Inc.	Head office and hotel facilities (Onna-son, Kunigami-gun, Okinawa)	Hotel and Tourism Business	Hotel operation	863	- (-)	6	869	13 (9)
Sun Frontier Space Management Inc.	Head office and rental conference room facilities (Minato-ku, Tokyo, etc.)	Real Estate Service Business	Conference Room Rental Business	499	0 (9)	139	639	84 (159)

Notes: 1. Of the book value, "Others" consists of vehicles, tools, furniture and fixtures, and construction in progress.
2. Figures in parentheses in the "Number of employees" column are the annual average number of temporary employees.
3. Temporary employees include part-time and contract employees but exclude agency workers.

(3) Overseas subsidiaries

As facilities of overseas subsidiaries are not significant, descriptions are omitted.

3. Plans for Capital Investment, Disposal of Property, Plants and Equipment, etc.

There are no applicable items for the current period.

Item. 4 Information on the Company

1. Information on the Company's Shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Type	Total number of shares authorized to be issued (shares)
Common shares	91,200,000
Total	91,200,000

(ii) Issued shares

Type	Number of shares issued as of the end of the fiscal year (March 31, 2025)	Number of shares issued as of filing date (June 23, 2025)	Name of Listed Financial Instruments Exchange or registered Authorized Financial Instruments Firms Association	Contents
Common shares	48,755,500	48,755,500	Tokyo Stock Exchange Prime Market	Share unit: 100 shares
Total	48,755,500	48,755,500	-	-

(2) Share acquisition rights, etc.

(i) Stock option plans

Status of Share Acquisition Rights grants

Date of resolution	June 22, 2018	June 21, 2019	June 30, 2020	June 22, 2021
Category and number of individuals covered by the plan	Directors of the Company (excluding outside directors): 4 persons			Directors of the Company (excluding outside directors): 6 persons
Number of Share Acquisition Rights*	524 units	740 units	1,112 units	2,155 units
Type, description and number of shares to be issued upon the Share Acquisition Rights*	Common shares 5,240 shares (Note 1)	Common shares 7,400 shares (Note 1)	Common shares 11,120 shares (Note 1)	Common shares 21,550 shares (Note 1)
Amount paid upon exercise of Share Acquisition Rights *	1 yen			
Period for exercising Share Acquisition Rights*	From August 1, 2018 to July 31, 2048	From August 1, 2019 to July 31, 2049	From August 1, 2020 to July 31, 2050	From July 31, 2021 to July 30, 2051
Issue price of shares and amount to be incorporated into capital when shares are issued upon exercise of Share Acquisition Rights*	Issue price: 1,020 yen Amount included in share capital: 510 yen (Note 2)	Issue price: 790 yen Amount included in share capital: 395 yen (Note 2)	Issue price: 439 yen Amount included in share capital: 220 yen (Note 2)	Issue price: 658 yen Amount included in share capital: 329 yen (Note 2)
Conditions for exercising Share Acquisition Rights*	Share Acquisition Rights can be exercised only when the status of the Director of the Company is lost. However, in this case, Share Acquisition Rights holders may exercise their Share Acquisition Rights in a lump sum during the period from the day following the day on which they lose their position as Director of the Company to the day on which ten days have elapsed. (Note 3)			

Matters related to transfer of Share Acquisition Rights*	Acquisition of Share Acquisition Rights by transfer requires approval of the Board of Directors.
Matters concerning the issuance of Share Acquisition Rights in connection with an act of reorganization*	(Note 4)

* These items indicate the status as of the end of the fiscal year (March 31, 2025). There are no changes between the end of the fiscal year and the end of month previous to the filing month (May 31, 2025).

Notes: 1. The number of shares subject per Share Acquisition Right shall be 10 shares.

However, after the allotment date of Share Acquisition Rights, if the Company effects a share split (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or reverse stock split, the number of shares to be granted shall be adjusted according to the following formula for Share Acquisition Rights that has not been exercised at the time of the share split or reverse stock split, and any fraction of less than one share resulting from the adjustment shall be discarded.

Number of granted shares after adjustment = Number of granted shares before adjustment × Split or consolidation ratio

In addition, in the event that the Company conducts a merger or corporate split after the allotment date, or in the event that an adjustment of the number of granted shares is required in the same manner as in these cases, the number of shares shall be adjusted within a reasonable scope taking into consideration the conditions of the merger or corporate split.

2. Increase in share capital and capital reserve due to issuance of shares upon exercise of Share Acquisition Rights

- (i) The amount of increase in share capital upon issuance of shares upon exercise of Share Acquisition Rights shall be one half of the maximum amount of increase in share capital, etc. calculated pursuant to Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and any fraction less than one yen resulting from such calculation shall be rounded up.
- (ii) The amount of increase in capital reserve upon issuance of shares upon exercise of Share Acquisition Rights shall be obtained by subtracting the amount of increase in share capital set forth in (i) above from the maximum amount of increase in share capital, etc. set forth in (i) above.

3. Matters concerning acquisition of Share Acquisition Rights

- (i) In the event that Share Acquisition Rights cannot be exercised due to the aforementioned “Conditions for exercising Share Acquisition Rights” or the provisions of the Share Acquisition Rights Allocation Application Form prior to exercising his/her right, the Company may acquire such Share Acquisition Rights without consideration on a date separately determined by the Company’s Board of Directors.
- (ii) In the event that a proposal for approval of a merger agreement under which the Company will be dissolved, an absorption-type company split agreement or an incorporation-type company split plan under which the Company will be split, or a share exchange agreement or share transfer plan under which the Company will become a wholly-owned subsidiary is approved at the General Meeting of Shareholders of the Company (or at the meeting of Board of Directors if a General Meeting of Shareholders is not required), the Share Acquisition Rights whose rights have not been exercised as of that date may be acquired without consideration on a date separately determined by the Board of Directors of the Company.

4. In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively “Organizational Restructuring”), each person holding the remaining Share Acquisition Rights at the time the Organizational Restructuring takes effect (hereinafter “Remaining Share Acquisition Rights”) shall respectively be granted the Share Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act of Japan (hereinafter “Reorganized Company”) under the following conditions. In this event, the Remaining Share Acquisition Rights shall

become null and void and the Reorganized Company shall issue new Share Acquisition Rights.

However, the new Share Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).

- (i) Number of Share Acquisition Rights of the Reorganized Company to be delivered
The same number of Share Acquisition Rights as the Remaining Share Acquisition Rights held by the holders of the Share Acquisition Rights shall be issued.
 - (ii) Type and number of shares of the Reorganized Company to be issued upon exercise of Share Acquisition Rights
The type of shares subject to Share Acquisition Rights shall be common shares of the Reorganized Company, and the number of common shares of the Reorganized Company to be delivered upon exercise of Share Acquisition Rights shall be determined in accordance with (Note 1) above, taking into consideration the conditions of the Organizational Restructuring.
 - (iii) Value of assets to be contributed upon exercise of Share Acquisition Rights
The value of the property to be contributed upon exercise of Share Acquisition Rights shall be the amount obtained by multiplying the post-reorganization exercise price specified below by the number of shares to be issued for each such Share Acquisition Right. The post-reorganization exercise price shall be 1 yen per Share Acquisition Right of the Reorganized Company.
 - (iv) Period during which the Share Acquisition Rights may be exercised
From the effective date of the Organizational Restructuring to the expiration date of the exercise period of the Share Acquisition Rights set forth in the aforementioned “Period for exercising Share Acquisition Rights.”
 - (v) Acquisition of Share Acquisition Rights
Determined in accordance with (Note 3) above.
 - (vi) Share Acquisition Rights transfer restrictions
Acquisition of Share Acquisition Rights by transfer shall require the approval of the Board of Directors of the Reorganized Company.
 - (vii) Increase in share capital and capital reserve due to issuance of shares upon exercise of Share Acquisition Rights
Determined in accordance with (Note 2) above.
- (ii) Rights plan
Not applicable.
- (iii) Other Share Acquisition Rights, etc.
The Company has issued third-party allotment unsecured convertible bonds with Share Acquisition Rights under the Companies Act of Japan.
1st Series Unsecured Convertible Bonds with Share Acquisition Rights (hereinafter the relevant bonds with Share Acquisition Rights will be referred to as the “Bonds with Share Acquisition Rights”, the bond portion will be referred to as the “Bonds” and the Share Acquisition Rights portion will be referred to as the “Share Acquisition Rights”).

Date of resolution	September 20, 2023
Number of Share Acquisition Rights (units)*	49
Number of own Share Acquisition Rights out of Share Acquisition Rights (units)*	-
Type, description and number of shares to be issued upon	Common shares 6,434,900 The number of common shares of the Company to be newly issued by the Company or to be disposed of by the Company in lieu of such shares (the issuance or disposal of the

exercise of Share Acquisition Rights (shares) *	Company's common shares shall hereinafter be referred to as the “delivery” of the Company's common shares) upon exercise of the Share Acquisition Rights shall be the number obtained by dividing the total amount of the Bonds pertaining to the Share Acquisition Rights exercised at the same time by the conversion price in effect at the time of such exercise. However, if a fraction of less than one (1) share arises, such fraction shall be settled in cash in accordance with the provisions of the Companies Act of Japan (in cases where the Company has adopted the Share Unit System, if shares less than one (1) unit arise as a result of the exercise of the Share Acquisition Rights, such fraction shall be settled in cash as if the right to demand purchase of shares less than one (1) unit prescribed in the Companies Act of Japan has been exercised, and any fraction of less than one (1) share shall be discarded.) Any fraction of less than one (1) yen arising from such cash settlement shall be rounded down.
Amount paid upon exercise of Share Acquisition Rights*	1. Details and value of assets to be contributed (calculation method) (1) Upon the exercise of one (1) Share Acquisition Right, each Bond to which such Share Acquisition Rights are attached shall be contributed. (2) The value of the asset to be contributed upon the exercise of one (1) Share Acquisition Right shall be 204,080,000 yen, the amount of each Bond. 2. Conversion price The conversion price used to calculate the number of the Company's common shares to be delivered upon the exercise of each Share Acquisition Right shall be 1,554 yen. The conversion price may be adjusted as provided in the Issuance Terms of the Bonds with Share Acquisition Rights. (Note 1)
Period for exercising Share Acquisition Rights*	The Share Acquisition Rights may be exercised at any time between October 10, 2023 and October 4, 2028 (if the Bonds are redeemed prior to the maturity date pursuant to the provisions of Paragraph 13, Item (2) (a) (i) through (iii) and (b) (i) through (v) of the Issuance Terms of the Bonds with Share Acquisition Rights, two (2) banking days prior to the redemption date) (Note 2) However, the exercise of voting rights may not be requested during the following periods. (1) The stockholder record date for the Company's common shares (the record date prescribed in Article 124, Paragraph 1 of the Companies Act of Japan) and the preceding business day (a day that is not a holiday for the transfer institution.) (2) The day on which the transfer institution deems it necessary (3) If the Company reasonably determines that it is necessary to suspend the exercise of the Share Acquisition Rights in order to carry out Organizational Restructuring, during the period designated by the Company within 30 days prior to the day within 14 days from the day following the effective date of such Organizational Restructuring.
Issue price of shares and amount to be incorporated into capital when shares are issued upon exercise of Share Acquisition Rights	1. Issue price The conversion price of Share Acquisition Rights stated in “Amount paid upon exercise of Share Acquisition Rights” above (if the conversion price is adjusted, the conversion price after adjustment) 2. Increased share capital and capital reserve (1) The amount of increase in share capital upon issuance of shares upon exercise of Share Acquisition Rights shall be one half of the maximum amount of increase in share capital, etc. calculated pursuant to Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and any fraction less than one (1) yen resulting from such calculation shall be rounded up. (2) The amount of increase in capital reserve upon issuance of shares upon exercise of Share Acquisition Rights shall be amount obtained by subtracting the amount of increase in share capital set forth in (1) above from the maximum amount of increase in share capital, etc. set forth in (1) above.
Conditions for exercising Share Acquisition Rights*	A part of each Share Acquisition Rights cannot be exercised. (Note 2)
Matters related to transfer of Share Acquisition Rights*	Not applicable. (Note 2)

Matters concerning the delivery of Share Acquisition Rights in connection with an act of Organizational Restructuring*	In the event that the Company carries out Organizational Restructuring, except in the case of early redemption of the Bonds with Share Acquisition Rights, the Successor Company, etc. shall deliver Share Acquisition Rights of the Successor Company, etc. to holders of the Share Acquisition Rights attached to the remaining Bonds with Share Acquisition Rights immediately prior to the effective date of the Organizational Restructuring as set forth in items (1) through (10) (hereinafter “Successor Share Acquisition Rights”) below in lieu of the Share Acquisition Rights held by the holders of the Share Acquisition Rights. In this case, on the effective date of the Organizational Restructuring, the Share Acquisition Rights shall be extinguished, the obligations pertaining to the Bonds shall be succeeded to the Successor Company, etc., the holder of the Share Acquisition Rights shall become the holder of the Successor Share Acquisition Rights, and the provisions concerning the Share Acquisition Rights in the Issuance Terms of the Bonds with Share Acquisition Rights shall apply mutatis mutandis to the Successor Share Acquisition Rights. 1. The number of Share Acquisition Rights of the Successor Company, etc. to be delivered The same number as the Share Acquisition Rights held by the holders of the remaining Bonds with Share Acquisition Rights immediately prior to the effective date of such Organizational Restructuring. 2. The type of shares subject to the Share Acquisition Rights of the Successor Company, etc. Common shares of the Successor Company, etc. 3. The number of shares subject to the Share Acquisition Rights of the Successor Company, etc. The number of common shares of the Successor Company, etc. to be delivered upon the exercise of Share Acquisition Rights of the Successor Company, etc. shall be determined with reference to the Issuance Terms of the Bonds with Share Acquisition Rights, taking into consideration the conditions of such Organizational Restructuring, and shall be in accordance with the following: the conversion price shall be subject to the same adjustment as (Note) with respect to the above-mentioned “Amount paid upon exercise of Share Acquisition Rights.” (i) In the event of a merger, share exchange, share transfer or share delivery, the conversion price shall be determined so that, when the Share Acquisition Rights of the Successor Company, etc. are exercised immediately after the effective date of the Organizational Restructuring, the holders of the Company's Share Acquisition Rights will receive the number of common shares of the Successor Company, etc. in the same number that would be obtained if the Share Acquisition Rights were exercised immediately prior to the effective date of the Organizational Restructuring. When securities or other assets of the Successor Company, etc. other than common shares are delivered at the time of the Organizational Restructuring, the number of common shares of the Successor Company, etc. equal to the number obtained by dividing the fair market value of the securities or assets by the market value of the common shares of the Successor Company, etc. shall also be received. (ii) In the case of any other Organizational Restructuring, the conversion prices shall be determined so that, when the Share Acquisition Rights of the Successor Company, etc. are exercised immediately after the effective date of such Organizational Restructuring, the holder of the Bonds with Share Acquisition Rights may receive an economic profit equivalent to the economic profit that the holder of the Bonds with Share Acquisition Rights would have received if the Share Acquisition Rights had been exercised immediately before the effective date of the Organizational Restructuring. 4. The details and value of the asset to be contributed upon the exercise of Share Acquisition Rights of the Successor Company, etc., or the method of calculating such value Upon the exercise of one (1) Share Acquisition Right of the Successor Company, etc., each Bond shall be contributed, and the value of the asset contributed upon the exercise of one (1) Share Acquisition Right of the Successor Company, etc. shall be the same as the amount of each Bond. 5. The period during which the Share Acquisition Rights of the Successor Company, etc. may be exercised
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	The exercise period shall be from the effective date of the Organizational Restructuring or the date of delivery of the Share Acquisition Rights of the Successor Company, etc., whichever is later, to the expiration date of the exercise period of the Share Acquisition Rights set forth in “Period for exercising Share Acquisition Rights” above, and shall be subject to the same restrictions as in “Period for exercising Share Acquisition Rights” above. 6. Conditions for the exercise of Share Acquisition Rights of the Successor Company, etc. To be determined in accordance with “Conditions for exercising Share Acquisition Rights” above. 7. There are no provisions on the Share Acquisition Rights of the Successor Company, etc. 8. Matters concerning the capital and capital reserves to be increased in cases where shares are issued as a result of the exercise of Share Acquisition Rights of the Successor Company, etc. The amount of share capital to be increased by the issuance of shares upon the exercise of Share Acquisition Rights of the Successor Company, etc. shall be one half of the maximum amount of increase in share capital, etc. calculated pursuant to Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and any fraction of less than one (1) yen resulting from such calculation shall be rounded up to the nearest one (1) yen. The amount of increase in the capital reserve by the issuance of shares upon the exercise of Share Acquisition Rights shall be the amount obtained by subtracting the amount of increase in share capital from the maximum amount of increase in share capital, etc. 9. If Organizational Restructuring occurs, it shall be determined in accordance with this column. 10. Other If any fraction of less than one (1) share arises with respect to the number of common shares of the Successor Company, etc. to be delivered by the Successor Company, etc. as a result of the exercise of Share Acquisition Rights of the Successor Company, etc., such fraction shall be rounded down and no adjustment shall be made in cash (In cases where the Successor Company, etc. has adopted the Share Unit System, if shares less than one (1) unit arise as a result of the exercise of Share Acquisition Rights of the Successor Company, etc., such fraction shall be settled in cash as if the right to demand purchase of shares less than one (1) unit prescribed in the Companies Act of Japan has been exercised, and any fraction of less than one (1) share shall be discarded). In addition, holders of the Bonds with Share Acquisition Rights as of the effective date of the Organizational Restructuring may not transfer the Bonds separately from the Share Acquisition Rights of the Successor Company, etc. In the event that such restriction on the transfer of the Bonds becomes legally invalid, the Share Acquisition Rights of the Successor Company, etc. attached to a bond similar to the Bonds issued by the Successor Company, etc. may be delivered to holders of the Bonds with Share Acquisition Rights immediately prior to the effective date of such Organizational Restructuring in lieu of the Share Acquisition Rights and the Bonds.
The content and value of the asset to be contributed upon exercise of Share Acquisition Rights*	See “Amount paid upon exercise of Share Acquisition Rights” above
Outstanding amount of bonds with Share Acquisition Rights (Millions of yen)*	9,999

* These items indicate the status as of the end of the fiscal year (March 31, 2025). There are no changes as of the end of month previous to the filing month (May 31, 2025).

(Note) 1. Adjustment of conversion price

If, after the issuance of the Bonds with Share Acquisition Rights, the number of issued common shares of the Company changes or is likely to change due to the issuance of new shares with an amount to be

paid in that is less than the market price, split of shares, etc., the Company shall adjust the conversion price using the formula set forth below.

After the issuance of the Bonds with Share Acquisition Rights, the conversion price shall be adjusted as appropriate in the event of the payment of a special cash dividend or as otherwise provided in the Issuance Terms of the Bonds with Share Acquisition Rights.

$$\text{Adjusted conversion price} = \text{Conversion price before adjustment} \times \frac{\text{Number of common shares issued} + \frac{\text{Number of shares issued or disposed of} \times \text{Issue or disposal price per share}}{\text{Market price}}}{\text{Number of common shares issued} + \text{Number of shares issued or disposed of}}$$

2. Matters agreed upon in the Underwriting Agreement concluded between the Company and the Underwriter (AAGS S5, L. P.)

- (1) The Underwriters may not, in principle, exercise this Share Acquisition Rights within one (1) year from October 6, 2023.
 - (2) As a general rule, the Underwriters may exercise the Share Acquisition Rights only if the closing price of the regular transactions of the Company's common shares on the business day immediately preceding the day on which the exercise of the Share Acquisition Rights becomes effective is not less than the amount obtained by multiplying the conversion price by 1.20.
 - (3) The transfer of the Bonds with Share Acquisition Rights by the Underwriters shall require the approval of the resolution of the Company's Board of Directors.
 - (4) The Underwriters shall not transfer the shares acquired through the conversion of the Bonds with Share Acquisition Rights to certain competitors and activists designated by the Company outside the market without the prior written consent of the Company (excluding transactions for which the purchaser cannot be specified, such as PTS transactions and off-auction transactions).
 - (5) During the period from October 6, 2023 until either (i) the expiration date of the exercise period of the Share Acquisition Rights or (ii) the date on which the Holding Ratio of Share Certificates, etc. of the Underwriter ceases to be 5% or more, whichever comes first, if the Company intends to decide, execute or agree with a third party to issue or dispose of the shares, etc. (excluding those resulting from the remuneration of shares based on the remuneration plan for officers and employees of the Company and its subsidiaries that has already been introduced and the exercise of Share Acquisition Rights for stock options that have already been issued as of the date of the Underwriting Agreement), the Company shall notify the Underwriter of the details of such decision, execution or agreement with a third party at least 20 business days prior to the earlier of such decision, execution or agreement with a third party, and shall confirm the intention of the Underwriter, and shall obtain the written consent of the Underwriter prior to such decision, execution or agreement with a third party, whichever comes earlier. If the Underwriter receives such notice and desires to issue or dispose of the shares, etc. to the Underwriter on behalf of or in addition to such third party under the same conditions, the Company shall issue or dispose of the shares, etc. to the Underwriter under the same conditions.
- (3) Exercises, etc., of moving strike convertible bonds, etc.
Not applicable.
 - (4) Changes in the number of issued shares, share capital, etc.
Not applicable.

(5) Shareholdings by shareholder category

As of March 31, 2025

Category	Number of shares (100 shares per unit)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign shareholders		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	-	18	24	205	183	52	13,214	13,696	-
Number of shares held (Units)	-	79,520	11,796	188,960	79,779	507	126,733	487,295	26,000
Shareholding ratio (%)	-	16.318	2.420	38.777	16.371	0.104	26.007	100.000	-

Notes: 1. “Financial institutions” includes 1,283 units of the Company’s shares accounted in trust by the employee stock ownership plan (J-ESOP).

2. 44,316 shares of treasury shares held by the Company are included in “Individuals and others” and “Share less than one unit” in the table. These amounts are 443 units and 16 shares, respectively.

(6) Major shareholders

As of March 31, 2025

Name	Address	Number of shares held (shares)	Ratio of the number of shares held to the total number of issued shares (excluding treasury share) (%)
HOUON Co., Ltd	2-41-8 Maihama, Urayasu-shi, Chiba	18,507,500	37.99
The Master Trust Bank of Japan, Ltd. (Accounted in trust)	AKASAKA INTERCITY AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	4,602,500	9.45
Custody Bank of Japan, Ltd. (Accounted in trust)	1-8-12 Harumi, Chuo-ku, Tokyo	2,578,100	5.29
Tomoaki Horiguchi	Urayasu-shi, Chiba	2,483,074	5.10
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	615,537	1.26
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	608,157	1.25
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, NA Tokyo Branch)	PALISADES WEST 6300, BEE CAVE ROAD BUILDING ONE AUSTIN TX 78746 US (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	489,000	1.00

Name	Address	Number of shares held (shares)	Ratio of the number of shares held to the total number of issued shares (excluding treasury share) (%)
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	430,037	0.88
Keiko Horiguchi	Urayasu-shi, Chiba	416,500	0.86
Sun Frontier Employee Stock Ownership Association	Toho Hibiya Building, 1-2-2 Yurakucho, Chiyoda-ku, Tokyo	415,200	0.85
Total	-	31,145,605	63.94

Note: 1. Of the number of shares held above, the number of shares held through trusts is as follows.
The Master Trust Bank of Japan, Ltd. 2,022,900 shares
Custody Bank of Japan, Ltd. 1,680,300 shares

(7) Voting rights
(i) Outstanding shares

As of March 31, 2025

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury shares, etc.)	-	-	-
Shares with restricted voting rights (others)	-	-	-
Shares with full voting rights (treasury shares, etc.)	(Treasury share) Common shares 44,300	-	-
Shares with full voting rights (others)	Common shares 48,685,200	486,852	-
Shares less than one unit	Common shares 26,000	-	-
Number of issued shares	48,755,500	-	-
Total number of voting rights	-	486,852	-

Notes: 1. Shares less than one unit include 16 shares in treasury shares.
2. Common shares in the “Shares with full voting rights (others)” includes 128,300 Company's treasury shares (1,283 voting rights) held by the employee stock ownership plan (J-ESOP).

(ii) Treasury share, etc.

As of March 31, 2025

Name of shareholders	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
(Treasury shares) Sun Frontier Fudousan Co., Ltd.	1-2-2 Yurakucho, Chiyoda-ku, Tokyo	44,300	-	44,300	0.09
Total	-	44,300	-	44,300	0.09

Notes: 1. In addition to the above, there are 16 shares less than one unit.

2. The Company's 128,300 shares owned by the employee stock ownership plan (J-ESOP) are not included in the above treasury shares, etc., but are accounted for as treasury shares in the consolidated financial statements and non-consolidated financial statements.

(8) Details of officers and employee stock ownership plan

The Company implemented an incentive plan, the “employee stock ownership plan (J-ESOP)” (hereinafter referred to as the “Plan” and the trust established under the trust agreement concluded with Mizuho Trust & Banking Co., Ltd. concerning the Plan is referred to as the “Trust”) in which the Company’s stock price and performance are linked to employee (including employees of the Company and some employees of the Company's subsidiaries. The same applies hereinafter) compensation and economic benefits are shared with shareholders to motivate employees to improve their stock price and performance.

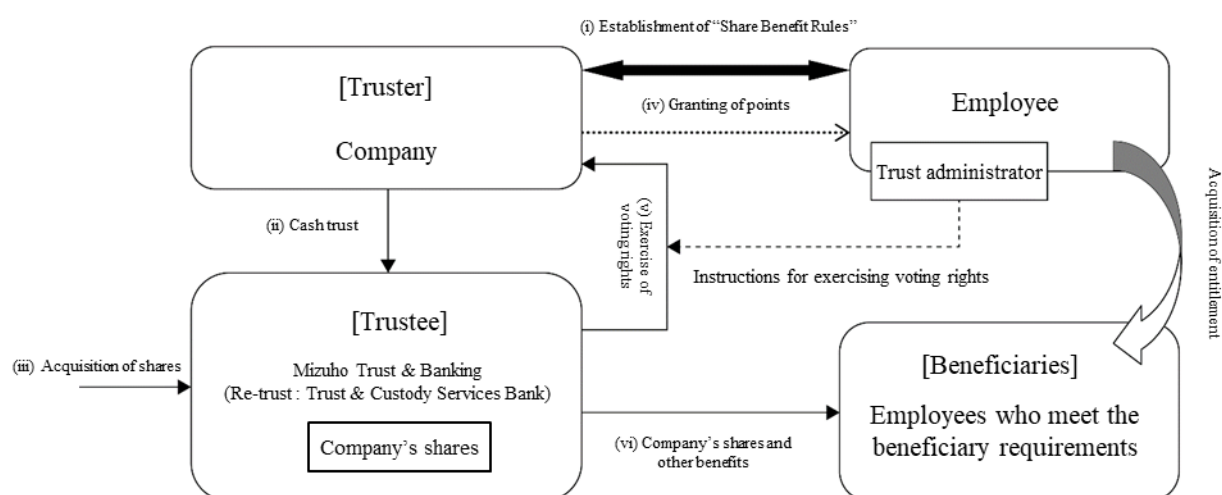
(i) Outline of the Plan

Based on the Share Benefit Regulations established by the Company in advance, the Plan provides the Company's employees who meet certain requirements with the cash equivalent to Company's shares and Company's shares converted at market value (hereinafter referred to as “Company's shares”).

The Company grants points to employees according to their length of service and other factors, and provides them with Company's shares and other benefits equivalent to the points granted when they acquire the right to receive benefits under certain conditions. Shares to be granted to employees shall be acquired by cash established in advance as a trust, including future shares, and separately managed as trust assets.

The introduction of the Plan will increase the interest of the Company's employees in improving their stock prices and business performance and will contribute to the Company's more ambitious work.

Structure of the Plan



A. Upon the introduction of the Plan, the Company shall establish “Share Benefit Regulations.”

B. The Company entrusts cash (third party benefit trust) to Mizuho Trust & Banking Co., Ltd. (re-trustee: Custody Bank of Japan, Ltd.) in order to acquire in advance shares to be provided to employees in the future based on the “Share Benefit Regulations.”

- C. The Trust will acquire the Company's shares using cash entrusted in (ii) above through the stock exchange market or by accepting the Company's treasury shares disposition.
- D. The Company will grant points to employees based on the "Share Benefit Regulations."
- E. The Trust will exercise its voting rights based on instructions from the trust administrator.
- F. The Trust shall deliver to employees who satisfy the beneficiary requirements set forth in the "Share Benefit Regulations" (hereinafter referred to as the "Beneficiary") and will provide the said Beneficiary with Company's shares corresponding to the number of points granted to said Beneficiary.. However, if the employee meets the requirements in the Share Benefit Regulations, they will be provided with cash equivalent to the market value of the Company's shares.

(ii) Total number of shares to be delivered to employees, etc.

128,300 shares

(iii) Scope of persons who can receive beneficial interests and other rights under the Plan

A person who satisfies the beneficiary requirements specified in the Company's Share Benefit Regulations

2. Acquisitions, etc. of Treasury Share

Classes of shares Acquisition of common shares pursuant to Article 155, Items 3 and 13 of the Companies Act of Japan

(1) Acquisitions by the resolution of the General Meeting of Shareholders

Not applicable.

(2) Acquisition by the resolution of the Board of Directors

Category	Number of shares (shares)	Total value (million yen)
Resolution of the Board of Directors (May 9, 2025) (Acquisition period: May 12, 2025 to May 14, 2025)	92,500	199
Treasury shares acquired before the fiscal year under review	-	-
Treasury shares acquired during the during the fiscal year under review	-	-
Total number and value of remaining resolution shares	-	-
Percentage of unexercised shares at the end of the fiscal year under review (%)	-	-
Treasury shares acquired during the period	92,500	199
Percentage of unexercised shares as of the filing date	-	-

Note: As the acquisition was completed by the date of submission of the Annual Securities Report, the percentage of unexercised shares as of the filing date is not stated.

(3) Content not based on the resolution of the General Meeting of Shareholders or the resolution of the Board of Directors

Category	Number of shares (shares)	Total value (thousand yen)
Treasury shares acquired during the fiscal year under review	1,051	-
Treasury shares acquired during the period	331	-

Note: 1. Treasury shares acquired during the period do not include the number of shares acquired through the purchase of shares less than one unit during the period from June 1, 2025 to the filing date of this Annual Securities Report.

2. 1,051 treasury shares acquired during the fiscal year under review were acquired without compensation

due to resignation in the middle of the term of the restricted stock compensation plan.

3. 331 treasury shares acquired during the period were acquired without compensation due to resignation in the middle of the term of the restricted stock compensation plan.

(4) Status of disposal and possession of the acquired treasury shares

Category	During the fiscal year under review		During the period	
	Number of shares (shares)	Total disposal amount (million yen)	Number of shares (shares)	Total disposal amount (million yen)
Acquired treasury shares that were offered to subscribers for subscription	-	-	-	-
Acquired treasury shares that were canceled	-	-	-	-
Acquired treasury shares that were transferred due to merger, exchange of shares, issue of shares, or corporate split	-	-	-	-
Other (granting of the restricted stock)	31,643	31	-	-
Number of treasury shares held	44,316	-	44,647	-

Notes: 1. The number of treasury shares held during the period does not include the number of shares acquired through the purchase of shares less than one unit during the period from June 1, 2025 to the filing date of this Annual Securities Report.

2. The numbers of treasury shares held during the fiscal year under review and during the period do not include the number of shares held by the employee stock ownership plan (J-ESOP).

3. Dividend Policy

The Company's basic policy is to contribute to the interests of shareholders in a comprehensive manner by striving to return profits to shareholders in a stable manner over the long term while securing investment funds that will aggressively challenge businesses for future growth, and by taking into consideration the stability and enhancement of financial position.

The Company stipulated in the Articles of Incorporation that interim dividends can be implemented, and its policy is to continue to distribute dividends twice a year, with the record date set on March 31 and September 30 each year. The distribution of dividends is resolved by either the General Meeting of Shareholders or the Board of Directors.

The dividends of surplus whose record date belongs to this fiscal year is as follows.

Date of resolution	Total dividend amount (million yen)	Dividends per share (yen)
November 7, 2024 Board of Directors Resolution	1,607	33.00
May 20, 2025 Board of Directors Resolution	1,607	33.00

Note: The total dividend amount includes the Company's shares' dividends accounted in trust by the employee stock ownership plan (J-ESOP).

4. Corporate Governance, etc.

(1) Overview of corporate governance

(i) Basic stance on corporate governance

The Company's basic stance on corporate governance is that all officers and employees should set "the right thing to do as a human being" based on high ethical standards as a criterion for business execution and practice it. On this basis, we recognize that it is an important mission of management to contribute to society through business activities and to pursue profit fairly, and to build firm trust from stakeholders such as

shareholders, customers and employees by continuously increasing corporate value over the long term.

Based on this recognition, the Company is working to strengthen its corporate governance with the below basic policies:

1. improving transparency and ensuring fairness,
2. swift decision-making and business execution,
3. thorough accountability,
4. timely and appropriate information disclosure, and
5. enhancement of compliance awareness.

(ii) Outline and reason for adoption of the current corporate governance system

A. Overview of current corporate governance system and its activities

By adopting a system of a Company with Audit & Supervisory Committee as corporate governance system, the Audit & Supervisory Committee members, who audit and supervise the execution of duties of the directors, will become members of the Board of Directors, thereby strengthening the supervisory function of the Board of Directors and further enhancing corporate governance. In addition, by enabling the Board of Directors to broadly delegate decisions on business execution to the directors, we aim for a swift decision-making on business execution. At the same time, we aim to achieve sustainable growth and increase corporate value in the medium to long term by having the Board of Directors focus on important management decisions such as management plans.

(a) Board of Directors

As of the filing date of this Annual Securities Report (June 23, 2025), the Company's Board of Directors consists of eleven members from directors (including four outside directors) and is responsible for passing resolutions on matters stipulated in laws and regulations and the Articles of Incorporation, as well as making management decisions and supervising the execution of duties. Board of Directors meetings are held once a month, and extraordinary Board of Directors meetings are held as necessary to decide on matters stipulated by laws and regulations, important matters related to company management, and other matters stipulated by the Board of Directors Regulations. In addition, the Company supervises the execution of duties by directors and executive officers by receiving information on the status of execution of duties from directors and executive officers on a regular basis. In fiscal 2024, the Company held 18 Board of Directors meetings, and the attendance of each Director is as follows

Title	Name	Number of meetings held	Attendance
Chairman Representative Director	Tomoaki Horiguchi	18 times	17 times
President Representative Director	Seiichi Saito	18 times	18 times
Vice President Director	Izumi Nakamura	18 times	18 times
Senior Managing Director	Yasushi Yamada	18 times	17 times
Managing Director	Mitsuhiro Ninomiya	18 times	18 times
Director	Kenji Honda	18 times	18 times
Outside Director	Keiichi Asai	18 times	18 times
Outside Director	Koichi Ishimizu	14 times	14 times
Audit & Supervisory Committee Member Director	Shinichi Tominaga	18 times	18 times
Audit & Supervisory Committee Member Outside Director	Kazutaka Okubo	18 times	18 times
Audit & Supervisory Committee Member Outside Director	Yukiko Edahiro	14 times	14 times

(b) Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three Audit & Supervisory Committee members (including two outside directors), and each Audit & Supervisory Committee member shall conduct audits as described in “(3) Conditions of audit (i) Audit & Supervisory Committee’s Audit” in accordance with the audit policy, audit plan, etc. established by the Audit & Supervisory Committee.

(c) Nomination and Compensation Committee (voluntary)

In order to improve the objectivity and transparency of procedures relating to the officer’s election, dismissal, and remuneration, the Company has established the Nomination and Compensation Committee, which consists of the Chairman Representative Director, President Representative Director and two or more Outside Directors, as the voluntary advisory body of Board of Directors. In the Nomination and Compensation Committee, standards and processes related to the officer’s election, dismissal, and remuneration as well as the evaluation basic policy are examined and deliberated, and the Board of Directors will make decisions and resolutions on the Board of Directors' proposals regarding officer’s election, dismissal, and remuneration with maximum respect for the deliberation contents.

In fiscal 2024, Nomination and Compensation Committee meetings were held two times, and the attendance of individual directors is as follows.

Title	Name	Number of meetings held	Attendance
Chairman Representative Director	Tomoaki Horiguchi	2 times	2 times
President Representative Director	Seiichi Saito	2 times	2 times
Outside Director	Keiichi Asai	2 times	2 times
Audit & Supervisory Committee Member Outside Director	Kazutaka Okubo	2 times	2 times

The members of each organization as of the filing date of the Annual Securities Report (June 23, 2025) are as follows. (◎Represents the chairman.)

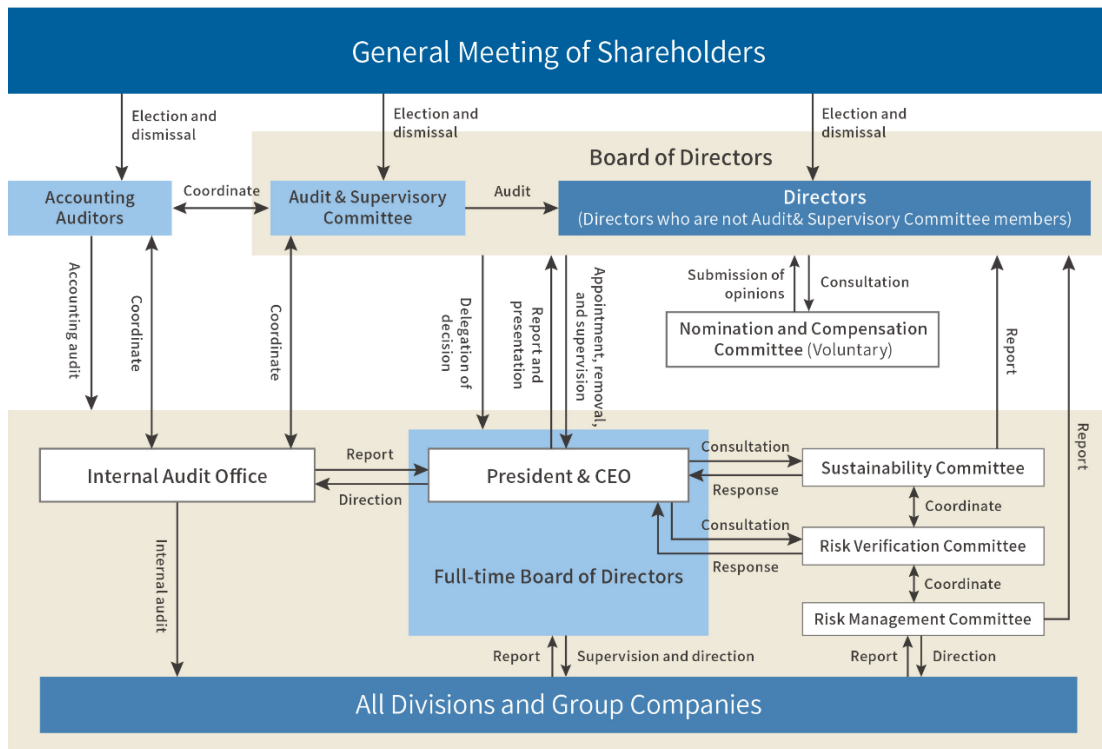
Title	Name	Board of Directors	Audit & Supervisory Committee	Nomination and Compensation Committee (voluntary)
Chairman Representative Director	Tomoaki Horiguchi	○		○
President Representative Director	Seiichi Saito	◎		◎
Vice President Director	Izumi Nakamura	○		
Senior Managing Director	Yasushi Yamada	○		
Managing Director	Mitsuhiro Ninomiya	○		
Director	Kenji Honda	○		
Outside Director	Keiichi Asai	○		○
Outside Director	Koichi Ishimizu	○		
Audit & Supervisory Committee Member Director	Shinichi Tominaga	○	◎	
Audit & Supervisory	Kazutaka Okubo	○	○	○

Committee Member Outside Director				
Audit & Supervisory Committee Member Outside Director	Yukiko Edahiro	○	○	

The “Election of Seven (7) Directors who are not Audit & Supervisory Committee Members” was proposed as a proposal (materials to be resolved) at the Annual General Meeting of Shareholders to be held on June 24, 2025. If the resolution is approved and passed, the membership of each organization will be as follows. (◎ represents the chairman.)

Title	Name	Board of Directors	Audit & Supervisory Committee	Nomination and Compensation Committee (voluntary)
Chairman Representative Director	Tomoaki Horiguchi	○		○
President Representative Director	Seiichi Saito	◎		◎
Vice President Director	Izumi Nakamura	○		
Managing Director	Mitsuhiro Ninomiya	○		
Director	Kentaro Kawanishi	○		
Outside Director	Keiichi Asai	○		○
Outside Director	Koichi Ishimizu	○		
Audit & Supervisory Committee Member Director	Shinichi Tominaga	○	◎	
Audit & Supervisory Committee Member Outside Director	Kazutaka Okubo	○	○	○
Audit & Supervisory Committee Member Outside Director	Yukiko Edahiro	○	○	

A diagram of the Company's corporate governance system is as follows.



*The Company has proposed the “Election of Seven (7) Directors who are not Audit & Supervisory Committee Members” as a proposal (materials to be resolved) at the Annual General Meeting of Shareholders to be held on June 24, 2025. If the proposal is approved and passed, the number of Directors will be 10 (including four (4) Outside Directors).

B. Reason for adoption of the said system

The Company operates an Audit & Supervisory Committee system. Four of the 11 Board of Directors members are independent outside directors, and they supervise directors’ execution of duties. The Company has adopted the current governance system as we have determined that the above corporate governance system is appropriate considering the scale and business of the Company based on our basic stance of corporate governance.

(iii) Other items on corporate governance

A. The progress of the internal control system development

In accordance with the Companies Act of Japan and the Ordinance for Enforcement of Companies Act of Japan and, the Company resolved “Internal Control System Construction basic policy” in the Board of Directors as described below and has established and is operating its system.

B. Basic policy for building the internal control system

(a) Systems to ensure that the execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation

All directors and employees shall strive to establish a management system that is trusted by society on an ongoing basis in the future by strengthening internal management systems and raising awareness of compliance, based on the recognition that it is our social responsibility as a company to always embody the spirit of legal compliance and execute business based on a fair and high level of ethics.

In concrete terms, the Internal Audit Office, which is under direct control of the President Representative Director, will be established to conduct regular internal audits of all divisions and group companies without exception. In internal audits, the Company shall ascertain the status of business operations and systems and shall fairly investigate and verify whether all business operations are conducted appropriately in compliance with laws and regulations, the Articles of Incorporation, and internal rules, and whether corporate systems, organizations, and rules are proper and appropriate. The results of audits shall be reported to the President Representative Director and the Audit & Supervisory Committee on a regular basis. Also, the Company shall report to the Board of Directors as needed. In addition, the Company will establish a “Corporate Ethics Help Line” and establish an internal reporting

system with various contact methods that thoroughly protects reporters in order to prevent and promptly detect violations of laws and regulations and misconduct to improve the mobility of the self-cleaning process, control reputational risks, and ensure public trust. Furthermore, in order to raise awareness of compliance, the Legal Department will be established, and various training and education will be conducted.

The Company and group companies shall have no relationship with anti-social forces and shall respond resolutely to unreasonable demands.

(b) System for storage and management of information related to the execution of duties by directors

Information related to the execution of duties by directors, such as records related to decision-making at important meetings including the Board of Directors meetings and documents approved by each director in accordance with the “Regulations on Administrative Authority,” shall be appropriately recorded, and shall be retained for a specified period of time in accordance with laws and regulations and the “Regulations on the Handling of Documents,” and shall be kept available for inspection by directors as necessary. The division director of the Administration Division shall be responsible for supervising the storage and management of information.

(c) Regulations concerning the management of risk of loss and other systems

In order to respond to all risks that threaten the improvement of corporate value and the sustainable development of the Company, the Company will strive to establish an organizational crisis management system by creating a risk management manual and establishing a task force headed by the President Representative Director (including a team of external experts such as corporate lawyers) in the event of an unforeseen event.

(d) Systems to ensure efficient execution of duties by directors

As an indicator for establishing and implementing the corporate vision of the entire corporation, the Company has formulated a medium-term management policy and a single-year management plan. In order to realize the management policy and the management plan, the Board of Directors has clarified the executive authority and responsibilities of directors and has increased the efficiency of the execution of duties. In addition, with regard to matters for which decisions on business execution have been delegated to the President Representative Director and directors in charge of business execution of other matters, necessary decisions shall be made based on the “Organization Regulations” or the “Regulations for Management of Affiliated Companies” including group companies. These regulations shall also be appropriately reviewed based on revisions and abolition of laws and regulations and for the purpose of improving the efficiency of the execution of duties.

(e) Systems to ensure the appropriateness of operations within the corporate group consisting of the Company and group companies

In order to ensure the appropriate execution of operations by group companies, the Corporate Planning Division shall be responsible for the management of the group companies in accordance with the “Regulations for Management of Affiliated Companies.” While respecting the autonomy of the group companies, the Corporate Planning Division shall receive periodic reports on the status of the business of the group companies including matters related to the execution of duties of the directors of group companies. In addition, the Corporate Planning Division shall require prior consultation or prior approval with the Company for important management matters of the group companies. Group companies' management plans are also formulated under the control of the Company, and the Company provides timely and appropriate advice and guidance during the business period to improve the efficiency of group companies' operations. In addition, the Company and its group companies have established a Risk Management Committee chaired by the President Representative Director and assign risk management officers to each division. In the event that any risk is discovered in management or business, it shall be reported to the Risk Management Committee, and the risk information shall be analyzed and countermeasures shall be considered to prevent damage or to minimize damage to the Company and the group companies if such damage occurs. We will establish a system for reporting violations of laws and regulations or illegal acts that have occurred or may occur at group companies to the internal reporting desk or outside Audit & Supervisory Committee Members specified in the “Regulations on the Corporate Ethics Help Line.” We will strive for early detection and resolution of these violations. The Internal Audit Office shall conduct internal audits of all group companies in order to ensure the effectiveness and appropriateness of systems, organizations, and regulations covering the overall operations of group companies. The results of these audits shall be reported to the organization

designated by the Company's President Representative Director and Audit & Supervisory Committee, etc.

The President Representative Director shall prepare and report financial statements in accordance with fair and appropriate accounting standards in order to enhance the reliability of financial reporting and increase corporate value of the Company and its group companies.

- (f) Matters relating to employees who are required to assist Audit & Supervisory Committee Members in performing their duties

In the event that Audit & Supervisory Committee Members request that an employee be assigned to assist them in performing their duties, such employee shall be assigned as an Audit & Supervisory Committee Members' assistant. The auditor's assistant shall be appointed from persons who have sufficient knowledge of accounting and law and shall perform their duties in accordance with the instructions of the Audit & Supervisory Committee Members.

- (g) Matters related to the independence of employees from directors in the preceding paragraph

In order to ensure the independence of the auditor's assistant as set forth in the preceding paragraph, personnel changes and evaluations of such employees shall be reported to Audit & Supervisory Committee Members in advance and their consent shall be obtained.

- (h) Matters related to ensuring the effectiveness of instructions given by Audit & Supervisory Committee Members to employees in Paragraph (f)

The auditor's assistant in Paragraph (f) will have the opportunity to accompany the Audit & Supervisory Committee Members to Board of Directors meetings and other important meetings. They will also accompany the Audit & Supervisory Committee Members and regularly exchange opinions with the President Representative Director and accounting auditors. Directors and other employees will cooperate with the Audit & Supervisory Committee Members to improve the auditing environment so that the duties of the auditor's assistant are carried out smoothly.

- (i) System for reporting to Audit & Supervisory Committee Member and other Members by Directors and employees of the Company and group companies

All directors who are not Audit & Supervisory Committee Members and department heads shall report on the status of the execution of their duties from time to time at the Board of Directors meetings and other meetings attended by Audit & Supervisory Committee Members and shall be permitted to attend any Company meetings upon the request of the Audit & Supervisory Committee.

Directors who are not Audit & Supervisory Committee Members and employees of the Company and directors, auditors, and employees of the subsidiaries (hereinafter referred to as "Directors and Employees of the Company and Group Companies") shall report to the Audit & Supervisory Committee as soon as they discover any matter that has or may have a material impact on the Company's credibility, business performance or any material violation of the Corporate Vision and/or Corporate Code of Conduct.

Directors and Employees of the Company and Group Companies may report to the internal reporting office of the Company as set forth in the "Regulations on the Corporate Ethics Help Line" at any time. In addition, they may voluntarily report to Audit & Supervisory Committee Members of the Company. The Compliance Department of the Company provides education and training opportunities for directors and employees to raise awareness of the hotline and encourage active reporting.

The Company shall explicitly stipulate in the "Regulations on the Corporate Ethics Help Line" that Directors and Employees of the Company and Group Companies shall not be subjected to unfavorable treatment in personnel evaluation and shall not be subject to adverse dispositions such as disciplinary action by reporting to the internal reporting office and shall make it known that they shall not be subject to adverse dispositions due to reporting to the Audit & Supervisory Committee.

- (j) Matters related to the policy regarding the handling of expenses and obligations arising from the execution of duties by Audit & Supervisory Committee Members (limited to matters relating to the execution of duties by the Audit & Supervisory Committee)

The Company shall promptly respond to requests from Audit & Supervisory Committee Members for advance payment of expenses incurred in the execution of their duties, reimbursement of expenses incurred, and repayment of obligations incurred, except in cases where such expenses can be proved not to have arisen in the execution of their duties.

(k) Systems to ensure effective audits by the Audit & Supervisory Committee

The President Representative Director will hold regular meetings with Audit & Supervisory Committee Members in order to facilitate mutual communication. In addition, in accordance with the “Regulations for Internal Audit” and the “Internal Audit Implementation Guidelines,” the Internal Audit Office shall maintain close contact and coordination and cooperate to ensure that audits by the Audit & Supervisory Committee and audits by external auditors are conducted efficiently and effectively.

C. Outline of the operating status

(a) Directors’ execution of duties

We have established internal rules to ensure that directors act in compliance with laws and regulations and the Articles of Incorporation. During the fiscal year under review, the Company held 18 Board of Directors meetings to discuss each proposal, supervise the status of business execution, and actively exchange opinions.

(b) Execution of duties by Audit & Supervisory Committee Members

During the fiscal year under review, the Audit & Supervisory Committee Members held 13 Audit & Supervisory Committee meetings and implemented audits based on the audit plan established by the Audit & Supervisory Committee. In addition, the Audit & Supervisory Committee Members attended Board of Directors meetings and other important meetings and regularly exchanged information with the President Representative Director, the accounting auditor, and the Internal Audit Office to audit the execution of duties by the directors and to confirm the development and operational status of the internal control system.

(c) Ensuring the appropriateness of operations at the Company’s subsidiaries

The Company receives periodic reports on the status of its business from its subsidiaries in accordance with the “Regulations for Management of Affiliated Companies” and monitors their business activities.

(d) Compliance and risk management

The Company has established the “Corporate Ethics Help Line” to ensure that employees who have reported compliance violations or questionable acts are not treated unfavorably for the reason of the report. The Company ensures that reporters are not treated unfavorably in personnel change, personnel evaluation and disciplinary action. In addition, we are preparing for unexpected situations such as training for countermeasures against large-scale disasters and securing supplies for people with difficulty in returning home.

D. Status of the development of the risk management system

The Company’s risk management system includes risk management in each division. At the same time, directors who are not Audit & Supervisory Committee Members, division heads, and chiefs grasp the status of important management matters (contracts, quality, intellectual property, etc.) in a cross-sectional manner. If necessary, directors who are not Audit & Supervisory Committee Members, division heads, and chiefs hold weekly meetings to report and review. The Company has established a system to promptly hold an extraordinary Board of Directors’ meeting to respond to an emergency.

In addition, in order to strengthen risk management, the Company strives to implement internal audit and enhance education and training regarding various laws and regulations for officers and employees and carries out educational activities to ensure awareness. Moreover, the Company has entered into an advisory contract with a law firm in order to deal with cases that require guidance and has received advice and guidance appropriately.

E. Outline of the liability limitation agreement

The Company has concluded a liability limitation agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the Outside Directors under Article 423, Paragraph 1 of the said Law. The maximum amount of liability for damages under the agreement is the amount stipulated by laws and regulations.

Such limitation of liability is permitted only when the Outside Director has acted in good faith and without gross negligence in performing the duties that caused the liability.

F. Outline of officers’ liability insurance contract

The Company has entered into liability insurance contracts for officers, etc. as stipulated in Article 430 (3), Item 1 of the Companies Act with the Company’s and its subsidiaries’ Directors, Audit & Supervisory

Committee Members, executive officers and other employees as insured persons. Claims for damages arising from an act performed by an insured person in relation with the business of the Company (including inaction) are covered by compensation for damages and court costs incurred by the insured. The Company pays all insurance premiums for all insured persons, but damage caused by criminal acts or intentional illegal acts is excluded so as not to impair the appropriateness of the execution of duties.

(iv) Matters related to director

A. Maximum number of directors

The Company's Articles of Incorporation stipulate that the number of directors who are not Audit & Supervisory Committee Members shall not exceed ten (10) and the number of directors who are Audit & Supervisory Committee Members shall not exceed four (4).

B. Requirements for a resolution on the appointment of a director

The Company's Articles of Incorporation stipulate that a resolution for the election of a director shall be adopted by a majority of the voting rights of the shareholders who are eligible to exercise the voting rights and who are present at the meeting, where the shareholders holding one-third or more of the voting rights of all shareholders eligible to exercise the voting rights must be present and cumulative voting shall not be used in a resolution for the election of a director.

(v) Matters concerning the General Meeting of Shareholders

A. The General Meeting of Shareholders special resolution requirements

The Company's Articles of Incorporation stipulate that when a special resolution is required, resolutions made pursuant to Article 309, Paragraph 2 of the Companies Act of Japan shall be adopted by two-thirds or more of the voting rights of the shareholders who are eligible to exercise the voting rights and who are present at the meeting, where the shareholders holding one-third or more of the voting rights of all shareholders eligible to exercise the voting rights must be present. The purpose of this agreement is to facilitate the smooth operation of the General Meetings of Shareholders by securing a quorum for special resolutions in the General Meetings of Shareholders.

B. Matters to be resolved in the General Meeting of Shareholders Resolution Matters that may be resolved at the meeting of the Board of Directors

(a) Acquisition of own shares

The Company's Articles of Incorporation stipulate that to enable the execution of flexible capital policy to respond to changes in the business environment, pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act of Japan, the Company may acquire its own shares through transactions on the market, etc., by a resolution of the Board of Directors.

(b) Exemption from liability of Director

The Company's Articles of Incorporation stipulate that to ensure directors can fully perform the role expected of them, in accordance with the provisions of Article 426, Paragraph 1 of the Companies Act of Japan, the Company may, by a resolution of the Board of Directors, exempt a Director (including those who were a Director) from his/her liability for damages caused by his/her dereliction of duty, within the limits stipulated by laws or regulations.

(c) Dividends of surplus, etc.

In order for the Company to flexibly implement its capital and dividend policies, we provide in our Articles of Incorporation that matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act of Japan, such as dividends of surplus, may be determined by resolution of the Board of Directors, except as otherwise provided by laws and regulations.

(2) Board of Directors and Audit & Supervisory Committee Members

(i) List of Board of Directors and Audit & Supervisory Committee Members

1. The Company's Board of Directors and Audit & Supervisory Committee Members as of June 23, 2025

(Annual Securities Report Submission Date) is as follows.

Male: 10 persons, Female: 1 person (percentage of the female: 9%)

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Chairman Representative Director	Tomoaki Horiguchi	April 21, 1958	March 1990 Sun Frontier Co., Ltd. (merged company) President Representative Director April 1999 Establishment of the Company President Representative Director November 2017 Representative Director of Sun Frontier Sado Co., Ltd. (current position) June 2018 Representative Director of Sun Frontier Okinawa Co., Ltd. (current position) August 2018 Representative Director of Okesa Kanko Taxi Co., Ltd. (current position) April 2020 Chairman Representative Director of the Company (current position) May 2021 President Representative Director of Hotel Osado Co., Ltd. (current position) July 2024 Representative Director of Oriental Resort Associates Inc. (current position) June 2025 Chairman Representative Director of Sun Frontier Hotel Management Inc. (current position)	(Note 3)	2,483,454
President Representative Director	Seiichi Saito	June 9, 1960	September 2005 Joined the Company November 2005 Division Director of Administration Division June 2006 Director, Division Director of Administration Division June 2008 Senior Managing Director, Division Director of Administration Division June 2012 Executive Vice President, Vice President Executive Officer, Division Director of Administration Division June 2014 Representative Executive Vice President, Vice President Executive Officer, Division Director of Administration Division April 2015 Representative Executive Vice President, Vice President Executive Officer, Division Director of Asset Management Division June 2017 Chairman of Sun Frontier Fudousan Taiwan Co., Ltd.	(Note 3)	88,806

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
			(current position) January 2019 Representative Director of Kouwa Corporation (currently SF Engineering Inc.) (current position) April 2020 President Representative Director of the Company, President Executive Officer (current position)		
Vice President Director, Division Director of Entrusted Asset Management Division	Izumi Nakamura	March 16, 1952	September 2006 Joined the Company Head of Sales Administration, Entrusted Asset Management Division June 2008 Director, Division Director of Entrusted Asset Management Division of the Company June 2012 Representative Director SF Building Support Inc. (current position) June 2012 Managing Director, Managing Executive Officer, Division Director of Entrusted Asset Management Division of the Company November 2013 Representative Director of Yubi Co., Ltd. (currently SF Building Maintenance Inc.) (current position) June 2016 Senior Managing Director, Senior Managing Executive Officer, Division Director of Entrusted Asset Management Division April 2020 Executive Vice President, Vice President Executive Officer, <u>Division Director</u> of Entrusted Asset Management Division (current position)	(Note 3)	64,909
Senior Managing Director, Division Director of Business Development Division	Yasushi Yamada	December 23, 1965	August 2010 Joined the Company, General Manager of Corporate Planning Department June 2012 Executive Officer, General Manager of Corporate Planning Department April 2015 Executive Officer, Division Director of Administration Division June 2015 Director, Executive Officer, Division Director of Administration Division June 2016 Managing Director, Managing Executive Officer, Division	(Note 3)	26,668

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
			November 2017 Director of Administration Division Representative Director of PT.SUN FRONTIER PROTERTY ONE (current position) December 2017 Representative Director of PT.SUN FRONTIER INDONESIA (current position) April 2020 Senior Managing Director, Senior Managing Executive Officer, Division Director, Business Development Division (current position) June 2020 Chairman Representative Director of SUN FRONTIER VIETNAM CO., LTD. (current position) June 2020 Chairman Representative Director of SUN FRONTIER DANANG CO., LTD. (current position)		
Managing Director, Division Director of Administration Division	Mitsuhiro Ninomiya	March 1, 1969	September 2003 Joined the Leasing Business Division of the Company March 2006 Head of Property Management Business October 2010 Manager of Human Resources General Affairs Division June 2014 Executive Officer April 2018 Deputy Division Director of Administration Division, General Manager of Corporate Planning Department April 2019 Deputy Division Director of Administration Division, General Manager of Corporate Planning Department, Manager of Information System Division July 2019 Deputy Division Director of Administration Division, General Manager of General Affairs Department, Manager of Information System Division April 2020 Division Director of Administration Division (current position) June 2020 Director April 2024 Managing Director, Managing Executive Officer (current position) June 2025 Director of Sun Frontier Hotel Management Inc. (current position)	(Note 3)	38,530

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Director, Division Director of Asset Management Division	Kenji Honda	March 5, 1967	April 2006 Joined the Company in Entrusted Asset Management Division Corporate Sales Section October 2010 Head of Property Management Business June 2014 Executive Officer, Head of Property Management Business April 2018 Deputy Division Director of Entrusted Asset Management Division, Head of 1st Property Management Business April 2020 Division Director of Asset Management Division (current position) June 2020 Director (current position) February 2021 Representative Executive Vice President of Communication Development Inc. (currently SF Communication Inc.) February 2024 President Representative Director of SF Communication Inc. (current position) April 2024 Senior Executive Officer (current position)	(Note 3)	9,443
Director	Keiichi Asai	September 29, 1954	April 1978 Joined Mitsubishi Corporation April 2009 Executive Officer and Head of the Energy Business Group CEO Office of the same company April 2013 Vice President Director of Lithium Energy Japan September 2014 President Representative Director of KH Neochem Co., Ltd. April 2019 Retired from the same company June 2021 Outside Director, Audit & Supervisory Committee Member of Cosmo Energy Holdings Co., Ltd. (current position) June 2022 Outside Director of the Company (current position)	(Note 3)	-
Director	Koichi Ishimizu	October 16, 1958	April 1984 Joined Shimizu Corporation February 1997 Director of Tokyo Branch Construction Department of the same company July 2007 General Manager of Tokyo Building Construction Department No. 3, Building Construction Division of the same company July 2008 General Manager of New Head Office Construction Division of the same company April 2015 Executive Officer, Director of Hiroshima Branch of the same company	(Note 3)	-

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
			April 2017 Managing Officer in charge of the Tokyo Metropolitan Area, Director of Tokyo Branch of the same company April 2020 Senior Managing Officer in charge of the Tokyo Metropolitan Area, Director of Tokyo Branch, Manager in charge of Nuclear Business of the same company April 2021 Senior Managing Officer in charge of the Kansai Region, Director of the Yumeshima Project of the same company April 2023 Standing Advisor of the same company March 2024 Resigned from the same company June 2024 Outside Director of the Company (current position)		
Director, Audit & Supervisory Committee Member	Shinichi Tominaga	June 13, 1957	April 1981 Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation) September 2007 Compliance Manager of Kenedix Advisors, Inc. March 2009 Manager of Finance & Accounting Department of Kenedix, Inc. September 2010 Manager of Business Management Department of Kenedix, Inc. July 2017 Joined the Company, Deputy Division Director of Administration Division April 2018 Manager for Governance and Other Special Missions of the Company April 2019 Accounting Manager of the Company July 2020 General Manager of Corporate Planning Department of the Company June 2022 Director, Audit & Supervisory Committee Member of the Company (current position)	(Note 4)	955

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Director, Audit & Supervisory Committee Member	Kazutaka Okubo	March 22, 1973	November 1995 Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC) April 1999 Registered as Certified Public Accountant June 2006 Partner of ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC) July 2012 Senior Partner of ShinNihon LLC (currently Ernst & Young ShinNihon LLC) February 2016 Senior Managing Director and General Manager of ERM of the same audit corporation June 2019 President Representative Director of Okubo Associates Co., Ltd. (current position) June 2019 Outside Director of the Company December 2019 Outside Director of LIFULL Co., Ltd. (current position) February 2020 Outside Director of SALA Corporation (current position) June 2020 Outside Director of The Shoko Chukin Bank, Ltd. (current position) June 2020 Outside Director, Audit & Supervisory Committee Member of Musashi Seimitsu Industry Co., Ltd. (current position) November 2020 Representative Director of SS DNAFORM (current position) September 2021 Outside Director, Audit & Supervisory Committee Member of BrainPad Inc. (current position) June 2022 Outside Director, Audit & Supervisory Committee Member of SEGA SAMMY HOLDINGS INC. (current position) June 2024 Outside Director, Audit & Supervisory Committee Member of the Company (current position)	(Note 4)	4,198
Director, Audit & Supervisory Committee Member	Yukiko Edahiro	June 14, 1980	December 2009 Registered as an attorney at law (Tokyo Bar Association) December 2009 Joined Makinouchi & Kamiishi Law Office (currently Makinouchi Law Office) July 2016 Joined Ginza Broad Law Firm January 2020 Established Toranomom Daiichi Law Office (current position) June 2024 Outside Director, Audit & Supervisory Committee Member of the Company (current position)	(Note 4)	-
Total					2,716,963

Notes: 1. Director Mr. Keiichi Asai, Mr. Koichi Ishimizu, Mr. Kazutaka Okubo, and Ms. Yukiko Edahiro are “Outside Directors.”

2. The name on the family register of Director Yukiko Edahiro is Yukiko Yano.

3. For one year from the conclusion of the Annual General Meeting of Shareholders on June 25, 2024

4. For two years from the conclusion of the Annual General Meeting of Shareholders on June 25, 2024

5. The Company has appointed 1 substitute Audit & Supervisory Committee Member who is a director as stipulated in Article 329, Paragraph 3 of the Companies Act of Japan in preparation for the event that the number of Audit & Supervisory Committee Member who is a director falls short of the number stipulated by laws and regulations. The career summary of the substitute Audit & Supervisory Committee Member who is a director is as follows.

Name	Date of birth	Career summary	Share ownership (shares)
Fumio Tsuchiya	July 26, 1952	April 1985 Registered as an attorney (Daini Tokyo Bar Association) April 1989 Established and is the General Manager of Tsuchiya Law Office (current position)	-

6. The Company has introduced an executive officer system in order to improve efficiency by separating management decision-making and supervisory functions from business execution functions and to strengthen business execution functions. The 13 executive officers are as follows.

Name	Title	Position
* Seiichi Saito	President Executive Officer	
* Izumi Nakamura	Vice President Executive Officer	Division Director of Entrusted Asset Management Division
* Yasushi Yamada	Senior Managing Executive Officer	Division Director of Business Development Division, Business Development Manager
* Mitsuhiro Ninomiya	Managing Executive Officer	Division Director of Administration Division
* Kenji Honda	Senior Executive Officer	Division Director of Asset Management Division
Shuhei Oda	Senior Executive Officer	Deputy Division Director of Asset Management Division, General Manager of Building Business Department
Kentaro Kawanishi	Senior Executive Officer	Deputy Division Director of Entrusted Asset Management Division, Head of Property Management Business, General Manager of Real Estate Solutions
Takeshi Hirahara	Senior Executive Officer	Deputy Division Director of Administration Division, General Manager of Corporate Planning Department, General Manager of Marketing Department
Kenji Wakao	Executive Officer	Asset Management Division, General Manager of Construction Department
Hiroyuki Takekawa	Executive Officer	General Manager of DX Business
Keiichiro Nishimoto	Executive Officer	Entrusted Asset Management Division, General Manager of Leasing Management Business
Tetsuya Arai	Executive Officer	Asset Management Division, General Manager of Consulting Department
Hiroyuki Kobayashi	Executive Officer	Asset Management Division, Building Business Department, General Manager of Replanning Department

* Indicates Executive Officer concurrently serving as Director.

2. As a proposal of the Annual General Meeting of Shareholders (materials to be resolved) to be held on June 24, 2025, “Election of Seven (7) Director Members who are not Audit & Supervisory Committee Members” has been submitted. If the resolution is approved and passed, the status of officers of the Company and their terms of office will be as follows.

The title, etc. of officers includes the content (title, etc.) of the materials to be resolved in the Board of Directors’ meeting scheduled to be held immediately after the Annual General Meeting of Shareholders.

Male: 9 persons, Female: 1 person (percentage of the female: 10%)

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Chairman Representative Director	Tomoaki Horiguchi	April 21, 1958	March 1990 Sun Frontier Co., Ltd. (merged company) President Representative Director April 1999 Establishment of the Company President Representative Director November 2017 Representative Director of Sun Frontier Sado Co., Ltd. (current position) June 2018 Representative Director of Sun Frontier Okinawa Co., Ltd. (current position) August 2018 Representative Director of Okesa Kanko Taxi Co., Ltd. (current position) April 2020 Chairman Representative Director of the Company (current position) May 2021 President Representative Director of Hotel Osado Co., Ltd. (current position) July 2024 Representative Director of Oriental Resort Associates Inc. (current position) June 2025 Chairman Representative Director of Sun Frontier Hotel Management Inc. (current position)	(Note 3)	2,483,454
President Representative Director	Seiichi Saito	June 9, 1960	September 2005 Joined the Company November 2005 Division Director of Administration Division June 2006 Director, Division Director of Administration Division June 2008 Senior Managing Director, Division Director of Administration Division June 2012 Executive Vice President, Vice President Executive Officer, Division Director of Administration Division June 2014 Representative Executive Vice President, Vice President Executive Officer, Division Director of Administration Division April 2015 Representative Executive Vice President, Vice President Executive Officer, Division Director of Asset Management Division	(Note 3)	88,806

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
			June 2017 Chairman of Sun Frontier Fudousan Taiwan Co., Ltd. (current position) January 2019 Representative Director of Kouwa Corporation (currently SF Engineering Inc.) (current position) April 2020 President Representative Director of the Company, President Executive Officer (current position)		
Vice President Director, Division Director of Entrusted Asset Management Division	Izumi Nakamura	March 16, 1952	September 2006 Joined the Company Head of Sales Administration Entrusted Asset Management Division June 2008 Director, Division Director of Entrusted Asset Management Division of the Company June 2012 Representative Director SF Building Support Inc. (current position) June 2012 Managing Director, Managing Executive Officer, Division Director of Entrusted Asset Management Division of the Company November 2013 Representative Director of Yubi Co., Ltd. (currently SF Building Maintenance Inc.) (current position) June 2016 Senior Managing Director, Senior Managing Executive Officer, Division Director of Entrusted Asset Management Division April 2020 Executive Vice President, Vice President Executive Officer, <u>Division Director</u> of Entrusted Asset Management Division (current position)	(Note 3)	64,909
Managing Director, Division Director of Administration Division	Mitsuhiro Ninomiya	March 1, 1969	September 2003 Joined the Leasing Business Division of the Company March 2006 Head of Property Management Business October 2010 Manager of Human Resources General Affairs Division June 2014 Executive Officer April 2018 Deputy Division Director of Administration Division, General Manager of Corporate Planning Department April 2019 Deputy Division Director of Administration Division, General Manager of Corporate Planning	(Note 3)	38,530

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
			July 2019 Department, Manager of Information System Division Deputy Division Director of Administration Division, General Manager of General Affairs April 2020 Department, Manager of Information System Division Division Director of Administration Division (current position) June 2020 Director April 2024 Managing Director, Managing Executive Officer (current position) June 2025 Director of Sun Frontier Hotel Management Inc. (current position)		
Director, Deputy Division Director of Entrusted Asset Management Division	Kentaro Kawanishi	October 16, 1980	February 2008 Joined the Company Entrusted Asset Management Division, Property Management Business April 2018 General Manager of Property Management 2nd Department April 2020 Head of Property Management Business and General Manager of Property Management 2nd Department June 2020 Executive Officer April 2023 Head of Property Management Business, General Manager of Property Management 2nd Department, and General Manager of Real Estate Solutions (current position) April 2024 Senior Executive Officer, Deputy Division Director of Entrusted Asset Management Division, General Manager of Property Management 2nd Department, and General Manager of Real Estate Solutions (current position) June 2025 Director (current position)	(Note 3)	3,050
Director	Keiichi Asai	September 29, 1954	April 1978 Joined Mitsubishi Corporation April 2009 Executive Officer and Head of the Energy Business Group CEO Office of the same company April 2013 Vice President Director of Lithium Energy Japan September 2014 President Representative Director of KH Neochem Co., Ltd. April 2019 Retired from the same company June 2021 Outside Director, Audit & Supervisory Committee Member of Cosmo Energy Holdings Co., Ltd. (current position)	(Note 3)	-

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
			June 2022 Outside Director of the Company (current position)		
Director	Koichi Ishimizu	October 16, 1958	April 1984 Joined Shimizu Corporation February 1997 Director of Tokyo Branch Construction Department of the same company July 2007 General Manager of Tokyo Building Construction Department No. 3, Building Construction Division of the same company July 2008 General Manager of New Head Office Construction Division of the same company April 2015 Executive Officer, Director of Hiroshima Branch of the same company April 2017 Managing Officer in charge of the Tokyo Metropolitan Area, Director of Tokyo Branch of the same company April 2020 Senior Managing Officer in charge of the Tokyo Metropolitan Area, Director of Tokyo Branch, Manager in charge of Nuclear Business of the same company April 2021 Senior Managing Officer in charge of the Kansai Region, Director of the Yumeshima Project of the same company April 2023 Standing Advisor of the same company March 2024 Resigned from the same company June 2024 Outside Director of the Company (current position)	(Note 3)	-
Director, Audit & Supervisory Committee Member	Shinichi Tominaga	June 13, 1957	April 1981 Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation) September 2007 Compliance Manager of Kenedix Advisors, Inc. March 2009 Manager of Finance & Accounting Department of Kenedix, Inc. September 2010 Manager of Business Management Department of Kenedix, Inc.	(Note 4)	955

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
			July 2017 Joined the Company, Deputy Division Director of Administration Division April 2018 Manager for Governance and Other Special Missions of the Company April 2019 Accounting Manager of the Company July 2020 General Manager of Corporate Planning Department of the Company June 2022 Director, Audit & Supervisory Committee Member of the Company (current position)		
Director, Audit & Supervisory Committee Member	Kazutaka Okubo	March 22, 1973	November 1995 Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC) April 1999 Registered as Certified Public Accountant June 2006 Partner of ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC) July 2012 Senior Partner of ShinNihon LLC (currently Ernst & Young ShinNihon LLC) February 2016 Senior Managing Director and General Manager of ERM of the same audit corporation June 2019 President Representative Director of Okubo Associates Co., Ltd. (current position) June 2019 Outside Director of the Company December 2019 Outside Director of LIFULL Co., Ltd. (current position) February 2020 Outside Director of SALA Corporation (current position) June 2020 Outside Director of The Shoko Chukin Bank, Ltd. (current position) June 2020 Outside Director, Audit & Supervisory Committee Member of Musashi Seimitsu Industry Co., Ltd. (current position) November 2020 Representative Director of SS DNAFORM (current position) September 2021 Outside Director, Audit & Supervisory Committee Member of BrainPad Inc. (current position) June 2022 Outside Director, Audit & Supervisory Committee Member of SEGA SAMMY HOLDINGS INC. (current position)	(Note 4)	4,198

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
			June 2024 Outside Director, Audit & Supervisory Committee Member of the Company (current position)		
Director, Audit & Supervisory Committee Member	Yukiko Edahiro	June 14, 1980	December 2009 Registered as an attorney at law (Tokyo Bar Association) December 2009 Joined Makinouchi & Kamiishi Law Office (currently Makinouchi Law Office) July 2016 Joined Ginza Broad Law Firm January 2020 Established Toranomon Daiichi Law Office (current position) June 2024 Outside Director, Audit & Supervisory Committee Member of the Company (current position)	(Note 4)	-
					2,683,902

Notes: 1. Director Mr. Keiichi Asai, Mr. Koichi Ishimizu, Mr. Kazutaka Okubo, and Ms. Yukiko Edahiro are “Outside Directors.”

2. The name on the family register of Director Yukiko Edahiro is Yukiko Yano.

3. For one year from the conclusion of the Annual General Meeting of Shareholders on June 24, 2025

4. For two years from the conclusion of the Annual General Meeting of Shareholders on June 25, 2024

5. The Company has appointed 1 substitute Audit & Supervisory Committee Member who is a director as stipulated in Article 329, Paragraph 3 of the Companies Act of Japan in preparation for the event that the number of Audit & Supervisory Committee Members who are directors falls short of the number stipulated by laws and regulations. The career summary of the substitute Audit & Supervisory Committee Member who is a director is as follows.

Name	Date of birth	Career summary	Share ownership (shares)
Fumio Tsuchiya	July 26, 1952	April 1985 Registered as an attorney (Daini Tokyo Bar Association) April 1989 Established and is the General Manager of Tsuchiya Law Office (current position)	-

6. The Company has introduced an executive officer system in order to improve efficiency by separating management decision-making and supervisory functions from business execution functions and to strengthen business execution functions. The 13 executive officers are as follows.

Name	Title	Position
* Seiichi Saito	President Executive Officer	
* Izumi Nakamura	Vice President Executive Officer	Division Director of Entrusted Asset Management Division
* Mitsuhiro Ninomiya	Managing Executive Officer	Division Director of Administration Division

* Kentaro Kawanishi	Senior Executive Officer	Deputy Division Director of Entrusted Asset Management Division, General Manager of Property Management Business, General Manager of Real Estate Solutions
Yasushi Yamada	Senior Executive Officer	Division Director of Business Development Division, Business Development Manager
Kenji Honda	Senior Executive Officer	Division Director of Asset Management Division
Shuhei Oda	Senior Executive Officer	Deputy Division Director of Asset Management Division, General Manager of Building Business Department
Takeshi Hirahara	Senior Executive Officer	Deputy Division Director of Administration Division, General Manager of Corporate Planning Department, General Manager of Marketing Department
Kenji Wakao	Executive Officer	Asset Management Division, General Manager of Construction Department
Hiroyuki Takekawa	Executive Officer	General Manager of DX Business
Keiichiro Nishimoto	Executive Officer	Entrusted Asset Management Division, General Manager of Leasing Management Business
Tetsuya Arai	Executive Officer	Asset Management Division, General Manager of Consulting Department
Hiroyuki Kobayashi	Executive Officer	Asset Management Division, Building Business Department, General Manager of Replanning Department

* Indicates Executive Officer concurrently serving as Director.

(ii) Outside Officers

As of the filing date of the Annual Securities Report, the relationship with the four Outside Directors is as follows.

Outside Director Mr. Keiichi Asai joined Mitsubishi Corporation and worked in various divisions of the petroleum business including sales, supply and marketing and refining of petroleum products. He was also stationed in the United States and India and has engaged in international business of the energy business group almost consistently. He has a wealth of knowledge and experience as he assumed the positions of Vice President Director of Lithium Energy Japan in 2013 and President Representative Director of KH Neochem Co., Ltd. in 2014 and has been involved in overall corporate management. The Company has appointed him as Outside Director because the Company has judged that he can be expected to supervise the management of the Company based on his wealth of knowledge and experience and appropriately perform his duties. The Company has designated him as an independent officer under the provisions of the Tokyo Stock Exchange, Inc. and has notified the Tokyo Stock Exchange of the designation. There are no other personal relationships, capital relationships, significant business relationships, or any other interests between the Company and Mr. Asai.

Mr. Koichi Ishimizu, an Outside Director, joined Shimizu Corporation, where he had consistently been involved in construction site operations, overseeing building construction management. He has supervised construction projects from inception to completion, and has held senior management positions, including Executive Officer and Senior Executive Officer, gaining extensive experience in corporate management. Based on his vast knowledge and experience in both field operations and management, the Company has appointed him as an Outside Director, expecting him to provide effective supervision of the Company's management and perform his duties appropriately. The Company has also designated him as an independent officer under the provisions of the Tokyo Stock Exchange, Inc., and has notified the Tokyo Stock Exchange of this designation. There are no other personal relationships, capital relationships, significant business relationships, or any other interests between the Company and Mr. Ishimizu.

Outside Director Mr. Kazutaka Okubo, who is an Audit & Supervisory Committee Member, is well versed in corporate audit as a Certified Public Accountant. He has served as a manager of audit corporations, various expert committee members of government agencies and executive officer of business associations. He has a wealth of insight and experience in areas such as crisis management, compliance and CSR. The Company has appointed him as Outside Director who is an Audit & Supervisory Committee Member because the Company has judged that it is possible for him to provide appropriate advice and proposals from an independent standpoint to the managers involved in business execution in the decision-making of the Board of Directors. The Company has designated him as an independent officer under the provisions of the Tokyo Stock Exchange, Inc. and has notified the Tokyo Stock Exchange of the designation. Although he holds Company's shares (4,198 shares) as of the filing date, there are no other personal relationships, capital relationships, significant business relationships, or any other interests between the Company and Mr. Okubo.

Ms. Yukiko Edahiro, an Outside Director and Audit and Supervisory Committee Member, is a lawyer with specialized knowledge and extensive experience in corporate legal affairs, focusing on real estate and inheritance-related fields. The Company has appointed her as an Outside Director and Audit and Supervisory Committee Member, believing that her professional expertise will contribute to strengthening the governance of the Company Group and enhancing the audit and supervision of business execution. The Company has also designated her as an independent officer under the provisions of the Tokyo Stock Exchange, Inc., and has notified the Tokyo Stock Exchange of this designation. There are no other personal relationships, capital relationships, significant business relationships, or any other interests between the Company and Ms. Edahiro.

As described above, Outside Directors and Outside Audit & Supervisory Committee Members are expected to fulfill their functions and roles to contribute to the sustainable growth of the Company and the enhancement of corporate value over the medium to long-term, and the Company believes that the Outside Directors and Outside Audit & Supervisory Committee Members are sufficiently selected.

The Company has established criteria for determining the independence of Outside Directors and Outside Audit & Supervisory Board Members to be appointed. Individuals who fall under any of the following criteria for the independence of Outside Directors will not be appointed.

Criteria for Determining the Independence of Outside Directors

An Outside Director of the Company is deemed to have independence if none of the following conditions apply:

1. An executive (*1) of the Company or its consolidated subsidiaries (hereinafter collectively referred to as the “Company Group”), or someone who has been an executive of the Company Group in the past 10 years.
2. A party for whom the Company Group is a major business partner (*2) or an executive thereof.
3. A major business partner (*3) of the Company Group or an executive thereof.
4. A major lender (*3) to the Company Group or an executive thereof.
5. A major shareholder (*4) of the Company or an executive thereof.
6. A lawyer, certified public accountant, consultant, or other professional who receives significant monetary or other property benefits (*5) from the Company Group, aside from director compensation (if the recipient of such benefits is an organization, such as a corporation or partnership, this applies to individuals belonging to the organization).
7. A person belonging to an audit firm that is the accounting auditor of the Company.
8. A person who receives significant donations (*6) from the Company Group (if the recipient of such donations is an organization, such as a corporation or partnership, this applies to executives of the organization).
9. A close relative (*7) of an executive of the Company Group.
10. A close relative of a person who falls under any of the conditions 2 to 8 above.
11. A person who, in the past three years, has fallen under any of conditions 2 to 9 above.
12. In addition to the above, any person who has any other specific reason that could create a conflict of interest with the Company, making it difficult to fulfill the duties of an independent Outside Director.

Even if an individual falls under any of the conditions 1 to 11 above, if the Company determines that the individual is substantially independent, the Company may judge the individual to be independent by explaining and disclosing the reasons at the time of the appointment of the Outside Director.

- (*1) “Executive” refers to an executive as defined in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act, including executive directors, executive officers, and employees, but excluding nonexecutive directors and Audit & Supervisory Committee Members.
- (*2) “A party for whom the Company Group is a major business partner” refers to a business partner whose payment amount from the Company Group in the most recent fiscal year exceeds 2% of their consolidated net sales. “A major business partner of the Company Group” refers to a business partner whose payment amount to the Company Group in the most recent fiscal year exceeds 2% of the Company Group’s consolidated net sales.
- (*3) “Major lender” refers to a financial institution where the balance of the Company Group’s borrowings exceeds 2% of the Company’s consolidated total assets at the end of the most recent fiscal year. However, financial institutions listed as lenders in statutory documents such as securities reports or business reports, even if the percentage is 2% or less, are included as major business partners.
- (*4) “Major shareholder” refers to a shareholder who holds 10% or more of the voting rights in their own name or another’s name at the end of the most recent fiscal year.
- (*5) “Significant monetary or other property benefits” refers to benefits exceeding 10 million yen per year on average over the past three fiscal years from the Company Group.
- (*6) “Significant donations” refers to donations exceeding 10 million yen per year on average over the past three fiscal years from the Company Group.
- (*7) “Close relative” refers to a spouse or a relative within the second degree of kinship.

- (iii) Coordination among supervision or audits by Outside Directors and internal audits, audits by Audit & Supervisory Committee Members and accounting audits, and relations with the Internal Control Division
- With regard to the relationship between the supervision or audit by Outside Directors and internal audit, Audit & Supervisory Committee Member audit and accounting audit, the Internal Audit Office implements internal audits based on the internal audit plan on business activities, effectiveness and accuracy of business implementation, compliance status, etc. The results are regularly reported to the President Representative Director, Audit & Supervisory Committee Members including outside Audit & Supervisory Committee Members, and Directors including Outside Directors, and at the same time, the Internal Audit Office explains

the purpose of internal control and evaluation of control, etc., and provides specific advice and recommendations for business improvement and appropriate management. In addition, the Internal Audit Office, Audit & Supervisory Committee, and accounting auditor work closely with each other, and the Audit & Supervisory Committee and accounting auditor have a system that allows them to grasp the situation of internal audits in a timely manner. Audit & Supervisory Committee Members and the accounting auditor also share information on Audit & Supervisory Committee audits and accounting audits and coordinate with each other.

Based on the audit plan formulated in the Audit & Supervisory Committee, Outside Directors who are Audit & Supervisory Committee Members, mainly the full-time Audit & Supervisory Committee Members, conduct a planned and comprehensive audit of the overall business of the Company and its subsidiaries. In addition to attending important Board of Directors meetings, other important meetings, and expressing opinions, audits are conducted through interviews with directors and access to important approval documents. From the standpoint of an independent organization, the 3 Directors who are Audit & Supervisory Committee Members regularly hold Audit & Supervisory Committee meetings to ensure appropriate monitoring, and actively exchange information, including the accounting auditor, to secure coordination. Moreover, the Internal Audit Office, Audit & Supervisory Committee and accounting auditor hold regular meetings to exchange information and communicate with each other.

(3) Conditions of Audit

(i) Audit & Supervisory Committee's Audit

We are a Company with Audit & Supervisory Committee. The Audit & Supervisory Committee consists of three Audit & Supervisory Committee Members (including two Independent Outside Directors) as of the filing date of this Annual Securities Report.

The rules of the Audit & Supervisory Committee stipulate that, generally, Audit & Supervisory Committee meetings shall be held once a month and additional meetings may be held as needed. In addition to determining audit policies, plans and allocation, the members will exchange opinions based on business operation audit reports developed by full-time (by selection) Audit & Supervisory Committee Members, deliberate on the legality of regular Board of Directors meeting proposals, and share information on risk cases, etc.

In addition, the Audit & Supervisory Committee will regularly communicate with the accounting auditor and the Internal Audit Office, receive reports and explanations on the audit conditions and results, and exchange opinions.

Each Audit & Supervisory Committee Member will perform their duties based on the plan throughout the period in accordance with the audit policies, allocation, etc. determined by the Audit & Supervisory Committee. In order to audit the execution of duties by the Board of Directors, each Audit & Supervisory Committee Member will ask questions and express opinions as appropriate in Board of Directors meetings. Throughout the year, the full-time (by selection) Audit & Supervisory Committee Member (1 person) will conduct on-site inspections at each division and subsidiary, attend major meetings such as the Management Committee, inspect various important documents, including significant meeting minutes and approval requests, and receive explanations on questions as appropriate from directors and employees, request reports, and state opinions. In addition, he will attend accounting auditor inspections, conduct joint audits with the Internal Audit Office, and exchange opinions as appropriate to work closely with each other, making efforts to enhance the effectiveness of the audit.

During the fiscal year under review, Audit & Supervisory Committee meetings were held 15 times, and the main activities in each Audit & Supervisory Committee meeting are as follows.

A. Accounting audit

Audit & Supervisory Committee Members monitor whether the accounting auditor maintains an independent position, receive an explanation of the audit plan from the accounting auditor, and verify whether an appropriate audit is being implemented. In addition, regarding the execution of duties, the Company receives non-consolidated and consolidated reviews and reviews reports for each quarter, receives an audit results report at the end of the fiscal year, and requests explanations as necessary.

B. Business operation audit and internal control audit

Audit & Supervisory Committee Members coordinate with the Internal Audit Office and check the audit situation. If necessary, Audit & Supervisory Committee Members implement an audit, where important documents are inspected and visits to each department are conducted. Moreover, Audit & Supervisory Committee Members attend the Board of Directors meetings, audit the execution of duties of directors,

the management of the meeting, the content of the resolution, etc., and express opinions as necessary.

C. Exchanging of views with President Representative Director

The Audit & Supervisory Committee holds regular meetings with the President Representative Director to exchange opinions on management issues, business plans, and other matters and communicate with each other.

D. Activities in the Audit & Supervisory Committee

Audit & Supervisory Committee Meetings are held once a month, where matters are reported such as deliberations on the Audit & Supervisory Committee Meeting's audit policy and audit plan, evaluations of the accounting auditor, etc., and the results of the Audit & Supervisory Committee audits and internal audits, and additional meetings are held as needed. A total of 15 meetings were held in this fiscal year and the attendance of each Audit & Supervisory Committee Member at the Audit & Supervisory Committee Meeting is as follows.

The full-time Audit & Supervisory Committee Members attend important meetings such as the Management Committee and the Risk Management Committee, as well as Board of Director meetings of subsidiaries, and express opinions as necessary. In addition, they will share information on the content of important meetings with independent Outside Audit & Supervisory Committee Members and communicate through exchanging opinions.

Attendance at Audit & Supervisory Committee Meetings

Category	Name	Attendance
Full-time Audit & Supervisory Committee Member	Shinichi Tominaga	15 times/15 times
Outside Audit & Supervisory Committee Member	Kazutaka Okubo	10 times/10 times
Outside Audit & Supervisory Committee Member	Yukiko Edahiro	10 times/10 times

The Company has proposed "Election of seven (7) Directors who are not Audit & Supervisory Committee Members" as a proposal for the Annual General Meeting of Shareholders (materials to be resolved) to be held on June 24, 2025. If this proposal is approved and passed, the Audit & Supervisory Committee will continue to consist of three (3) Directors who are Audit & Supervisory Committee Members (two (2) of whom are Outside Audit & Supervisory Committee Members).

(ii) Internal audit

The internal audit of the Company has established the Internal Audit Office (two persons) as a department under direct control of the President Representative Director. For the purpose of verifying the appropriateness and effectiveness of the internal control system for overall business operations, regular audit is conducted in accordance with the internal audit plan based on the status of risk management in each department. In implementing the internal audit, we ask each department to improve and correct the matters pointed out by the audit. For the audit results, we prepare the internal audit report and report to the President Representative Director and Audit & Supervisory Committee, and to the Board of Directors as necessary. In addition, the Company holds regular meetings with the Audit & Supervisory Committee and accounting auditor to exchange information and communicate with each other to coordinate and to ensure that internal checks and balances function adequately.

A. Internal audit policy

- The business audit shall objectively evaluate the rational and effective business activities of each department based on the management policy and laws and regulations, etc. In addition, with regard to the new system that will be implemented into operation, the status of the review of business processes shall be checked, and appropriate business activities shall be maintained and improved.
- Coordinate with the head of each department to solve problems and issues of the internal control system of each department.

B. Internal audit priority items

- Understanding the company policy and monthly schedule, and grasping the progress of specific action plans

- Correlation between approval documents such as request for approval and business execution/results
- Compliance with laws and regulations such as the Housing Construction Business Act, the Construction Business Act, the Financial Instruments and Exchange Act, the Crime Proceeds Transfer Prevention Act, and the Personal Information Protection Act
- Contents of training and education in each department and status of effectiveness confirmation

(iii) Accounting audit

A. Name of the Audit Corporation

BDO Sanyu

BDO Sanyu provides accounting audits throughout the period without being biased towards the final audit. In addition to accounting audits, we receive advice on accounting issues and internal control issues as needed.

B. The number of consecutive years they have conducted audits

25 years from the year ended March 2001

C. Certified public accountants who performed the work

Hitoshi Torii, Engagement Partner, Designated Partner

Tomoharu Takashima, Engagement Partner, Designated Partner

The Engagement Partner rotation is appropriately implemented, and in principle, have not been involved in audit operations for more than seven consecutive accounting periods.

D. Composition of assistants who supported the audit work

7 Certified Public Accountants, 3 other persons

Note: Other are those in charge of system audit.

E. Selection policy and reasons for the Audit Corporation

The Company has received an explanation from BDO Sanyu regarding the audit system, audit plan, etc. of the Audit Corporation. The Company has determined that it is appropriate to select the Corporation as the accounting auditor based on the “Accounting Auditor Selection and Evaluation Criteria” established by the Audit & Supervisory Committee as follows, comprehensively considering the independence of the Corporation, its quality control system, its presence or absence of expertise, its level of understanding of the Company’s business fields, audit remuneration, etc.

- Accounting Auditor selection and assessment criteria

- (1) Audit system
- (2) Audit plan
- (3) Quality of audit operations
- (4) Results of audit operations
- (5) Audit remuneration

F. Evaluations of Audit Corporations by Audit & Supervisory Committee

As a result of evaluating each item in accordance with the “Accounting Auditor Selection and Evaluation Criteria” established by the Audit & Supervisory Committee as described in “E” above, Audit & Supervisory Committee Members and the Audit & Supervisory Committee have determined that none of the evaluation items poses any problem in terms of the accounting audit eligibility, independency, reliability, etc.

(iv) Details of audit remuneration, etc.

A. Details of remuneration to auditors

Category	Fiscal year ended March 31, 2024		Fiscal year ended March 31, 2025	
	Remunerations for audit services (million yen)	Remunerations for non-audit services (million yen)	Remunerations for audit services (million yen)	Remunerations for non-audit services (million yen)
The Company	41	-	43	-
Consolidated subsidiaries	-	-	-	-
Total	41	-	43	-

For the previous fiscal year and current consolidated fiscal year, there are no applicable matters regarding the content of non-business audit of the Certified Public Accountant to reporting companies.

B. Details of remuneration to individual member firms affiliated with the same network, to which the auditors belong (excluding “A”)
Not applicable.

C. Other material remunerations for audit services
Not applicable.

D. Policy on determining audit remuneration

The Company's audit remuneration for the audit by the Certified Public Accountant, etc. has been determined by the Board of Directors with the consent of the Audit & Supervisory Committee as a result of confirming the transition of audit time and audit remuneration under the audit plan, as well as the status of the audit plan and actual results of this fiscal year, and examining the validity of the estimate of remuneration amount.

E. Reason for the Audit & Supervisory Committee giving consent to remuneration for the accounting auditors

The Audit & Supervisory Committee, based upon the “Practical Guidelines for Cooperation with Financial Auditors,” released by the Japan Audit & Supervisory Board Members Association, confirmed the actual number of audit hours and the amount of remuneration by audit category and hierarchy in the audit plan for the past years, as well as the status of the performance of duties by accounting auditor. As a result of examining the appropriateness of this fiscal year's audit plan and the amount of remuneration, the Audit & Supervisory Committee gives consent in accordance with Article 399, Paragraph 1 of the Companies Act of Japan.

(4) Compensation

(i) Matters pertaining to the policy for determining the amount of officers' remuneration, etc. or the methods for calculating such amount

The Company has established the following policies for determining the amount of remuneration, etc. for officers and the method of calculating such amount (policies for determining the details of individual remuneration, etc. for directors were resolved at Board of Directors on May 10, 2024).

The remuneration, etc., of the Company's directors (excluding outside directors) consists of fixed remuneration, performance-linked remuneration and stock-based compensation (compensation for restricted stock), with a target of 60% fixed remuneration, 30% performance-linked remuneration and 10% stock-based compensation (compensation for restricted stock). The fixed remuneration is an amount that is deemed to be an appropriate level in comparison with the performance of other companies in the real estate industry, taking into consideration the duties of directors and the status of the Company. With a viewpoint of reflecting the results of performance improvement, performance-linked remuneration is determined based on the consolidated performance (Ordinary profit (loss)) for the fiscal year concerned, taking into consideration the achievement status for the consolidated performance forecast.

At the 23rd Annual General Meeting of Shareholders held on June 21, 2022, the Company resolved that the maximum amount of remuneration, etc. for directors of the Company to be no more than 360 million yen per year (including 36 million yen for outside directors, but excluding salaries for directors who concurrently serve as employees). (The number of directors at the conclusion of the said General Meeting of Shareholders was eight (including two outside directors)).

In consideration of the neutrality and independency of the functions of the audit, remuneration, etc. for Directors who are Audit & Supervisory Committee Members, are integrated into fixed remuneration. At the 23rd Annual General Meeting of Shareholders held on June 21, 2022, the limit of the remuneration, etc. for Directors who are Audit & Supervisory Committee Members was set at 36 million yen per year. (At the conclusion of the General Meeting of Shareholders, the number of Directors who are Audit & Supervisory Committee Members was three (including two outside directors)).

As for stock remuneration for directors other than Audit & Supervisory Committee Members (excluding outside directors, hereinafter “Eligible Directors”), the Company has introduced the Restricted Stock (“RS”) remuneration system for the purpose of providing an incentive for sustainable enhancement of our corporate value and advancing a further sharing of value with the shareholders. The specific timing of payment and allocation to the Eligible Directors will be determined in the Board of Directors meetings after the Nomination and Compensation Committee's deliberation respecting the contents discussed by them. At the

23rd Annual General Meeting of Shareholders held on June 21, 2022, it was resolved that the total number of the Company's common shares to be issued to the Eligible Directors or disposed of shall be no more than 50,000 shares per year and the total amount of such remuneration shall be no more than 36 million yen per year (the number of Eligible Directors at the conclusion of the said General Meeting of Shareholders was 5). With regard to the amount of remuneration, etc., for directors of the Company or the method of calculating such amount, the Company has established a voluntary Nomination and Compensation Committee consisting of the Chairman Representative Director and President Representative Director as well as two or more Outside Directors in order to ensure the objectivity and transparency of the procedures for determining remuneration for directors. The President Representative Director Seiichi Saito has the authority to prepare a draft of the calculation method and the basic policy for the amount of remuneration, etc., of the Company's directors. Based on the draft, the Nomination and Compensation Committee deliberates on the composition of remuneration, etc., the ratio thereof, the method for calculating the setting of indicators, etc. The Board of Directors has the authority to determine the policy regarding the determination of the amount of remuneration, etc., of the Company's directors or the method of calculating such amount. However, the Board of Directors allows the President Representative Director to determine the amount of remuneration, etc., of the Company's directors or the method of calculating such amount, while respecting the contents of discussions by the Nomination and Compensation Committee to the maximum extent possible.

The Company has held 14 Nomination and Compensation Committee meetings in total since its establishment on December 18, 2018. The Committee is attended by all members and deliberates matters related to the election and dismissal of the Company's directors and matters related to the amount of remuneration, etc. Based on the deliberations of the Nomination and Compensation Committee, the Company's Board of Directors has made a resolution regarding the amount of remuneration, etc. for directors or the method for calculating such amount.

In order to ensure the independency of the authority to make decisions regarding the amount of remuneration, etc. of the Company's Audit & Supervisory Committee Members or the method of calculating such amount, Audit & Supervisory Committee Members have the authority to make decisions on policies regarding the amount of remuneration, etc. of each Audit & Supervisory Committee Member.

Moreover, the consolidated ordinary profit, the target indicator for performance-linked remuneration this fiscal year, was 20,000 million yen with a total of 20,446 million yen. The decisions on the amount of individual fixed remuneration and performance-linked remuneration or the method of calculating such amount have been delegated to Chairman Representative Director, who can evaluate operations by each director, through the participation of the Nomination and Compensation Committee. The Board of Directors received a report from the Nomination and Compensation Committee and determined that the contents of director's individual remuneration pertaining to this fiscal year, including the procedure and contents of the decision by the President Representative Director Seiichi Saito, are in line with the above decision policy.

- (ii) The total amount of remuneration, etc. by officer category, the total amount of remuneration, etc. by type, and the number of eligible officers

Classification	Total amount of remuneration, etc. paid (million yen)	Total amount by type of remuneration, etc. (million yen)			Number of persons paid
		Fixed remuneration	Performance-linked remuneration	Stock option	
Directors (excluding Audit & Supervisory Committee Members and Outside Directors)	267	165	69	31	6
Audit & Supervisory Committee Members (excluding Outside Directors)	12	12	-	-	1
Outside Officers	28	28	-	-	7

- (iii) Total amount of consolidated remuneration by officers

Not listed because there are no officers whose total consolidated remuneration is 100 million yen or more.

- (iv) Important employee salaries for officers who also serve as employees

Not listed because there are no officers who concurrently serve as employees.

(5) Status of shareholdings

(i) Classification of investment shares

The Company classifies investment shares into those held for pure investment purposes and those held for purposes other than pure investment. Shares held solely for the purpose of gaining profits through fluctuations in share value or dividends associated with the shares are classified as held for pure investment purposes. Shares held for any other purposes are classified as held for purposes other than pure investment. All investment shares held by the Company are classified as held for purposes other than pure investment.

(ii) Investment shares held for purposes other than pure investment

a. Method for verifying the holding policy and rationality of holdings, and the content of verification by the Board of Directors regarding the appropriateness of holding individual stocks

The Company engages in strategic shareholding from a mid- to long-term perspective to enhance the Company's corporate value by maintaining and strengthening stable business relationships and close cooperative relationships. Holding shares of business partners, assuming continuous transactions, is considered an effective means of building stable relationships and contributing to the enhancement of corporate value in the long term.

The rationality of holding these shares is periodically verified by comprehensively considering the purpose and effects of the holdings. The appropriateness of holding individual stocks is examined annually by the Board of Directors, taking into account the purpose and effects of the holdings, as well as the recent status of the business relationship with the target company.

b. The number of shares and the balance sheet amount

	Number of shares	Balance sheet amount (million yen)
Unlisted share	3	105
Shares other than unlisted share	-	-

c. Information on the number of shares, balance sheet amounts, etc. for each issue of specified investment stocks and deemed held stocks

Not applicable.

(iii) Investment shares for pure investment

Not applicable.

(iv) Changes made during the fiscal year to the purpose of holding investment stocks from pure investment purposes to non-pure investment purposes

Not applicable.

(v) Changes made in the previous four fiscal years of the fiscal year under review and in the fiscal year under review to the purpose of holding investment stocks from non-pure investment purposes to pure investment purposes

Not applicable.

Item. 5 Financial Information

1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements

(1) The Company's consolidated financial statements are based on the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The Company's non-consolidated financial statements are based on the “Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc.” (Ordinance of the Ministry of Finance No. 59 of 1963. Hereinafter referred to as the “Ordinance on Financial Statements, etc.”).

Also, the Company is qualified as a company submitting financial statements prepared in accordance with special provision and prepares financial statements in accordance with the provision of Article 127 of the Ordinance on Financial Statements, etc.

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year from April 1, 2024 to March 31, 2025 and the non-consolidated financial statements for the business year (from April 1, 2024 to March 31, 2025) were audited by BDO Sanyu.

3. Particular efforts to secure the appropriateness of the consolidated financial statements, etc.

The Company carries out particular efforts to secure the appropriateness of consolidated financial statements, etc. Specifically, for the purpose of both ensuring that the Company has an appropriate grasp of the contents of Accounting Standards and related regulations, and properly preparing consolidated financial statements, etc., the Company joined to the Financial Accounting Standards Foundation, and participating in seminars and other events hosted by the foundation.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	47,867	*2) 44,920
Notes, accounts receivable and contract assets	*1) 2,138	*1) 2,105
Real estate for sale	*2) 11,632	*2) 17,151
Real estate for sale in process	*2) 95,081	*2) 116,417
Costs of uncompleted construction contracts	50	39
Supplies	104	105
Other	2,680	2,983
Allowance for doubtful accounts	-38	-15
Total current assets	159,518	183,706
Non-current assets		
Property, plant and equipment		
Buildings	*5) 14,486	*5) 17,211
Accumulated depreciation	-4,438	-6,089
Accumulated impairment losses	-8	-6
Buildings (net amount)	*2) 10,038	*2) 11,116
Land	*2, *5) 11,029	*2, *5) 9,888
Other	2,587	*2, *5) 5,182
Accumulated depreciation	-1,325	-1,888
Accumulated impairment losses	-7	-7
Other (net amount)	1,254	3,285
Total property plant and equipment	22,323	24,290
Intangible assets		
Goodwill	579	923
Other	614	1,365
Total intangible assets	1,193	2,288
Investments and other assets		
Guarantee deposits	3,523	3,958
Long-term loans receivable	0	1,459
Deferred tax assets	1,644	1,966
Other	*3) 469	617
Allowance for doubtful accounts	-13	-97
Total investments and other assets	5,626	7,904
Total non-current assets	29,143	34,484
Total assets	188,661	218,190

(Unit: million yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	2,810	3,521
Short-term borrowings	62	100
Current portion of long-term borrowings	*2) 12,207	*2) 10,140
Income taxes payable	2,967	4,994
Provision for bonuses	279	328
Provision for bonuses for directors	80	80
Provision for fulfillment of guarantees	*4) 44	* 4) 34
Other	6,314	7,464
Total current liabilities	24,767	26,663
Non-current liabilities		
Bonds payable	9,999	9,999
Long-term borrowings	*2) 57,272	*2) 72,219
Retirement benefit liability	1	1
Provision for share-based remuneration	97	113
Other	2,105	3,299
Total non-current liabilities	69,477	85,634
Total liabilities	94,244	112,298
Net assets		
Shareholders' equity		
Share capital	11,965	11,965
Capital surplus	6,433	6,462
Retained earnings	71,725	82,723
Treasury shares	-233	-202
Total shareholders' equity	89,889	100,949
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	2
Foreign currency translation adjustment	626	1,207
Total accumulated other comprehensive income	629	1,210
Share acquisition rights	30	30
Non-controlling interests	3,867	3,702
Total net assets	94,416	105,892
Total liabilities and net assets	188,661	218,190

(ii) Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Income

(Unit: million yen)

	For the year ended March 31, 2024	For the year ended March 31, 2025
Net sales	*1) 79,868	*1) 103,174
Cost of sales	53,462	70,949
Gross profit	26,405	32,225
Selling, general and administrative expenses	*2) 8,804	*2) 10,945
Operating profit	17,600	21,279
Non-operating income		
Interest and dividend income	71	67
Subsidy income	40	75
Foreign exchange gains	125	17
Eviction fee received	97	-
Share of profit of entities accounted for using equity method	12	-
Other	52	41
Total non-operating income	399	201
Non-operating expenses		
Interest expenses	539	905
Loss on liquidation of subsidiaries and associates	68	-
Other	17	129
Total non-operating expenses	625	1,034
Ordinary profit	17,374	20,446
Extraordinary income		
Government subsidy	41	412
Gain on sales of non-current assets	-	*3) 112
Gain on sale of shares of subsidiaries and associates	-	51
Total extraordinary income	41	575
Extraordinary loss		
Loss on reduction of non-current assets	41	412
Loss on valuation of investment securities	-	49
Impairment loss	*4) 48	-
Other	30	7
Total extraordinary losses	120	469
Profit before income taxes	17,295	20,552
Corporate tax, resident tax and business tax	4,808	6,710
Corporate tax adjustments	464	-307
Total income taxes	5,272	6,402
Profit	12,023	14,149
Profit (loss) attributable to non-controlling interests	106	-13
Profit attributable to owners of parent	11,917	14,163

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	For the year ended March 31, 2024	For the year ended March 31, 2025
Profit	12,023	14,149
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	351	637
Total other comprehensive income	* 351	* 638
Comprehensive income	12,375	14,787
Comprehensive income attributable to		
Owners of parent	12,279	14,744
Non-controlling interests	95	43

(iii) Consolidated Statement of Changes in Equity
For the fiscal year ended March 31, 2024

(Unit: million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	11,965	6,445	62,289	-270	80,430
Changes during period					
Dividends of surplus			-2,481		-2,481
Profit attributable to owners of parent			11,917		11,917
Acquisition of treasury shares				-0	-0
Disposal of treasury shares		14		37	51
Change in ownership interest of parent due to transactions with non-controlling interests		-27	0		-27
Net changes in items other than shareholders' equity, net					
Total changes during period	-	-12	9,435	37	9,459
Balance at end of the period	11,965	6,433	71,725	-233	89,889

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	2	269	271	30	3,233	83,965
Changes during period						
Dividends of surplus						-2,481
Profit attributable to owners of parent						11,917
Acquisition of treasury shares						-0
Disposal of treasury shares						51
Change in ownership interest of parent due to transactions with non-controlling interests						-27
Net changes in items other than shareholders' equity, net	0	357	357	-	633	991
Total changes during period	0	357	357	-	633	10,450
Balance at end of the period	2	626	629	30	3,867	94,416

For the fiscal year ended March 31, 2025

(Unit: million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	11,965	6,433	71,725	-233	89,889
Changes during period					
Dividends of surplus			-3,165		-3,165
Profit attributable to owners of parent			14,163		14,163
Acquisition of treasury shares					-
Disposal of treasury shares		29		31	61
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity, net					
Total changes during period	-	29	10,998	31	11,059
Balance at end of the period	11,965	6,462	82,723	-202	100,949

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	2	626	629	30	3,867	94,416
Changes during period						
Dividends of surplus						-3,165
Profit attributable to owners of parent						14,163
Acquisition of treasury shares						-
Disposal of treasury shares						61
Change in ownership interest of parent due to						-

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
transactions with non-controlling interests						
Net changes in items other than shareholders' equity, net	0	580	580	-	-164	416
Total changes during period	0	580	580	-	-164	11,475
Balance at end of the period	2	1,207	1,210	30	3,702	105,892

(iv) Consolidated Statements of Cash Flows

(Unit: million yen)

	For the year ended March 31, 2024	For the year ended March 31, 2025
Cash Flows from Operating Activities		
Profit before income taxes	17,295	20,552
Depreciation	*2) 2,124	*2) 2,612
Impairment loss	48	-
Amortization of goodwill	75	254
Loss (gain) on liquidation of subsidiaries and associates	68	-
Loss on reduction of non-current assets	41	412
Government subsidy	-41	-412
Increase (decrease) in allowance for doubtful accounts	20	61
Increase (decrease) in provision for bonuses	27	47
Increase (decrease) in provision for bonuses for directors	6	-0
Increase (decrease) in provision for fulfillment of guarantees	21	-10
Increase (decrease) in provision for share-based remuneration	13	15
Interest and dividend income	-71	-67
Subsidy income	-40	-75
Interest expenses	539	905
Borrowing related expenses	1	13
Loss (gain) on investments based on equity method	-12	14
Decrease (increase) in trade receivables	-1,187	-43
Decrease (increase) in inventories	-26,770	-25,042
Increase (decrease) in trade payables	114	677
Increase (decrease) in guarantee deposits received	156	760
Loss (gain) on sale of shares of subsidiaries and associates	-	-51
Other	452	553
Subtotal	-7,115	1,178
Interest and dividends received	71	61
Interest paid	-536	-893
Income taxes refund (paid)	-3,505	-5,071
Proceeds from subsidy income	40	75
Proceeds from government subsidy	41	412
Cash Flows from Operating Activities	-11,003	-4,236
Cash Flows from Investing Activities		
Proceeds from sale of shares of subsidiaries and associates	-	80
Payments into time deposits	-0	-160
Proceeds from withdrawal of time deposits	100	-
Purchase of property, plant and equipment	-2,457	-4,019
Proceeds from sales of property, plant and equipment	0	165
Purchase of intangible assets	-275	-253
Payments of guarantee deposits	-581	-654
Loan advances	-0	-1,500
Proceeds from refund of guarantee deposits	205	129

(Unit: million yen)

	For the year ended March 31, 2024	For the year ended March 31, 2025
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-954	-2,369
Other	-290	-226
Cash Flows from Investing Activities	-4,254	-8,809

(Unit: million yen)

	For the year ended March 31, 2024	For the year ended March 31, 2025
Cash Flows from Financing Activities		
Net increase (decrease) in short-term borrowings	8	38
Proceeds from long-term borrowings	32,558	36,535
Repayments of long-term borrowings	-18,991	-23,703
Payments for borrowing related expenses	-1	-13
Dividends paid	-2,481	-3,163
Proceeds from issuance of bonds	9,999	-
Proceeds from share issuance to non-controlling shareholders	46	-
Repayments to non-controlling shareholders	-94	-102
Dividends paid to non-controlling interests	-	-106
Other	-4	-4
Cash Flows from Financing Activities	21,040	9,479
Effect of exchange rate change on cash and cash equivalents	169	455
Increase (decrease) in cash and cash equivalents	5,951	-3,112
Cash and cash equivalents at beginning of period	41,914	47,866
Cash and cash equivalents at end of period	*1) 47,866	*1) 44,754

Notes

(Notes on Going Concern Assumption)

Not applicable.

(Significant Accounting Policies for the Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

All subsidiaries are consolidated.

(1) Number of consolidated subsidiaries

32 companies

Names of major consolidated subsidiaries

SF Building Support Inc.

SF Building Maintenance Inc.

Sun Frontier Space Management Inc.

SF Engineering Inc.

Sun Frontier Asset Management Inc.

Sun Frontier Hotel Management Inc.

Sky Heart Hotel Inc.

Sun Frontier Sado Inc.

Nihon Toshi Hotel Kaihatsu Co. Ltd.

Oriental Resort Associates Inc.

Sun Frontier NY Co., Ltd.

The scope of consolidation included Oriental Resort Associates Inc. and 2 other companies acquired through stock acquisition and Sun Frontier Asset Management Inc. and 2 other companies newly established in the consolidated fiscal year under review. Two of the subsidiaries acquired through stock acquisition are only included in the consolidated balance sheet for the current consolidated fiscal year because the deemed date of acquisition is the end of the current consolidated fiscal year.

(2) Special purpose company subject to disclosure

An outline of the special purpose company subject to disclosure, an outline of transactions using the special purpose company subject to disclosure, and the transaction amount with the special purpose company subject to disclosure are described in "Special Purpose Companies Subject to Disclosure."

2. Application of Equity Method

(1) Number of affiliates accounted for by the equity method

Not applicable.

Power Consulting Networks Co., Ltd., an affiliated company to which the equity method was applied, was excluded from the scope of the equity method because all its shares were sold in the current consolidated fiscal year.

(2) Names of major affiliates not accounted for by the equity method

Not applicable.

3. Fiscal year of consolidated subsidiaries

Domestic consolidated subsidiaries and 1 foreign consolidated subsidiary close their books on March 31, and Sun Frontier NY Co., Ltd. and 11 other subsidiaries close their books on December 31.

In preparing the consolidated financial statements, the financial statements as of December 31 are used for the consolidated subsidiaries whose closing date is December 31, and necessary adjustments are made for significant transactions occurring between the consolidated closing date and December 31.

The closing date of Oriental Resort Associates Inc., which became a consolidated subsidiary as a result of a stock acquisition on July 23, 2024, was changed from December 31 to March 31 in the current consolidated fiscal year, making it the same as the reporting company.

4. Matters concerning accounting policies

(1) Valuation standards and methods for significant assets

(i) Securities

Other securities (available-for-sale securities)

- A. Other than shares without a market price
Mark-to-market accounting is adopted (Valuation differences are processed using the full net asset direct method, and the cost of sales is calculated using the moving-average method)
- B. Shares without a market price, etc.
Stated at cost determined by the moving-average method.
- (ii) Inventories
 - A. Real estate for sale and real estate for sale in process
Stated at cost determined by specific identification method (Balance Sheet values are calculated by the book value devaluation method based on decline in profitability).
Property under lease is depreciated in accordance with property, plant and equipment.
 - B. Costs of uncompleted construction contracts
Stated at cost determined by specific identification method (Balance Sheet values are calculated by the book value devaluation method based on decline in profitability).
 - C. Supplies
Stated at most recent purchase cost method (Balance Sheet values are calculated by the book value devaluation method based on decline in profitability).
- (2) Depreciation or amortization method for significant depreciable assets
 - (i) Property, plant and equipment
Using the declining-balance method. However, buildings (excluding facilities attached to buildings) and facilities attached to buildings acquired on or after April 1, 2016 are depreciated using the straight-line method.
The main estimated useful lives are as follows:
 - Buildings 3 to 39 years
 - Others 2 to 15 years
 Small-amount depreciable assets with an acquisition cost of 100,000 yen or more but less than 200,000 yen are depreciated over 3 years on a straight-line basis.
 - (ii) Intangible assets
Using the straight-line method. Software for internal use is amortized on a straight-line basis over the estimated internal useful life (5 years).
- (3) Standards for significant provisions
 - (i) Allowance for doubtful accounts
The allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables and the estimated amount of irrecoverable debt based on recoverability of individual cases for specified receivables such as doubtful accounts.
 - (ii) Provision for bonuses
In order to prepare for the payment of bonuses to employees, the Company records the portion of the estimated bonuses incurred at the end of the consolidated fiscal year under review.
 - (iii) Provision for bonuses for directors
Directors' bonuses are provided based on the estimated amount incurred at the end of the consolidated fiscal year under review.
 - (iv) Provision for fulfillment of guarantees
In order to prepare for losses related to Rent Guarantee Business operations, expenses for which the amount incurred can be estimated individually are recorded in the amount of such expenses, and for others are recorded in the estimated losses by taking into the historical loss rate.
 - (v) Provision for share-based remuneration
In order to prepare for the Company's shares to employees based on the Share Benefit Regulations, the provision is recorded based on the estimated amount of the share benefit obligation at the end of the consolidated fiscal year under review.

(4) Accounting treatment for retirement benefits

In calculating the retirement benefit liability and retirement benefit expenses, certain consolidated subsidiaries apply the simplified method where the amount of retirement benefits payable at the end of the fiscal year for voluntary resignations is the retirement benefit obligation.

(5) Standards for recording significant revenues and expenses

The details of major performance obligations in major businesses related to revenue arising from contracts with customers of the Company and its consolidated subsidiaries and the normal point in time when such performance obligations are satisfied (the time when revenue is recognized) are as follows.

(i) Real Estate Revitalization Business

Replanning Business

Replanning Business is a business of purchasing existing office buildings, renovating the buildings and facilities, and selling them to customers in Japan and overseas with added value by attracting high-quality tenants. The Company is obligated to hand over the properties based on real estate sales contracts with customers.

The performance obligation is satisfied at one point in time when the property is delivered, and revenue is recorded at the time of delivery of the property.

(ii) Real Estate Service Business

A. Property Management Business

Property Management Business enters into property management agreements with customers and is obligated to perform various services related to real estate properties on behalf of customers, such as maintenance and management of properties and rent collection from tenants.

The performance obligations are satisfied when services are provided based on the property management contract, and revenue is recorded over the term of the contract.

B. Building Maintenance Business

Building Maintenance Business is mainly responsible for the inspection of building facilities by entering into various contracts with customers or exchanging purchase orders with contract documents.

The performance obligation is satisfied when the work based on the contract is completed, and revenue is recorded when the completion report for the work and construction is issued.

C. Sales Brokerage Business

Sales Brokerage Business stands between the buyer and the seller at the time of sale and purchase of real estate and is engaged in concluding sales and purchase agreements. Based on brokerage agreements with customers, the Company is responsible for a series of services, including concluding agreements such as negotiation and adjustment of transaction terms, delivery and explanation of important points, preparation and delivery of agreements, and participation in procedures for performance of agreements.

The performance obligation is satisfied at one point in time when the property related to the real estate sales contract concluded by the intermediary contract is handed over, and revenue is recorded at the time of the delivery.

D. Leasing Brokerage Business

When leasing real estate, Leasing Brokerage Business stands between the lessee and the lessor to conclude a lease agreement. Based on brokerage agreements with the customers, the Company is responsible for a series of services, including concluding agreements such as negotiation and adjustment of transaction terms, delivery and explanation of important points, preparation and delivery of agreements, and participation in procedures for performance of agreements.

The performance obligation is satisfied at one point in time when the real estate lease agreement for the property mediated by the mediation agreement is concluded, and revenue is recorded at the time when the agreement is concluded.

(iii) Hotel and Tourism Business

A. Hotel Operation Business

Hotel Operation Business is mainly engaged in the operation of hotels owned by the Company or which lease agreements have been entered into. It is obligated to provide hotel services to accommodate customers and meals at restaurants established within the hotel.

Such performance obligations are satisfied at a point in time by providing services to customers, and revenue is recorded at the time of customer check-in.

B. Hotel Development Business

Hotel Development Business is engaged in the business of selling hotels that have been completed

from the purchase of land to construction and is obligated to deliver such properties based on real estate sales contracts with customers.

The performance obligation is satisfied at one point in time when the property is delivered, and revenue is recorded at the time of delivery.

(iv) Others

A. Overseas Development Business

Overseas Business is engaged in real estate development centered on condominiums and residents in Southeast Asian countries and sells them to customers in Japan and overseas. It is obligated to hand over such properties based on real estate sales contracts with customers.

The performance obligation is satisfied at one point in time when the property is delivered, and revenue is recorded at the time of delivery.

B. Construction Business

The Company carries out renewal planning, repair and renovation work of commercial buildings, telecommunications work, and contracted interior construction work for large, medium and small sized facilities.

When control over a good or service is transferred to a customer over a period of time, revenue is recognized over a period of time as the obligation to transfer the good or service to the customer is satisfied.

The Company applies alternative treatment to contracts in which the period from the transaction start date in the contract to the point in time when the performance obligations are expected to be fully satisfied is very short, or construction in which the amount of order received per construction unit is insignificant. Revenue is not recognized over a certain period but is recognized when the performance obligations are fully satisfied.

- (6) Standards for translation of foreign currency-denominated assets and liabilities into Japanese currency
Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates on the consolidated balance sheet date, and translation differences are charged or credited to income. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at the respective balance sheet dates of the foreign subsidiaries, and income and expenses are translated at the average exchange rate of the year. Translation differences are included in foreign currency translation adjustment and non-controlling interests in net assets.

- (7) Amortization methods and periods for goodwill

Goodwill is amortized on a straight-line basis over mainly 2 to 10 years.

- (8) Scope of funds in the consolidated statements of cash flows

Cash on hand, deposits that can be withdrawn at any time, and short-term investments that are readily convertible into cash and that are subject to an insignificant risk of changes in value and that mature or become due within 3 months of the date of acquisition.

- (9) Significant matters for the preparation of other consolidated financial statements

- (i) Non-deductible consumption tax accounting for assets

Non-deductible consumption tax and local consumption tax are treated as current consolidated fiscal year expenses.

- (ii) Application of Group Tax Sharing System

The Company and certain consolidated domestic subsidiaries apply the Group Tax Sharing System.

(Significant Accounting Estimates)

1. Assessment of real estate for sale, etc.

- (1) Amount included in consolidated financial statements of the current consolidated fiscal year

	Previous fiscal year	Current consolidated fiscal year
Real estate for sale	11,632 million yen	17,151 million yen
Real estate for sale in process	95,081 million yen	116,417 million yen

- (2) Information on significant accounting estimates related to the identified items

For real estate for sale, etc., if the net selling price falls below the acquisition cost, the net selling price is stated as the balance sheet amount. The net selling price is calculated by deducting the estimated future

cost of construction work and the estimated selling expenses from the return value, which is calculated by dividing the expected future sales profit estimated based on the business plan by the expected yield. The value of the return to profits includes the expected future tenant rent and average unit price, occupancy rate and expected yields of hotel rooms and is based on important assumptions such as the assumed market conditions in the future.

In the following fiscal year, the net selling price may change due to changes in assumptions used in formulating business plans if events that were not anticipated at the time of formulating business plans occur. This may have a significant impact on the amount of real estate for sale, etc., recognized in the consolidated financial statements for the following fiscal year and thereafter.

2. Non-current assets impairment

(1) Amount recorded in the consolidated financial statements for the current fiscal year

	Previous fiscal year	Current consolidated fiscal year
Non-current assets related to Hotel Development Business and Hotel Operation Business	12,354 million yen	16,677 million yen

(2) Information on significant accounting estimates related to the identified items

If a hotel shows an indication of impairment, the determination of impairment loss recognition is based on the hotel's business plan and a comparison of the estimated undiscounted future cash flows over the remaining economic useful lives of the hotel's major assets with the carrying amounts of the hotel's asset groups.

The business plan of the hotel, which is the basis of future cash flows, has been formulated under the policy of conducting long-term management, based on important assumptions including the forecast of the average unit price and the occupancy rate of hotel rooms, etc., as well as the assumption of future market conditions.

In the following fiscal year and thereafter, the net selling price may change due to changes in assumptions used in formulating business plans if events that were not anticipated at the time of formulating business plans occur. This may have a significant impact on the amount of real estate for sale, etc., recognized in the consolidated financial statements for the following fiscal year and thereafter.

(Changes in Accounting Policies)

(Application of "Accounting Standard for Current Income Taxes")

The "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard of 2022") has been applied from the beginning of the current consolidated accounting period. Revisions to the classification of income taxes (taxation of other comprehensive income) are made in accordance with the transitional treatment stipulated in the proviso of Article 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment stipulated in Article 65-2 (2) of the "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, hereinafter referred to as the "Revised Implementation Guidance of 2022"). This change has no impact on the consolidated financial statements.

In addition, the Company has applied the Revised Implementation Guidance of 2022 from the beginning of the fiscal year under review with respect to revisions to the treatment of deferral of gains and losses on sales of shares of subsidiaries and others arising from sales of subsidiaries and others among the consolidated companies for tax purposes. This change in accounting policy was applied retroactively, and the consolidated financial statements for the previous fiscal year have been retroactively adjusted. This change has no impact on the consolidated financial statements for the previous fiscal year.

(Accounting standards not yet applied)

("Accounting Standard for Leases, etc.")

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

(1) Overview

As part of efforts to make Japanese GAAP internationally consistent, the Accounting Standards Board of Japan (ASBJ) conducted a study based on international accounting standards for the development of accounting standards for leases that recognize assets and liabilities for all leases of lessees. As a basic policy, the ASBJ announced the Accounting Standards for Leases, etc. based on the single accounting model of IFRS 16, that aims to be simple and convenient by adopting only the major provisions rather than all provisions of IFRS 16, and to eliminate the need for amendments even if the provisions of IFRS 16 are applied to non-consolidated financial statements.

As for the accounting treatment of lessees, in the same manner as IFRS 16, a single accounting model is applied to the lessee's method of allocating expenses for leases, in which depreciation expenses for right-of-use assets and the amount equivalent to interest on lease liabilities are recorded for all leases, regardless of whether the lease is a finance lease or an operating lease.

(2) Scheduled date of application

Application is scheduled from the beginning of the fiscal year ended March 31, 2028.

(3) Impact of the application of the accounting standards, etc.

The amount of impact on the consolidated financial statements from the application of the “Accounting Standard for Leases” and other standards has not been determined at this time.

(Change of Presentation Method)

(Consolidated Balance Sheet)

“Long-term loans receivable,” which was included in “Other” under “Investments and other assets” in the previous fiscal year, is presented separately from the current consolidated fiscal year due to an increase in its financial significance. To reflect this change, consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 470 million yen, which was included in “Other” under “Investments and other assets” in the previous fiscal year's Consolidated Balance Sheet, has been reclassified as 0 million yen in “Long-term loans receivable” and 469 million yen in “Other.”

(Consolidated Statement of Income)

“Loss on retirement of non-current assets,” which was presented separately under “Extraordinary loss” in the previous fiscal year, is included in “Other” from the current consolidated fiscal year due to a decrease in its financial significance. To reflect this change, consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 30 million yen, which was presented as “Loss on retirement of non-current assets” under “Extraordinary loss” in the previous fiscal year's Consolidated Statement of Income, has been reclassified as 30 million yen in “Other.”

(Consolidated Statement of Cash Flows)

“Loan-related expenses” and “Increase (decrease) in deposits held as security,” which were included in “Other” of “Cash flows from operating activities” in the previous fiscal year, are presented separately from the current consolidated fiscal year due to an increase in their financial significance. In addition, “Loss on retirement of non-current assets” under “Cash flows from operating activities,” which was presented separately in the previous fiscal year, is included in “Other” from the current consolidated fiscal year due to a decrease in its financial significance. To reflect this change in presentation method, consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 30 million yen in “Loss on retirement of non-current assets” and 580 million yen in “Other” under “Cash flows from operating activities” in the previous fiscal year have been reclassified as 1 million yen in “Loan-related expenses,” 156 million yen in “Increase (decrease) in deposits held as security” and 452 million yen in “Other.”

“Loan advances,” which was included in “Other” under “Cash flows from investing activities” in the previous fiscal year, is presented separately from the current consolidated fiscal year due to an increase in its financial significance. To reflect this change in presentation method, consolidated financial statements for the previous fiscal year have been reclassified.

As a result, -291 million yen in “Other” under “Cash flows from investing activities” in the previous fiscal year has been reclassified as -0 million yen in “Loan advances” and -290 million yen in “Other.”

“Proceeds from borrowing related expenses,” which was included in “Other” under “Cash flows from financing activities” in the previous fiscal year, is presented separately from the current consolidated fiscal year due to an increase in its financial significance. In addition, “Purchase of treasury shares” under “Cash flows from financing activities,” which was presented separately in the previous fiscal year, is included in “Other” from the current consolidated fiscal year due to a decrease in its financial significance. To reflect this change in presentation method, consolidated financial statements of the previous fiscal year have been reclassified.

As a result, -0 million yen in “Purchase of treasury shares” and -5 million yen in “Other” under “Cash flows from financing activities” in the previous fiscal year have been reclassified as -1 million yen in “Proceeds from borrowing related expenses” and -4 million yen in “Other.”

(Additional Information)

Change in the holding purpose of assets

Due to a change in the holding purpose, 1,613 million yen in property, plant and equipment (“buildings” of 494 million yen and “land” of 1,119 million yen) has been transferred to “real estate for sale in process” under current assets.

Transactions of delivering the Company's own shares to employees etc. through trusts

The Company conducts transactions to deliver its own shares through trust for the purpose of employee welfare.

(i) Overview of transaction

The plan provides the Company's shares to employees of the Company who meet certain requirements based on the share benefit regulations established by the Company in advance.

The Company will grant points to employees who satisfy certain conditions at the end of the fiscal year, and when they acquire the right to receive benefits, the Company shares corresponding to the granted points will be delivered. The shares to be granted to employees are acquired in the future with the money set in trust in advance and managed separately as trust assets. The total amount method is applied to the Employee Stock Ownership Plan (J-ESOP) in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015).

(ii) Own shares remaining in the trust

The book value of the Company's shares remaining in the trust (excluding the amount of incidental expenses) is included in net assets. The book value and number of shares of the treasury shares at the end of the previous fiscal year were 157 million yen and 128,300 shares and at the end of the current fiscal year were 157 million yen and 128,300 shares.

(Related to Consolidated Balance Sheet)

* 1 Within notes, accounts receivable and contract assets, the amounts of claims and contracted assets arising from contracts with customers are shown in “Notes (Revenue Recognition) 3. (1) Balance of contract assets and contract liabilities” of the Consolidated Financial Statements.

* 2 Collateralized assets and liabilities

(1) Assets pledged as collateral are as follows.

	For the year ended March 31, 2024	For the year ended March 31, 2025
Cash and deposits (Note)	- million yen	65 million yen
Real estate for sale	9,109	13,274
Real estate for sale in process	87,692	102,302
Buildings	7,777	7,671
Land	10,236	9,313
Other	-	2,310
Total	114,815 million yen	134,938 million yen

Notes: 1. Time deposits are pledged as collateral for bank borrowings and other obligations.

2. In the current consolidated fiscal year, shares of subsidiaries and affiliates (amount before elimination: 1,826 million yen), which are eliminated on consolidation, are pledged as collateral for bank borrowings.

(2) Collateralized obligations are as follows.

	For the year ended March 31, 2024	For the year ended March 31, 2025
Long-term borrowings (including current portion of long-term borrowings)	66,349 million yen	78,575 million yen
Total	66,349 million yen	78,575 million yen

* 3 Items relating to affiliated companies are as follows.

	For the year ended March 31, 2024	For the year ended March 31, 2025
Other (shares of subsidiaries and affiliates)	43 million yen	- million yen

* 4 Contingent liabilities

(1) Liability guarantee by rent guarantee

	For the year ended March 31, 2024	For the year ended March 31, 2025
(Guarantee)		
Customers pertaining to Rent Guarantee Business (amount equivalent to the guaranteed limit)	50,535 million yen	54,590 million yen
Provision for fulfillment of guarantees	-44	-34
Total	50,490 million yen	54,556 million yen

- (2) The Group has entered into a representative deposit agreement with lessors and financial institutions for lease deposits and security deposits for some leased properties. Based on these agreements, financial institutions deposit amounts equivalent to lease and guarantee deposits with the lessors, and the Group guarantees the lessors' obligations to repay the deposits to the financial institutions.

For the year ended March 31, 2024	For the year ended March 31, 2025
million yen	146 million yen

* 5 Reduction entry amount

The reduced entry amount deducted from the acquisition cost of property, plant and equipment through government subsidies, etc. is as follows.

	For the year ended March 31, 2024	For the year ended March 31, 2025
Buildings	241 million yen	641 million yen
Land	32	32
Other	-	12
Total	273 million yen	686 million yen

(Related to Consolidated Statement of Income)

* 1 Revenue arising from contracts with customers

Revenue arising from contracts with customers and other revenue are not presented separately for net sales. The amount of revenue arising from contracts with customers is shown in Consolidated Financial Statements "Notes (Segment Information, etc.) 3. Information on net sales, profit or loss, assets, liabilities and other items and disaggregation of revenue for each reportable segment."

* 2 Major expense items and amount in selling, general and administrative expenses are as follows.

	For the year ended March 31, 2024	For the year ended March 31, 2025
Sales commission	568 million yen	1,378 million yen
Salaries and allowances	2,817	3,111
Retirement benefit costs	85	87
Provision for bonuses provision	216	262
Provision for bonuses for directors (and other officers) provision	79	80
Provision for share-based remuneration provision	13	15
Allowance for doubtful accounts provision	3	-
Commission paid	1,371	1,745

* 3 The breakdown of gain on sale of non-current assets is as follows.

	For the year ended March 31, 2024	For the year ended March 31, 2025
Gain on sale of non-current assets	- million yen	112 million yen
Total	- million yen	112 million yen

Gain on sale of non-current assets resulted from the sale of non-current assets of consolidated subsidiaries.

* 4 Impairment loss

The Company recorded impairment loss for the following asset groups.

For the year ended March 31, 2024

Location	Use	Type	Impairment loss (million yen)
Sumida-ku, Tokyo	Business assets	Goodwill	48

In calculating impairment loss, the Company identifies the smallest unit that generates independent cash flows based on the business segment and groups assets. Assets that do not generate cash flows independently, such as the head office, are common assets.

Regarding goodwill related to Japan System Service Inc. which was merged into SF Building Maintenance Inc., one of the Company's consolidated subsidiaries, in the fiscal year ended March 31, 2023, due to changes in the business environment and other factors, there was a discrepancy between the business plan at the time of the merger, which was the basis for the calculation of goodwill, and the actual results. Therefore, the book value of the goodwill was reduced to the recoverable amount and impairment loss was recorded under extraordinary loss.

The recoverable amount is measured based on the value in use, and the value in use is zero because no future cash flows are expected.

For the year ended March 31, 2025

Not applicable.

(Related to Consolidated Statement of Comprehensive Income)

* Reclassification adjustment, income tax and tax effect related to other comprehensive income

	For the year ended March 31, 2024	For the year ended March 31, 2025
Valuation difference on available- for-sale securities		
Current amount incurred	0 million yen	0 million yen
Reclassification adjustment	-	-
Before income tax and tax effect adjustment	0	0
Income tax and tax effect	-0	-0
Valuation difference on available- for-sale securities	0	0
Foreign currency translation adjustment		
Current amount incurred	284	637
Reclassification adjustment	66	-
Foreign currency translation adjustment	351	637
Total other comprehensive income	351	638

(Notes to Consolidated Statement of Changes in Equity)

For the year ended March 31, 2024

1. Total number of issued shares

Type of shares	Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year
Common shares	48,755,500 shares	-	-	48,755,500 shares

(Summary of Reasons for Change)

Not applicable.

2. Matters concerning Treasury shares

Type of shares	Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year
Common shares	237,169 shares	1,985 shares	35,946 shares	203,208 shares

Note: The number of treasury shares in common shares includes the Company's share of 128,300 held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

(Summary of Reasons for Change)

The main reason for the change in the number of treasury shares in common shares is that there was an increase of 1,934 shares due to the purchase of treasury shares as eligible employees who were granted remuneration of restricted stock lost their rights and an increase of 51 shares due to the purchase of fractional shares, while there was a decrease of 35,946 shares due to the disposition of treasury shares for the issuance for remuneration of restricted stock.

3. Matters related to Share Acquisition Rights

Company Name	Breakdown	Type of shares to be issued	Number of shares to be issued (shares) Note 2				Balance at the end of the current consolidated fiscal year (million yen)
			Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year	
Submitting company	2018 Share Acquisition Rights as Stock Option	-	-	-	-	-	5
Submitting company	2019 Share Acquisition Rights as Stock Option	-	-	-	-	-	5
Submitting company	2020 Share Acquisition Rights as Stock Option	-	-	-	-	-	4
Submitting company	2021 Share Acquisition Rights as Stock Option	-	-	-	-	-	14
Submitting company	Share acquisition rights in 1st Series Unsecured Convertible	Common shares	-	6,434,900	-	6,434,900	Note 1

	Bonds with Share Acquisition Rights						
Total			-	6,434,900	-	6,434,900	30

Notes: 1. Convertible bonds with share acquisition rights are accounted for by the lump-sum method.
2. Number of shares to be issued is the number of shares assuming that the share acquisition rights have been exercised.

(Summary of Reasons for Change)

Increase due to issuance of share acquisition rights relating to 1st Series Unsecured Convertible Bonds with Share Acquisition Rights 6,434,900 shares

4. Matters concerning dividends

(1) Cash dividends paid

Resolution	Type of shares	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors, May 16, 2023	Common shares	1,216	25.00	March 31, 2023	June 28, 2023
Board of Directors, November 9, 2023	Common shares	1,265	26.00	September 30, 2023	December 5, 2023

Notes: 1. The total amount of dividends decided by the Board of Directors on May 16, 2023 includes dividends of 3 million yen for the Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP).
2. The total amount of dividends decided by the Board of Directors on November 9, 2023 includes dividends of 3 million yen for the Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

(2) Dividends whose record date is in the current consolidated fiscal year and whose effective date is in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors, May 21, 2024	Common shares	Retained earnings	1,553	32.00	March 31, 2024	June 26, 2024

Notes: 1. The total amount of dividends decided by the Board of Directors on May 21, 2024 includes dividends of 4 million yen for the Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP).
2. Dividends per share include the 25th anniversary commemorative dividend of 2 yen per share.

For the year ended March 31, 2025

1. Total number of issued shares

Type of shares	Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year
Common shares	48,755,500 shares	-	-	48,755,500 shares

(Summary of Reasons for Change)

Not applicable.

2. Matters concerning Treasury shares

Type of shares	Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year
Common shares	203,208 shares	1,051	31,643	172,616 shares

Note: The number of treasury shares in common shares includes the Company's share of 128,300 held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

(Summary of Reasons for Change)

The main reason for the change in the number of treasury shares in common shares is that there was an increase of 1,051 shares due to the purchase of treasury shares as eligible employees who were granted remuneration of restricted stock lost their rights, while there was a decrease of 31,643 shares due to the disposition of treasury shares for the issuance for remuneration of restricted stock.

3. Matters related to Share Acquisition Rights

Company Name	Breakdown	Type of shares to be issued	Number of shares to be issued (shares)				Balance at the end of the current consolidated fiscal year (million yen)
			Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year	
Submitting company	2018 Share Acquisition Rights as Stock Option	-	-	-	-	-	5
Submitting company	2019 Share Acquisition Rights as Stock Option	-	-	-	-	-	5
Submitting company	2020 Share Acquisition Rights as Stock Option	-	-	-	-	-	4
Submitting company	2021 Share Acquisition Rights as Stock Option	-	-	-	-	-	14
Submitting company	Share acquisition rights in 1st Series Unsecured	Common shares	6,434,900	-	-	6,434,900	Note 1

	Convertible Bonds with Share Acquisition Rights						
Total			6,434,900	-	-	6,434,900	30

Notes: 1. Convertible bonds with share acquisition rights are accounted for by the lump-sum method.
2. Number of shares to be issued is the number of shares assuming that the share acquisition rights have been exercised.

4. Matters concerning dividends

(1) Cash dividends paid

Resolution	Type of shares	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors, May 21, 2024	Common shares	1,553	32.00	March 31, 2024	June 26, 2024
Board of Directors, November 7, 2024	Common shares	1,607	33.00	September 30, 2024	December 3, 2024

Note: The total amount of dividends decided at the Annual General Meeting of Shareholders on May 21, 2024 includes dividends of 4 million yen for the Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP). Dividends per share include the 25th anniversary commemorative dividend of 2.00 yen.

The total amount of dividends decided by the Board of Directors on November 7, 2024 includes dividends of 4 million yen for the Company's shares held by the trust account of the Employee stock ownership plan (J-ESOP).

(2) Dividends whose record date is in the current consolidated fiscal year and whose effective date is in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors, May 20, 2025	Common shares	Retained earnings	1,607	33.00	March 31, 2025	June 25, 2025

Note: The total amount of dividends decided by the Board of Directors on May 20, 2025 includes dividends of 4 million yen for the Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

(Consolidated Statements of Cash Flows)

* 1 The relationship between cash and cash equivalents at end of period and amount in item listed in Consolidated Balance Sheet is as follows.

	For the year ended March 31, 2024	For the year ended March 31, 2025
Cash and deposits account	47,867 million yen	44,920 million yen
Time deposits with a deposit period of more than 3 months	-1	-165
Cash and cash equivalents	47,866 million yen	44,754 million yen

* 2 Depreciation for Inventories under lease included in Depreciation is as follows.

	For the year ended March 31, 2024	For the year ended March 31, 2025
	1,070 million yen	1,271 million yen

(Lease Transactions)

Operating lease transactions
(Lessee)

Future minimum lease payments for non-cancelable operating lease transactions

	For the year ended March 31, 2024	For the year ended March 31, 2025
Within one year	2,149 million yen	3,052 million yen
Over one year	15,945	18,254
Total	18,095 million yen	21,307 million yen

(Financial Instruments)

1. Items relating to financial instruments

(1) Policy on financial instruments

The Company limits its fund management to short-term deposits, etc. With regard to fund procurement, the Company's policy is to procure funds through indirect financing through bank loans and direct financing through issuance of bonds and shares, etc., taking into comprehensive consideration the characteristics of necessary fund demand, financial market environment, long and short-term redemption periods. Derivative transactions are used to avoid or limit the risk of interest rate fluctuations on borrowings to a certain extent, and the Company's policy is not to engage in speculative transactions.

(2) Content and risks of financial instruments

Trade receivables are exposed to customers' credit risk.

Borrowings raised funds mainly for investment in business purposes and business strategies. Variable borrowings are exposed to interest rate fluctuation risk. Borrowings, which procures funds mainly from financial institutions, are exposed to liquidity risks that restrict fund procurement due to changes in the stance of transactions with the Group.

Corporate bonds are procured mainly for capital investment and do not bear interest.

(3) Risk management system for financial instruments

(i) Management of credit risks (risks pertaining to non-performance of contracts by counterparties)

Based on the Management Regulations for Trade Receivables and other rules, the Company regularly monitors the business conditions of major business partners with regard to trade receivables, strives to identify and mitigate early concerns about the collection of trade receivables due to deterioration in financial conditions and other factors.

(ii) Management of market risks (risks related to market price fluctuations)

Derivative transactions are not conducted for speculative purposes not stipulated in the derivative transactions management regulations.

(iii) Management of liquidity risk related to fund procurement (risk of inability to pay on the due date)

The Company aims to diversify its funding sources by accurately assessing the group's funding needs and financial position, and by strengthening relationships with financial institutions.

(4) Supplementary explanation of fair value of financial instruments

Since variable factors are incorporated in the calculation of the value, the value may fluctuate by adopting different assumptions, etc.

2. Fair value of financial instruments

The Consolidated Balance Sheet amount, market value and the difference between the two are as follows.

For the fiscal year ended March 31, 2024

	Consolidated Balance Sheet amount (million yen)	Market value (million yen)	Difference (million yen)
Corporate bonds	9,999	9,156	-843
Long-term borrowings (including current portion)	69,479	67,288	-2,191
Total liabilities	79,479	76,444	-3,035

For the fiscal year ended March 31, 2025

	Consolidated Balance Sheet amount (million yen)	Market value (million yen)	Difference (million yen)
Corporate bonds	9,999	9,199	-800
Long-term borrowings (including current portion)	82,359	79,128	-3,231
Total liabilities	92,359	88,327	-4,031

Notes: 1. Methods for calculating the market values of financial instruments and derivative transactions

Assets

Cash and deposits

Information is omitted because it is cash, and the market value approximates the book value because the deposits are settled in a short period of time.

Liabilities

Corporate bonds and long-term borrowings

The market value of corporate bonds and long-term borrowings is calculated by discounting by the rate assumed in the case where the same financing is conducted for the bonds and long-term borrowings classified by a certain period.

Notes: 2. The Consolidated Balance Sheet amounts of financial instruments, such as stocks without market price, are as follows:

(million yen)		
Category	For the year ended March 31, 2024	For the year ended March 31, 2025

Shares of subsidiaries and affiliates	43	-
Shares of unlisted companies	155	105

The above items are not included in “2. Fair value of financial instruments” because there is no market price and it is extremely difficult to grasp the fair value.

Notes: 3. Redemption schedule of cash receivables after consolidated close date

For the year ended March 31, 2024

	Within 1 year (million yen)	Over 1 year and within 5 years (million yen)	Over 5 years and within 10 years (million yen)	Over 10 years (million yen)
Cash and deposits	47,867	-	-	-
Total	47,867	-	-	-

For the year ended March 31, 2025

	Within 1 year (million yen)	Over 1 year and within 5 years (million yen)	Over 5 years and within 10 years (million yen)	Over 10 years (million yen)
Cash and deposits	44,920	-	-	-
Long-term loans receivable	32	1,459	-	-
Total	44,952	1,459	-	-

Notes: 4. Scheduled repayment amount of short-term borrowings and long-term borrowings after consolidated close date

For the year ended March 31, 2024

	Within 1 year (million yen)	Over 1 year and within 2 years (million yen)	Over 2 years and within 3 years (million yen)	Over 3 years and within 4 years (million yen)	Over 4 years and within 5 years (million yen)	Over 5 years (million yen)
Short-term borrowings	62	-	-	-	-	-
Corporate bonds	-	-	-	-	9,999	-
Long-term borrowings	12,207	12,762	18,100	5,149	9,465	11,794
Total	12,269	12,762	18,100	5,149	19,465	11,794

For the year ended March 31, 2025

	Within 1 year (million yen)	Over 1 year and within 2 years (million yen)	Over 2 years and within 3 years (million yen)	Over 3 years and within 4 years (million yen)	Over 4 years and within 5 years (million yen)	Over 5 years (million yen)
Short-term borrowings	100	-	-	-	-	-
Corporate bonds	-	-	-	9,999	-	-
Long-term borrowings	10,140	13,898	25,652	9,717	11,110	11,840
Total	10,240	13,898	25,652	19,717	11,110	11,840

3. Matters concerning the breakdown of the market value of financial instruments by level

The market value of financial instruments is classified into the following three levels according to the input, observability and importance of Calculation of Market Value.

Level 1 market value: market value of the same asset or liability based on the quoted (unadjusted) price in an active market

Level 2 market value: market value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 market value: market value calculated using significant unobservable inputs

If multiple inputs that significantly affect the calculation of market value are used, the market value is classified at the lowest priority level in the calculation of market value among the levels to which each of those inputs belongs.

(1) Financial instruments recorded Consolidated Balance Sheet at market value

Previous consolidated fiscal year (March 31, 2024)

There are no applicable matters.

Current consolidated fiscal year (March 31, 2025)

There are no applicable matters.

(2) Financial instruments other than those recorded in the Consolidated Balance Sheet at market value

Previous consolidated fiscal year (March 31, 2024)

Category	Market value (million yen)			
	Level 1	Level 2	Level 3	Total
Corporate bonds	-	9,156	-	9,156
Long-term borrowings	-	67,288	-	67,288

Current consolidated fiscal year (March 31, 2025)

Category	Market value (million yen)			
	Level 1	Level 2	Level 3	Total
Corporate bonds	-	9,199	-	9,199
Long-term borrowings	-	79,128	-	79,128

Note: Explanation of valuation techniques used to calculate market value and inputs to calculate market value

1. Corporate bonds

The market value of the corporate bonds issued by the Company are calculated using the discounted present value method based on the total amount of principal and interest, the interest rate taking into account the remaining period and the credit risk of the corporate bond. They are classified as Level 2 market value.

2. Long-term borrowings

These market values are calculated using the discounted present value method based on the total amount of principal and interest, the interest rate taking into account the remaining period and the credit risk of the liability. They are classified as Level 2 market value.

(Securities)

Other securities (available-for-sale securities)

For the year ended March 31, 2024

Omitted due to lack of importance.

For the year ended March 31, 2025

Omitted due to lack of importance.

(Retirement Benefits)

1. Overview of stated retirement benefit plans

The Company and certain of its consolidated subsidiaries implement the defined contribution pension plans. Certain consolidated subsidiaries implement the lump-sum retirement allowance plans and apply the simplified method for calculating retirement benefit liability and retirement benefit expenses.

2. Defined benefit plan applying simplified method

(1) Reconciliation of beginning and ending balances of retirement benefit liability under the system to which the simplified method is applied

	For the year ended March 31, 2024	For the year ended March 31, 2025
Retirement benefit liability at beginning of year	5 million yen	1 million yen
Payments for retirement benefits	3	-
Retirement benefit liability balance at end of year	1	1

(2) Reconciliation between the balance of retirement benefit obligations at the end of the fiscal year and retirement benefit liability recorded in the Consolidated Balance Sheet

	For the year ended March 31, 2024	For the year ended March 31, 2025
Unfunded retirement benefit obligation	1 million yen	1 million yen
Net liabilities and assets recorded in Consolidated Balance Sheet	1	1
Retirement benefit liability	1	1
Net liabilities and assets recorded in Consolidated Balance Sheet	1	1

3. Defined Contribution Plan

The amount required to be contributed by the Company and its consolidated subsidiaries to the defined contribution plan was 85 million yen for the year ended March 31, 2024 and 95 million yen for the year ended March 31, 2025.

(Stock Options, etc.)

1. Amount recorded as expenses for stock options and name of item

	For the year ended March 31, 2024	For the year ended March 31, 2025
Stock remuneration expenses of selling, general and administrative expenses	- million yen	- million yen

2. Details and size of stock options and changes in stock options

(1) Details of stock options

Company Name	Submitting company	Submitting company
Date of resolution	June 22, 2018	June 21, 2019
Category and number of grantees	4 Directors (excluding Outside Director) of the Company	4 Directors (excluding Outside Director) of the Company
Type and number of shares granted	Common shares 5,240 shares	Common shares 7,400 shares
Grant date	July 31, 2018	July 31, 2019
Vesting conditions	Share acquisition rights may be exercised only when the position as Director of the Company is lost. In this case, share acquisition right holders may exercise their share acquisition rights in a lump sum only during the period from the day following the day on which they lose their position as Director of the Company to the day on which ten days have elapsed.	Share acquisition rights may be exercised only when the position as Director of the Company is lost. In this case, share acquisition right holders may exercise their share acquisition rights in a lump sum only during the period from the day following the day on which they lose their position as Director of the Company to the day on which ten days have elapsed.
Applicable service period	There is no rule on applicable service periods.	There is no rule on applicable service periods.
Exercise period	August 1, 2018 to July 31, 2048	August 1, 2019 to July 31, 2049

Company Name	Submitting company	Submitting company
Date of resolution	June 30, 2020	June 22, 2021
Category and number of grantees	4 Directors (excluding Outside Director) of the Company	6 Directors (excluding Outside Director) of the Company
Type and number of shares granted	Common shares 11,120 shares	Common shares 21,550 shares
Grant date	July 31, 2020	July 30, 2021
Vesting conditions	Share acquisition rights may be exercised only when the position as Director of the Company is lost. In this case, share acquisition right holders may exercise their share acquisition rights in a lump sum only during the period from the day following the day on which they lose their position as Director of the Company to the day on which ten days have elapsed.	Share acquisition rights may be exercised only when the position as Director of the Company is lost. In this case, share acquisition right holders may exercise their share acquisition rights in a lump sum only during the period from the day following the day on which they lose their position as Director of the Company to the day on which ten days have elapsed.
Applicable service period	There is no rule on applicable service periods.	There is no rule on applicable service periods.
Exercise period	August 1, 2020 to July 31, 2050	From July 31, 2021 to July 30, 2051

(2) Size and changes in stock options

As for stock options existing in the current consolidated fiscal year (for the year ended March 31, 2025), the number of stock options is converted into the number of shares.

(i) Number of stock options

Company Name	Submitting company	Submitting company
Date of resolution	June 22, 2018	June 21, 2019
Before vesting (shares)		
End of previous fiscal year	-	-
Granted	-	-
Forfeited	-	-
Vested	-	-
Unvested balance	-	-
After the vesting of rights (shares)		
End of previous fiscal year	5,240	7,400
Vested	-	-
Exercised	-	-
Forfeited	-	-
Unexercised balance	5,240	7,400

Company Name	Submitting company	Submitting company
Date of resolution	June 30, 2020	June 22, 2021
Before vesting (shares)		
End of previous fiscal year	-	-
Granted	-	-
Forfeited	-	-
Vested	-	-
Unvested balance	-	-
After the vesting of rights (shares)		
End of previous fiscal year	11,120	21,550
Vested	-	-
Exercised	-	-
Forfeited	-	-
Unexercised balance	11,120	21,550

(ii) Unit price information

Company Name	Submitting company	Submitting company
Date of resolution	June 22, 2018	June 21, 2019
Exercise price (yen)	1	1
Average stock price at exercise (yen)	-	-
Fair value at grant date (yen)	1,019	789

Company Name	Submitting company	Submitting company
Date of resolution	June 30, 2020	June 22, 2021
Exercise price (yen)	1	1
Average stock price at exercise (yen)	-	-
Fair value at grant date (yen)	438	657

3. Method of estimating the fair value of stock options granted to the current consolidated fiscal year
There are no applicable matters because the rights have been determined at the time of granting.

(Tax Effect Accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

	For the year ended March 31, 2024		For the year ended March 31, 2025	
Deferred tax assets				
Inventories	1,034	million yen	1,086	million yen
Excess depreciation	423		392	
Taxes and duties	68		87	
Denial of accrued liability	313		416	
Accrued enterprise tax	167		265	
Accrued expenses	90		154	
Provision for bonuses	88		103	
Long-term accounts payable	17		17	
Denial of loss on valuation of investment securities	32		48	
Depreciation of guarantee deposits	50		81	
Loss carryforwards (Note 2)	439		259	
Other	234		267	
Subtotal deferred tax assets	2,961	million yen	3,180	million yen
Valuation allowance for loss carryforwards for tax purposes (Note 2)	-334		-195	
Valuation allowance for future deductible temporary differences, etc.	-968		-1,008	
Valuation allowance subtotal (Note 1)	-1,302		-1,204	
Deferred tax assets total	1,659	million yen	1,976	million yen
Deferred tax liabilities				
Land valuation difference	18	million yen	423	million yen
Uncompleted construction expense	8		4	
Other	8		11	
Deferred tax liabilities total	34	million yen	438	million yen
Deferred tax assets net	1,624	million yen	1,537	million yen

Deferred tax liabilities are included in “Other” under non-current liabilities on the Consolidated Balance Sheet.

(Change in presentation method)

“Denial of loss on valuation of investment securities” and “Depreciation of guarantee deposits” which were included in “Other” of deferred tax assets in the previous fiscal year, are presented separately from current consolidated fiscal year due to its increased materiality. In order to reflect this change in presentation method, the notes related to Tax Effect Accounting in the previous consolidated fiscal year have been reclassified. As a result, 32 million yen in “Denial of loss on valuation of investment securities” and 50 million yen in “Depreciation of guarantee deposits” have been presented separately from “Other” under deferred tax assets.

Notes: 1. The valuation allowance decreased by 98 million yen. This decrease was mainly due to a decrease of 99 million yen in the valuation allowance for loss carryforwards for tax purposes in consolidated subsidiary Nihon Toshi Hotel Kaihatsu Co. Ltd.

2. Tax loss carryforwards and the deferred tax assets by carryforward period

For the year ended March 31, 2024

(Unit: million yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Tax loss carryforwards (a)	-	-	1	-	9	428	439
Valuation allowance	-	-	-1	-	-7	-324	-334
Deferred tax assets (b)	-	-	0	-	1	103	105

(a) Tax loss carryforwards are calculated by multiplying the effective statutory tax rate.

(b) The deferred tax assets for the tax loss carryforwards are determined to be recoverable based on future taxable income.

For the year ended March 31, 2025

(Unit: million yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Tax loss carryforwards (a)	-	1	-	5	18	233	259
Valuation allowance	-	0	-	-5	-18	-170	-195
Deferred tax assets (b)	-	0	-	0	-	62	63

(a) Tax loss carryforwards are calculated by multiplying the effective statutory tax rate.

(b) The deferred tax assets for the tax loss carryforwards are determined to be recoverable based on future taxable income.

2. Reconciliation between the statutory effective tax rate and the corporate income tax rate after applying tax effect accounting

For the previous fiscal year and current consolidated fiscal year, the difference between the statutory effective tax rate and the burden rate of corporate taxes after applying tax effect accounting is less than 5% of the effective statutory tax rate, and therefore, the note is omitted.

3. Accounting treatment of corporate income taxes and local corporate taxes, or accounting treatment of related tax effect accounting

The Company and certain consolidated domestic subsidiaries have adopted the group tax sharing system. In addition, the Company and its consolidated subsidiaries have adopted the accounting treatment of corporate income taxes and local corporate taxes or the accounting treatment of related tax effect accounting in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021).

4. Revision of deferred tax assets and deferred tax liabilities amounts due to changes in corporate income tax rates

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) was published on March 31, 2025, and the corporate tax rate, etc. will be changed from the consolidated fiscal year beginning on or after April 1, 2026. Accordingly, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities will be changed from the previous 30.6% to 31.5% for the temporary differences that are expected to be eliminated in the consolidated fiscal year beginning on or after April 1, 2026. The effect of applying the revised effective statutory tax rate to the end of the current consolidated fiscal year is insignificant.

(Asset retirement obligations)

The Company recognizes asset retirement obligations mainly related to recovery to the original state at the time of removal based on real estate lease agreements. In lieu of recording asset retirement obligations as liabilities, lease deposits and security deposits related to real estate lease agreements are recorded as expenses by reasonably estimating the amount for which collection is not expected in the end (expenses for restoration

of leased buildings) and recording the amount that is borne by the current consolidated fiscal year as expenses. In addition, the amount which belongs to the burden of the current consolidated fiscal year is calculated based on the expected occupancy period.

(Rental and other real estate)

The Company owns rental office buildings (including land) and hotel facilities (including land) in Tokyo and other areas.

For the year ended March 31, 2024, net rental income from such rental properties was 157 million yen (rent revenue is recorded in net sales and rental expenses are recorded in cost of sales).

For the year ended March 31, 2025, net rental income from such rental properties was 94 million yen (rent revenue is recorded in net sales and rental expenses are recorded in cost of sales).

The Consolidated Balance Sheet book value, increase/decrease during the period and market value of the rental properties are as follows.

(Unit: million yen)

		For the year ended March 31, 2024	For the year ended March 31, 2025
Consolidated Balance Sheet value	Beginning balance	8,225	8,660
	Increase/decrease during the period	435	-1,821
	Year-end balance	8,660	6,839
Year-end market value		11,528	10,159

Notes: 1. The amount recorded in Consolidated Balance Sheet is acquisition cost less accumulated depreciation.

2. In increase/decrease during the period, the increase in the previous fiscal year is mainly due to new acquisitions (665 million yen), and the decrease is mainly due to retirements (31 million yen) and depreciation (199 million yen).

In the current consolidated fiscal year, the increase is mainly due to new acquisitions (9 million yen), while the decrease is due to transfer due to change in holding purpose (1,613 million yen) and depreciation (203 million yen).

3. Fair values at the end of the fiscal period are the amount based on real estate appraisal reports by external real estate appraisers or the amount adjusted using certain appraisal values or indicators.

(Revenue Recognition)

1. Breakdown of revenue from contracts with customers

Breakdown of revenue from contracts with customers is described in “(Segment Information, etc.) Segment information 3. Information on net sales, profit or loss, assets, liabilities, and other items and disaggregation of revenue for each reportable segment.”

2. Information that serves as the basis for understanding the revenue arising from contracts with customers

Information that serves as the basis for understanding revenue is described in “(Significant Accounting Policies for the Preparation of Consolidated Financial Statements) 4. Matters concerning Accounting Policies (5) Standards for recording significant revenues and expenses.”

3. Information on the relationship between the fulfillment of performance obligations based on contracts with customers and cash flows arising from those contracts as well as the amount and timing of revenues expected to be recognized in and after the following fiscal year from contracts with customers that exist at the end of the current fiscal year

For the fiscal year ended March 31, 2024

(1) Balance of contract assets and contract liabilities

The contract balances of the Group are as follows.

	(million yen)
	Current consolidated fiscal year (March 31, 2024)
Claims arising from contracts with customers (beginning of the fiscal year)	1,560
Claims arising from contracts with customers (end of the fiscal year)	1,938
Contract assets (beginning of the fiscal year)	35
Contract assets (end of the fiscal year)	134
Contract liabilities (beginning of the fiscal year)	1,649
Contract liabilities (end of the fiscal year)	674

Notes: 1. Claims arising from contracts with customers

Claims arising from contracts with customers mainly consist of uncollected payments of hotel charges recognized in Hotel and Tourism Business and rights to customers arising from the contract performance in Real Estate Service Business. The collection of these claims is generally within one to three months.

2. Contract assets

Contract assets consist of rights to customers arising from the payments received from customers in line with a series of obligations recognized in connection with the contract work agreement in Construction Business. The contract assets for the completed work are recognized in advance and transferred to operating claims upon customer acceptance and billing.

The contract assets are included in notes, accounts receivable and contract assets in the Consolidated Balance Sheet.

3. Contract liabilities

Contract liabilities mainly consist of earnest money received at the conclusion of sales contracts in Replanning Business, the payment received prior to performance based on the contract work agreements in Construction Business, and accommodation charges received as advance payment in Hotel Operation Business. Based on the agreement, they are transferred to revenue when the Group performs them.

Contract liabilities are included in Other current liabilities in the Consolidated Balance Sheet.

In the contract liabilities at the beginning of the current consolidated fiscal year, 1,612 million yen was recognized as the revenue for the current consolidated fiscal year. The increase in contract assets for the current consolidated fiscal year was mainly due to an increase in construction orders received in Construction Business while the decrease in contract liabilities was mainly due to a decrease in the balance of the earnest money for properties sold in Replanning Business.

(2) Transaction price allocated to remaining performance obligations

As the Group does not have any important contracts with an initial expected contract period of more than one year, information on the remaining performance obligations is omitted by using practical expedient measures.

Also, there are no significant amounts that are not included in the transaction prices in consideration arising from contracts with customers

For the fiscal year ended March 31, 2025

(1) Balance of contract assets and contract liabilities

The contract balances of the Group are as follows.

	(million yen)
	Current consolidated fiscal year (March 31, 2025)
Claims arising from contracts with customers (beginning of the fiscal year)	1,938
Claims arising from contracts with customers (end of the fiscal year)	1,943
Contract assets (beginning of the fiscal year)	134
Contract assets (end of the fiscal year)	134
Contract liabilities (beginning of the fiscal year)	674
Contract liabilities (end of the fiscal year)	440

Notes: 1. Claims arising from contracts with customers

Claims arising from contracts with customers mainly consist of uncollected payments of hotel charges recognized in Hotel and Tourism Business and rights to customers arising from the contract performance in Real Estate Service Business. The collection of these claims is generally within one to three months.

2. Contract assets

Contract assets consist of rights to customers arising from the payments received from customers in line with a series of obligations recognized in connection with the contract work agreement in Construction Business. The contract assets for the completed work are recognized in advance and transferred to operating claims upon customer acceptance and billing.

The contract assets are included in notes, accounts receivable and contract assets in the Consolidated Balance Sheet.

3. Contract liabilities

Contract liabilities mainly consist of earnest money received at the conclusion of sales contracts in Replanning Business, the payment received prior to performance based on the contract work agreements in Construction Business, and accommodation charges received as advance payment in Hotel Operation Business. Based on the agreement, they are transferred to revenue when the Group performs them.

Contract liabilities are included in Other current liabilities in the Consolidated Balance Sheet.

In the contract liabilities at the beginning of the current consolidated fiscal year, 674 million yen was recognized as the revenue for the current consolidated fiscal year. The increase in contract assets for the current consolidated fiscal year was mainly due to an increase in construction orders received in Construction Business while the decrease in contract liabilities was mainly due to a decrease in the balance of the earnest money for properties sold in Replanning Business.

(2) Transaction price allocated to remaining performance obligations

As the Group does not have any important contracts with an initial expected contract period of more than one year, information on the remaining performance obligations is omitted by using practical expedient measures.

Also, there are no significant amounts that are not included in the transaction prices in consideration arising from contracts with customers

(Segment Information, etc.)

Segment information

1. Overview of Reportable Segments

The reportable segments of the Company are the constituent units of the company group for which separate financial information is available and which are subject to periodic review by the Board of Directors in order to determine the allocation of management resources and evaluate performance.

The head office formulates comprehensive strategies for each type of product and service and conducts business activities.

Accordingly, the Company consists of three reportable segments: “Real Estate Revitalization Business,” “Real Estate Service Business”, and “Hotel and Tourism Business,” which are defined by the product and service segments established by the head office.

“Real Estate Revitalization Business” is engaged in Replanning Business and Rental Building Business.

“Real Estate Service Business” is engaged in Property Management Business, Building Maintenance Business, Sales Brokerage Business, Leasing Brokerage Business, Conference Room Rental Business, and Rent Guarantee Business. “Hotel and Tourism Business” is engaged in Hotel Development Business and Hotel Operation Business.

2. Method of Calculating the Net Sales, Profit (loss), Assets, Liabilities and other items for Each Reportable Segment

The method of accounting for the reportable segments is the same as that described in “Significant basis for preparation of consolidated financial statements” in the Annual Securities Report. Reportable segment profits are based on ordinary profit.

3. Breakdown of the revenue and information on Net Sales, Profit (loss), Assets, Liabilities, and Others for each reportable segment

For the year ended March 31, 2024

(Unit: million yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated financial statement (Note 3)
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total				
Net sales								
Revenue from contracts with customers	46,662	8,171	16,814	71,647	2,363	74,010	-	74,010
Other income	4,358	1,377	121	5,857	-	5,857	-	5,857
Net sales to external customers	51,020	9,548	16,936	77,504	2,363	79,868	-	79,868
Internal sales or transfers	6	948	41	997	46	1,043	-1,043	-
Subtotal	51,027	10,497	16,977	78,502	2,409	80,912	-1,043	79,868
Segment profit	15,602	5,612	4,369	25,583	301	25,885	-8,510	17,374
Segment assets	105,206	3,688	26,259	135,153	1,845	136,999	51,662	188,661
Segment liabilities	62,499	4,391	9,776	76,667	299	76,967	17,277	94,244
Others								
Depreciation	1,327	80	508	1,916	4	1,920	204	2,124
Amortization of goodwill	-	17	6	23	51	75	-	75
Interest expenses	426	7	60	493	-	493	45	539
Income (loss) on investments based on equity method	-	-	-	-	-	-	12	12
Increase in property, plant and equipment and intangible assets	614	302	1,716	2,633	1	2,635	394	3,029

Note 1. The “Other” segment is a business segment that is not included in the reportable segment and includes Overseas Development Business and Construction Business.

Note 2. Details of the “Adjustment” are as follows:

- (1) Adjustment in segment profit of negative 8,510 million yen includes elimination of intersegment transactions of negative 25 million yen and company-wide expenses of negative 8,485 million yen not allocated to each reportable segment. Company-wide expenses are mainly selling, general and administrative expenses that are not attributable to reportable segments.
- (2) Adjustment in segment assets of 51,662 million yen include eliminations of intersegment transactions of negative 19,913 million yen and company-wide assets of 71,575 million yen that are not allocated to each reportable segment. Company-wide assets consist mainly of surplus operating funds (cash and time deposits and available-for-sale securities) and administration department’s assets that do not belong to any reportable segment.
- (3) Adjustment in segment liabilities of 17,277 million yen include elimination of intersegment transactions

of negative 561 million yen and company-wide liabilities of 17,839 million yen that are not allocated to each reportable segment.

(4) Adjustment of depreciation under “Others” of 204 million yen includes depreciation of company-wide assets not allocated to each reportable segment of 204 million yen.

(5) Adjustment of income (loss) on investments based on equity method under “Others” of 12 million yen includes income (loss) on investments based on equity method of 12 million yen related to company-wide assets not allocated to each reportable segment.

(6) Adjustment of increase in property, plant and equipment and intangible assets under “Others” of 394 million yen includes the 394 million yen increase in property, plant and equipment and intangible assets related to company-wide assets not allocated to each reportable segment.

Note 3. Segment profit is reconciled to ordinary profit in the Consolidated Statement of Income.

For the year ended March 31, 2025

(Unit: million yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Amount on consolidate d financial statement (Note 3)
	Real Estate Revitalizati on Business	Real Estate Service Business	Hotel and Tourism Business	Total				
Net sales								
Revenue from contracts with customers	62,750	9,585	18,421	90,757	1,827	92,584	-	92,584
Other income	8,566	1,682	341	10,590	-	10,590	-	10,590
Net sales to external customers	71,316	11,268	18,762	101,347	1,827	103,174	-	103,174
Internal sales or transfers	22	1,220	69	1,312	165	1,477	-1,477	-
Subtotal	71,339	12,488	18,831	102,659	1,992	104,652	-1,477	103,174
Segment profit	20,104	6,112	4,072	30,290	435	30,725	-10,278	20,446
Segment assets	123,660	4,424	37,025	165,110	2,758	167,868	50,321	218,190
Segment liabilities	70,080	5,403	14,676	90,160	1,294	91,455	20,843	112,298
Others								
Depreciation	1,508	121	728	2,358	6	2,364	248	2,612
Amortization of goodwill	-	-	191	191	62	254	-	254
Interest expenses	712	11	119	843	-	843	61	905
Income (loss) on investments based on equity method	-	-	-	-	-	-	-14	-14
Increase in property, plant and equipment and intangible assets	5	369	4,302	4,677	5	4,683	150	4,833

Note 1. The “Other” segment is a business segment that is not included in the reportable segment and includes Overseas Development Business and Construction Business.

Note 2. Details of the “Adjustment” are as follows:

- (1) Adjustment in segment profit of negative 10,278 million yen includes elimination of intersegment transactions of negative 20 million yen and company-wide expenses of negative 10,258 million yen not allocated to each reportable segment. Company-wide expenses are mainly selling, general and administrative expenses that are not attributable to reportable segments.
- (2) Adjustment in segment assets of 50,321 million yen includes eliminations of intersegment transactions of negative 20,634 million yen and company-wide assets of 70,955 million yen that are not allocated to each reportable segment. Company-wide assets consist mainly of surplus operating funds (cash and time deposits and available-for-sale securities) and administration department's assets that do not belong to any reportable segment.
- (3) Adjustment in segment liabilities of 20,843 million yen includes elimination of intersegment transactions of negative 199 million yen and company-wide liabilities of 21,042 million yen that are not allocated to each reportable segment.
- (4) Adjustment of depreciation under "Other" of 248 million yen is for depreciation of company-wide assets not allocated to each reportable segment.
- (5) Adjustment of income (loss) on investments based on equity method under "Others" of negative 14 million yen is for income (loss) on investments based on equity method related to company-wide assets not allocated to each reportable segment.
- (6) Adjustment of increase in property, plant and equipment and intangible assets under "Others" of 150 million yen is for increase in property, plant and equipment and intangible assets related to company-wide assets not allocated to each reportable segment.

Note 3. Segment profit is reconciled to ordinary profit in the Consolidated Statement of Income.

Related Information

For the fiscal year ended March 31, 2024

1. Information by product and service

Information by product and service is omitted because similar information is provided in "Segment information."

2. Regional information

(1) Net sales

Net sales to external customers in Japan accounts for more than 90% of net sales in the Consolidated Statement of Income, so the description is omitted.

(2) Property, plant and equipment

Property, plant and equipment which is located in Japan, accounts for more than 90% of amount in property, plant and equipment in the Consolidated Balance Sheet, so the description is omitted.

3. Information by major customers

Sales to external customers are not disclosed because there is no customer that accounts for 10% or more of net sales in the Consolidated Statement of Income.

For the fiscal year ended March 31, 2025

1. Information by product and service

Information by product and service is omitted because similar information is provided in "Segment information."

2. Regional information

(1) Net sales

Net sales to external customers in Japan accounts for more than 90% of net sales in the Consolidated Statement of Income, so the description is omitted.

(2) Property, plant and equipment

Property, plant and equipment which is located in Japan, accounts for more than 90% of amount in property, plant and equipment in the Consolidated Balance Sheet, so the description is omitted.

3. Information by major customers

Sales to external customers are not disclosed because there is no customer that accounts for 10% or more of net sales in the Consolidated Statement of Income.

Information on non-current assets impairment loss by reportable segment
For the fiscal year ended March 31, 2024

(Unit: million yen)

	Reportable segments				Other	Corporate and elimination	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total			
Impairment loss	-	48	-	48	-	-	48

For the fiscal year ended March 31, 2025

(Unit: million yen)

	Reportable segments				Other	Corporate and elimination	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total			
Impairment loss	-	-	-	-	-	-	-

Information on goodwill amortization and unamortized balance by reportable segment
For the fiscal year ended March 31, 2024

(Unit: million yen)

	Reportable segments				Other	Corporate and elimination	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total			
Balance at end of the period	-	-	308	308	270	-	579

Note: Information regarding amortization of goodwill is omitted because similar information is disclosed in the segment information.

For the fiscal year ended March 31, 2025

(Unit: million yen)

	Reportable segments				Other	Corporate and elimination	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total			
Balance at end of the period	-	-	713	713	209	-	923

Note: Information regarding amortization of goodwill is omitted because similar information is disclosed in the segment information.

Information on negative goodwill gain by report segment
For the fiscal year ended March 31, 2024
Not applicable.

For the fiscal year ended March 31, 2025
Not applicable.

(Related Party Information)

1. Transactions with related parties

(1) Transactions between the company submitting consolidated financial statements and related parties

(i) Non-consolidated subsidiaries and affiliates of the company submitting consolidated financial statements

For the fiscal year ended March 31, 2024

There are no important matters to be stated.

For the fiscal year ended March 31, 2025

There are no important matters to be stated.

(ii) Officers and major shareholders of the company submitting consolidated financial statements (limited to individuals), etc.

For the fiscal year ended March 31, 2024

There are no important matters to be stated.

For the fiscal year ended March 31, 2025

There are no important matters to be stated.

(2) Transactions between consolidated subsidiaries of the company submitting consolidated financial statements and related parties

For the fiscal year ended March 31, 2024

Type	Name of the company, etc.	Location	Share capital or investment (million yen)	Contents of business or occupation	Percentage of voting rights owned (%)	Relationship with related parties	Contents of the transaction	Transaction amount (million yen)	Item	Year-end balance (million yen)
Companies in which the majority of voting rights are held by the officers and his/ her relatives	TH Kosan Co., Ltd.	Urayasu, Chiba	1	Asset management	None	None	Lease of real estate	12	Accounts payable - trade	0

Note: Leasing of real estate is conducted under general terms and conditions similar to those for independent third-party transactions.

For the fiscal year ended March 31, 2025

Type	Name of the company, etc.	Location	Share capital or investment (million yen)	Contents of business or occupation	Percentage of voting rights owned (%)	Relationship with related parties	Contents of the transaction	Transaction amount (million yen)	Item	Year-end balance (million yen)
Companies in which the majority of voting rights are held by the officers and his/ her relatives	TH Kosan Co., Ltd.	Urayasu, Chiba	1	Asset management	None	None	Lease of real estate	27	Accounts payable - trade	0
Companies in which the majority of voting rights are held by the officers and his/ her relatives	TH Kosan Co., Ltd.	Urayasu, Chiba	1	Asset management	None	None	Purchase of real estate	346	-	-

Notes: 1. Leasing of real estate is conducted under general terms and conditions similar to those for independent third-party transactions.

2. The purchase price of real estate is determined through mutual consultation taking into account the market price.

2. Notes on parent company and significant affiliated companies

Not applicable.

(Special Purpose Companies Subject to Disclosure)

(1) Overview of the special purpose company subject to disclosure and overview of transactions using the special purpose company subject to disclosure

The Company operates an investment product in sub-divided real estate sales business in Real Estate Revitalization Business based on the Act on Specified Joint Real Estate Ventures (voluntary partnership type) and uses voluntary partnership as part of the business structure.

In this business, sub-divided real estate investment product purchasers (hereinafter referred to as investors) will enter into an agreement with voluntary partnership to participate in the real estate specified business and make cash contribution or contribution in kind. Voluntary partnership is structured to receive distributions of profits and losses arising from the real estate purchased by investors in kind or cash. Profits and losses on leasing and sales of real estate are attributable to investors.

As a Managing Partner (Chairman), the Company receives chairman compensation in accordance with the Voluntary Partnership Agreement and also receives compensation from the voluntary partnership for entrusting building management in a lump sum. In the case of cash investment type, real estate transfer occurs between the Company and voluntary partnership.

The latest financial position for the previous and current consolidated fiscal year is as follows.

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Number of Special Purpose Companies	13 partnerships	22 partnerships
Total assets as of the latest balance sheet date (simple sum)	7,725 million yen	11,514 million yen
Total liabilities (simple sum)	203 million yen	264 million yen

The total assets and total liabilities of three partnerships for the previous fiscal year and of three partnerships for the fiscal year under review, are not included in the total amount above because the closing date has not yet arrived.

(2) Transaction amount with the special purpose company subject to disclosure

For the fiscal year ended March 31, 2024

	Amounts of major transactions	Major profit and loss	
		Item	Amount
Transfer of real estate (Note 1)	1,758 million yen	Net sales	1,758 million yen

Notes: 1. The transfer of real estate is stated at the transfer price at the time of transfer. The transfer of real estate is recorded in the net sales of the Consolidated Statement of Income.

2. Information on transactions other than the above is omitted as the transaction amount is immaterial.

For the fiscal year ended March 31, 2025

	Amounts of major transactions	Major profit and loss	
		Item	Amount
Transfer of real estate (Note 1)	5,904 million yen	Net sales	5,904 million yen

Notes: 1. The transfer of real estate is stated at the transfer price at the time of transfer. The transfer of real estate is recorded in the net sales of the Consolidated Statement of Income.

2. Information on transactions other than the above is omitted as the transaction amount is immaterial.

(Per share information)

	For the year ended March 31, 2024	For the year ended March 31, 2025
Net assets per share	1,864.36 ^{ye} _n	2,102.79 yen
Earnings per share	245.50 ^{ye} _n	291.58 yen
Fully diluted earnings per share	230.74 ^{ye} _n	257.26 yen

Notes: 1. The basis for calculation of earnings per share and fully diluted earnings per share is as follows.

	For the year ended March 31, 2024	For the year ended March 31, 2025
Earnings per share		
Profit attributable to owners of parent company (million yen)	11,917	14,163
Amount not attributable to common shareholders (million yen)	-	-
Profit attributable to owners of parent company for common shares (million yen)	11,917	14,163
Average number of common shares (shares)	48,541,810	48,573,202
Fully diluted earnings per share		
Adjustment of profit attributable to owners of parent company (million yen)	-	-
Common shares increase (shares)	3,104,495	6,480,186
(including Convertible bonds with Share Acquisition Rights (shares))	(3,059,215)	(6,434,900)
(including Share Acquisition Rights (shares))	(45,280)	(45,286)
Outline of dilutive shares not included in the calculation of fully diluted earnings per share because they have no dilutive effect	-	-

2. The basis for calculation of net assets per share is as follows.

	For the year ended March 31, 2024	For the year ended March 31, 2025
Total net assets (million yen)	94,416	105,892
Amount of deduction from total net assets (million yen)	3,897	3,732
(including Share Acquisition Rights (million yen))	30	30
(including non-controlling interests (million yen))	3,867	3,702
Net assets at year-end available to common shares (million yen)	90,519	102,159
Number of common shares at year-end used for the calculation of net assets per share (shares)	48,552,292	48,582,884

3. The Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP) are included in the weighted average number of shares for the period in common shares and treasury shares deducted in the calculation of the total number of outstanding shares at the end of the fiscal year under review. The weighted average number of shares for the period of the Company's shares held by the trust account is 128,300 shares for the previous fiscal year and 128,300 shares for the current fiscal year. The number of shares at the end of the fiscal year is 128,300 shares for the previous fiscal year and 128,300 shares for the current fiscal year.

(Significant Subsequent Events)

Not applicable.

(v) Consolidated supplementary schedule
Schedule of corporate bonds

Company Name	Brand	Date of issue	Balance at beginning of the period (million yen)	Balance at end of the period (million yen)	Interest rate (%)	Security	Maturity
Sun Frontier Fudousan Co., Ltd.	1st Series Unsecured Convertible Bonds with Share Acquisition Rights	October 6, 2023	9,999	9,999	Noninterest bearing	Unsecured corporate bond	October 6, 2028

Note: 1 Convertible bonds with Share Acquisition Rights

Details of shares to be issued	Issue price of Share Acquisition Rights	Issue price of shares (yen)	Total issue price (million yen)	Total issue price of shares issued upon exercise of Share Acquisition Rights (million yen)	Rate of Share Acquisition Rights granted (%)	Period for exercising Share Acquisition Rights	Matters relating to substitute payment
Sun Frontier Fudousan Co., Ltd. Common shares	Free of charge	1,554 (*1)	9,999	-	100	From October 10, 2023 to October 4, 2028	(*2)

(*1) Subject to adjustment as provided in the terms and conditions of issuance of the bonds with Share Acquisition Rights.

(*2) Upon the exercise of Share Acquisition Rights, the bonds pertaining to the Share Acquisition Rights shall be invested.

2. Total amount of redemption per year within five (5) years after closing book

Within one year (million yen)	More than one year but less than 2 years (million yen)	More than 2 years but less than 3 years (million yen)	More than 3 years but less than 4 years (million yen)	More than 4 years but less than 5 years (million yen)
-	-	-	9,999	-

Borrowings and other details

Classification	Balance at beginning of the period (million yen)	Balance at end of the period (million yen)	Average interest rate (%)	Due date
Short-term borrowings	62	100	1.37	-
Long-term borrowings due within one year	12,207	10,140	1.11	-
Long-term borrowings	57,272	72,219	1.29	2026-2046
Total	69,541	82,459	-	-

Notes: 1. The average interest rate is the weighted average interest rate on the year-end borrowings balance.

2. The repayment schedule for Long-term borrowings for five (5) years after the Consolidated Balance Sheet date is as follows:

	Over 1 year and within 2 years (million yen)	Over 2 years and within 3 years (million yen)	Over 3 years and within 4 years (million yen)	Over 4 years and within 5 years (million yen)
Long-term borrowings	13,898	25,652	9,717	11,110

Asset retirement obligations

There are no applicable items regarding asset retirement obligations because, in lieu of recording asset retirement obligations as liabilities, the amount of security deposits and guarantee deposits related to real estate lease agreement that is unlikely to be recovered (restoration costs for the leased buildings) is reasonably estimated and the amount that is borne by the current consolidated fiscal year is recorded as an expense.

(2) Other

Interim information on current consolidated fiscal year

		Interim consolidated accounting period	Current consolidated fiscal year
Net sales	(million yen)	36,786	103,174
Interim (full-year) profit before income taxes	(million yen)	6,350	20,552
Interim (full-year) profit attributable to owners of parent company	(million yen)	4,422	14,163
Interim (full-year) earnings per share	(yen)	91.07	291.58

2. Non-Consolidated Financial Statements, etc.

(1) Non-Consolidated Financial Statements

(i) Non-Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	32,979	25,674
Account receivable - trade	*2) 448	*2) 423
Real estate for sale	*1) 11,612	*1) 16,336
Real estate for sale in process	*1) 83,087	*1) 96,557
Short-term loans to affiliates	1,003	6,082
Current portion of long-term loans receivable from subsidiaries and associates	908	32
Other	*2) 1,797	*2) 1,830
Allowance for doubtful accounts	-54	-26
Total current assets	131,782	146,911
Non-current assets		
Property, plant and equipment		
Buildings	*1) 7,659	*1) 6,716
Land	*1) 10,175	*1) 9,056
Other	146	*1) 127
Total property, plant and equipment	17,981	15,900
Intangible assets		
Other	541	543
Total intangible assets	541	543
Investments and other assets		
Shares of subsidiaries and affiliates	15,278	17,346
Long-term loans to affiliates	380	380
Long-term loans receivable	-	1,459
Deferred tax assets	1,203	1,471
Other	1,897	2,102
Allowance for doubtful accounts	-93	-96
Total investments and other assets	18,666	22,663
Total non-current assets	37,189	39,108
Total assets	168,972	186,019

(Unit: million yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	*2) 1,526	*2) 2,175
Current portion of long-term borrowings	*1) 11,377	*1) 7,493
Income taxes payable	2,104	3,067
Deposits payable	*2) 2,169	*2) 2,513
Provision for bonuses	151	173
Provision for bonuses for directors (and other officers)	70	69
Other	*2) 1,683	*2) 1,784
Total current liabilities	19,083	17,277
Non-current liabilities		
Corporate bonds	9,999	9,999
Long-term borrowings	*1) 52,599	*1) 63,206
Long-term deposits received	1,755	2,238
Provision for share-based remuneration	90	103
Other	60	92
Total non-current liabilities	64,505	75,641
Total liabilities	83,589	92,919
Net assets		
Shareholders' equity		
Share capital	11,965	11,965
Capital surplus		
Capital reserve	6,449	6,449
Other capital surplus	14	43
Total capital surplus	6,464	6,493
Retained earnings		
Legal reserve	13	13
Other retained earnings		
Retained earnings brought forward	67,141	74,797
Total retained earnings	67,154	74,810
Treasury shares	-233	-202
Total shareholders' equity	85,350	93,067
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2	2
Total valuation and translation adjustments	2	2
Share acquisition rights	30	30
Total net assets	85,382	93,100
Total liabilities and net assets	168,972	186,019

(ii) Non-consolidated Statement of Income

(Unit: million yen)

	For the year ended March 31, 2024	For the year ended March 31, 2025
Net sales	*1) 52,929	*1) 72,930
Cost of sales	*1) 34,076	*1) 48,718
Gross profit	18,853	24,212
Selling, general and administrative expenses	*1, *2) 6,909	*1, *2) 8,236
Operating profit	11,944	15,975
Non-operating income		
Interest and dividend income	*1) 54	*1) 81
Foreign exchange gains	131	19
Reversal of allowance for doubtful accounts	9	113
Other	*1) 10	*1) 33
Total non-operating income	206	248
Non-operating expenses		
Interest expenses	481	784
Allowance for doubtful accounts provision	46	90
Other	*1) 8	9
Total non-operating expenses	536	884
Ordinary profit	11,614	15,339
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	-	80
Government subsidy	-	12
Total extraordinary income	-	92
Extraordinary loss		
Loss on valuation of investment securities	-	49
Loss on valuation of investments in subsidiaries	23	15
Loss on reduction of non-current assets	-	12
Loss on retirement of non-current assets	25	-
Total extraordinary loss	48	77
Profit before income taxes	11,565	15,354
Income taxes - current	3,783	4,801
Income taxes - deferred	-171	-268
Total income taxes	3,611	4,533
Profit	7,953	10,821

Cost of sales specification

		For the year ended March 31, 2024		For the year ended March 31, 2025	
Classification	Note Number	Amount (million yen)	Composition ratio (%)	Amount (million yen)	Composition ratio (%)
Real Estate Revitalization Business cost					
Buildings and Land		30,610	89.8	44,546	91.4
Outsourcing costs		285	0.8	328	0.7
Expenses		1,527	4.5	1,854	3.8
(including taxes and duties)		(323)		(375)	
(including depreciation)		(995)		(1,181)	
Real Estate Revitalization Business cost total		32,423	95.1	46,730	95.9
Real Estate Service Business cost					
Outsourcing costs		549	1.6	593	1.2
Expenses		540	1.6	765	1.6
(including rent)		(306)		(501)	
Real Estate Service Business cost total		1,089	3.2	1,359	2.8
Hotel and Tourism Business cost					
Expenses		409	1.2	409	0.8
(including rent)		(110)		(110)	
(including depreciation)		(266)		(265)	
Hotel and Tourism Business cost total		409	1.2	409	0.8
Other Business cost					
Outsourcing costs		88	0.3	23	0.1
Labor costs		5	0.0	8	0.0
Expenses		59	0.2	187	0.4
Other Business cost total		153	0.5	219	0.5
Cost of sales		34,076	100.0	48,718	100.0

Note: Cost calculation is based on individual cost accounting.

(iii) Non-Consolidated Statement of Changes in Equity
For the year ended March 31, 2024

(Unit: million yen)

	Share capital	Shareholders' equity						
		Capital surplus			Retained earnings			Treasury shares
		Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at beginning of the period	11,965	6,449	-	6,449	13	61,669	61,682	-270
Changes during period								
Dividends of surplus						-2,481	-2,481	
Profit						7,953	7,953	
Purchase of treasury shares								-0
Disposal of treasury shares			14	14				37
Net changes in items other than shareholders' equity								
Total changes during period	-	-	14	14	-	5,471	5,471	37
Balance at end of the period	11,965	6,449	14	6,464	13	67,141	67,154	-233

	Shareholders' equity	Valuation and translation difference		Share acquisition rights	Total net assets
	Total shareholder's equity	Valuation difference on available-for-sale securities	Total valuation and translation difference		
Balance at beginning of the period	79,827	1	1	30	79,859
Changes during period					
Dividends of surplus	-2,481				-2,481
Profit	7,953				7,953
Purchase of treasury shares	-0				-0
Disposal of treasury shares	51				51
Net changes in items other than shareholders' equity		0	0	-	0
Total changes during period	5,522	0	0	-	5,523
Balance at end of the period	85,350	2	2	30	85,382

For the year ended March 31, 2025

(Unit: million yen)

	Share capital	Shareholders' equity						
		Capital surplus			Retained earnings			Treasury shares
		Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at beginning of the period	11,965	6,449	14	6,464	13	67,141	67,154	-233
Changes during period								
Dividends of surplus						-3,165	-3,165	
Profit						10,821	10,821	
Purchase of treasury shares								
Disposal of treasury shares			29	29				31
Net changes in items other than shareholders' equity								
Total changes during period	-	-	29	29	-	7,656	7,656	31
Balance at end of the period	11,965	6,449	43	6,493	13	74,797	74,810	-202

	Shareholders' equity	Valuation and translation difference		Share acquisition rights	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation difference		
Balance at beginning of the period	85,350	2	2	30	85,382
Changes during period					
Dividends of surplus	-3,165				-3,165
Profit	10,821				10,821
Purchase of treasury shares	-				-
Disposal of treasury shares	61				61
Net changes in items other than shareholders' equity		0	0		0
Total changes during period	7,717	0	0	-	7,717
Balance at end of the period	93,067	2	2	30	93,100

Notes

(Significant Accounting Policies)

1. Valuation standards and methods for assets

(1) Valuation standards and methods for securities

(i) Shares of subsidiaries and affiliates

Stated at cost using the moving-average method.

(ii) Other securities (available-for-sale securities)

Securities other than securities without market price

Stated at market based on the market price, etc. (Valuation difference is reported as a component of net assets. The cost of sale is calculated using the moving-average method.)

Securities without market price

Stated at cost using the moving-average method.

(2) Valuation standards and methods for inventories

Real estate for sale and real estate for sale in process

Stated at cost determined by the specific identification method (The figures shown in the balance sheet have been calculated by writing them down based on decline in profitability.)

Leased assets are depreciated in accordance with property, plant and equipment standards.

2. Depreciation of non-current assets

(1) Property, plant and equipment

The declining-balance method is applied. However, buildings (excluding facilities attached to buildings) and facilities attached to buildings acquired on or after April 1, 2016 are depreciated using the straight-line method.

The estimated useful lives are as follows:

Buildings 3 to 39 years

Other 2 to 15 years

Small-amount depreciable assets with an acquisition cost of 100,000 yen or more but less than 200,000 yen are depreciated over three years on a straight-line basis.

(2) Intangible assets

The straight-line method is used.

Software for internal use is amortized on a straight-line basis over the estimated internal useful life (5 years).

3. Standards for provisions

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables, the estimated amount of irrecoverable debt based on recoverability of individual cases for specified receivables such as doubtful accounts.

(2) Provision for bonuses

To prepare for the payment of bonuses to employees, the Company records the portion of the estimated bonuses to be paid during the fiscal year under review.

(3) Provision for bonuses for directors (and other officers)

Provision for directors' bonuses is provided based on the estimated amount incurred at the end of the fiscal year under review.

(4) Provision for share-based remuneration

In order to prepare for the provision of the Company's shares to employees based on the Share Benefit Regulations, the provision for share-based remuneration is recorded based on the estimated amount of the share benefit obligation at the end of the fiscal year under review.

4. Method of recording revenue and expenses

The details of the main performance obligations in major businesses related to the revenue arising from contracts with customers of the Company and the normal time at which such performance obligations are satisfied (normal time to recognize revenue) are as follows.

(a) Real Estate Revitalization Business

Replanning Business

In the Replanning Business, the Company buys existing office buildings, renovates the buildings and facilities, and sells them to customers in Japan and overseas with added value by attracting high-quality tenants. The Company is obligated to deliver the properties based on real estate sales contracts with customers.

The performance obligation is satisfied at the point the Company delivers the property. The Company records the revenue at the time of this delivery.

(b) Real Estate Service Business

(1) Property Management Business

In the Property Management Business, the Company concludes the property management agreement with customers and is obligated to perform various services related to real estate properties on behalf of customers, such as maintenance and management of properties and collection of rents from tenants. The performance obligation is satisfied when the Company provides services based on the property management contract. The Company records the revenue over the contract period.

(2) Sales Brokerage Business

In Sales Brokerage Business, the Company stands between the buyer and the seller at the time of sale and purchase of real estate property and engages in the conclusion of sales contracts. Based on the brokerage agreement with the customer, the Company has obligations related to a series of services, such as negotiation and adjustment of transaction terms to conclude the contract, delivery and explanation of important facts, preparation and delivery of contracts, and involvement in procedures for performance of agreements.

The performance obligation is satisfied at a point when the Company delivers the property related to

the real estate sales contract that has been concluded based on the brokerage agreement. The Company records the revenue at the time of this delivery.

(3) Leasing Brokerage Business

In the Leasing Brokerage Business, the Company stands between the lessee and lessor at the time of lease of real estate and engages in the conclusion of lease contracts. Based on the brokerage agreement with the customer, the Company has obligations related to a series of services, such as negotiation and adjustment of transaction terms to conclude the contract, delivery and explanation of important facts, preparation and delivery of contracts, and involvement in procedures for performance of agreements. The performance obligation is satisfied at a point the customer agrees to the real estate lease contract for the property rented per the brokerage agreement. The Company records the revenue at the time of the conclusion of this agreement.

(c) Hotel and Tourism Business

Hotel Development Business

In the Hotel Development Business, the Company engages in the development of new hotels starting from the purchase of land to the construction of buildings and sells the developed hotels to customers. The Company is obligated to deliver the properties based on real estate sales contracts with customers. The performance obligation is satisfied at a point the Company delivers the property. The Company records the revenue at the time of this delivery.

(d) Other

Construction Business

The Company engages in renewal planning, repair and reform, telecommunications work of commercial buildings, and contracted interior construction work for large, medium, and small-sized facilities.

If control of goods or services is transferred to the customer over a certain period, the performance obligation is satisfied at a point the Company transfers the goods or services to the customer. Also, the Company records the revenue during this period.

In addition, the Company applies an alternative treatment to contracts with a very short period from the transaction start date to the point when the performance obligations are expected to be fully satisfied, or for construction work with a small amount of order per construction unit. The revenue is not recognized over the period of this alternative treatment, and the Company will record the revenue when the performance obligations are fully satisfied.

5. Other basis for preparation of financial statements

(1) Standards for translation of significant assets or liabilities denominated in foreign currencies into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing at the respective balance sheet dates, and translation differences are charged or credited to income.

(2) Accounting for non-deductible consumption taxes

Non-deductible consumption taxes related to assets are accounted for as expenses for the fiscal year they are incurred.

(3) Application of group tax sharing system

Group tax sharing system is applied.

(Notes on Accounting Estimates)

1. Assessment of the real estate for sale

(1) Amount recorded in the financial statements for the current business year

	For the year ended March 31, 2024	For the year ended March 31, 2025
Real estate for sale	11,612 million yen	16,336 million yen
Real estate for sale in process	83,087 million yen	96,557 million yen

(2) Information on significant accounting estimates related to the identified items

For real estate for sale, etc., if the net selling price falls below the acquisition cost, the net selling price is

stated as the balance sheet value. The net selling price is calculated by deducting the estimated future cost of construction work and the estimated selling expenses from the capitalization value calculated by dividing the expected future revenue based on the business plan by the expected yield.

The calculation of the capitalization value includes estimates of future tenant rents, expected yields, etc. and is calculated based on important assumptions such as the assumed market conditions in the future.

In the following fiscal years, the net selling price may change due to changes in assumptions used in formulating business plans if events that were not anticipated at the time of formulating business plans occur. This may have a significant impact on the amount of real estate for sale, etc., recognized in the financial statements for the following fiscal year and thereafter.

2. Non-current assets impairment

(1) Amount recorded in the financial statements for the current business year

	For the year ended March 31, 2024	For the year ended March 31, 2025
Non-current assets related to Hotel Development Business	9,332 million yen	9,067 million yen

(2) Information on significant accounting estimates related to the identified items

The non-current assets related to Hotel Development Business are leased to consolidated subsidiaries, and the rent is determined based on assumptions of the average unit price and occupancy rate of hotel rooms based on future market forecasts under the policy of long-term management. A determination of whether an impairment loss has been recognized in the event of an indication of impairment is made by comparing the carrying amount of the hotel with the estimated total amount of undiscounted future cash flows expected to result over the lease term based on the lease agreement.

In the following fiscal year and thereafter, the assumptions used in the calculation of rent may change if events that were not anticipated at the time of concluding the lease agreement occur.

This may have a material impact on the non-current asset amounts recognized in the financial statements for the following fiscal year and thereafter.

(Changes in Accounting Policies)

(Application of “Accounting Standard for Current Income Taxes” etc.)

The “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022, hereinafter referred to as the “Revised Accounting Standard of 2022”), has been applied from the beginning of fiscal year under review.

Revisions to the classification of income taxes are made in accordance with the transitional treatment stipulated in the proviso to Revised Accounting Standard of 2022 Section 20-3. This change has no impact on the Non-Consolidated Financial Statements.

(Additional Information)

Change in holding purpose of assets

Property, plant and equipment (494 million yen in buildings and 1,119 million yen in land) has been transferred to real estate for sale in process of 1,613 million yen under current assets due to a change in the holding purpose.

Transactions of delivering the company’s own shares to employees etc. through trusts

The Company conducts transactions to deliver its own shares through trust for the purpose of employee welfare.

(i) Overview of transaction

The plan provides the Company’s shares to employees of the Company who meet certain requirements based on the share benefit regulations established by the Company in advance.

The Company will grant points to employees who satisfy certain conditions at the end of the fiscal year, and when they acquire the right to receive benefits, the Company shares corresponding to the granted points will be delivered. The shares to be granted to employees are acquired, including those for the future, with the money set in trust in advance and managed separately as trust assets.

The total amount method is applied to the Employee Stock Ownership Plan (J-ESOP) in accordance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015).

(ii) Own shares remaining in the trust

The book value of the Company's shares remaining in the trust (excluding the amount of incidental expenses) is included in net assets as treasury shares. The book value and number of shares of the treasury shares at the end of the previous fiscal year were 157 million yen and 128,300 shares and at the end of the current fiscal year were 157 million yen and 128,300 shares.

(Related to Non-consolidated Balance Sheet)

*1 Assets pledged as collateral and corresponding liabilities are as follows.

(1) Assets pledged as collateral

	As of March 31, 2024	As of March 31, 2025
Real estate for sale	9,109 million yen	13,274 million yen
Real estate for sale in process	82,229	92,146
Buildings	7,298	6,363
Land	10,100	8,981
Other	-	28
Total	108,737 million yen	120,794 million yen

(2) Liabilities for the above

	As of March 31, 2024	As of March 31, 2025
Long-term borrowings (including current portion of long-term borrowings)	63,362 million yen	70,481 million yen
Total	63,362 million yen	70,481 million yen

*2 Assets and liabilities related to affiliated companies (excluding those presented separately)

	As of March 31, 2024	As of March 31, 2025
Short-term monetary claim	208 million yen	100 million yen
Short-term monetary obligations	238	131

3. Debt Guarantees

Guarantees for affiliated companies' borrowings from financial institutions

	As of March 31, 2024	As of March 31, 2025
Sun Frontier Hotel Management Inc.	3,250 million yen	8,151 million yen
Sun Frontier Sado Inc.	342	387
SF Communication Inc.	26	17
Hotel Osado Co., Ltd.	316	462
AQUA TOWER LIMITED LIABILITY COMPANY	-	947

(Related to Non-consolidated Statement of Income)

*1 Total amount of operating transactions and non-operating transactions with affiliated companies

	For the year ended March 31, 2024	For the year ended March 31, 2025
Operating transactions (revenue)	514 million yen	504 million yen
Operating transactions (expenses)	1,003	1,553
Non-operating transactions (revenue)	55	61
Non-operating transactions (expenses)	-	-

*2 Major expense items and amount in selling, general and administrative expenses are as follows.

	For the year ended March 31, 2024	For the year ended March 31, 2025
Sales commission	488 million yen	1,057 million yen
Commission paid	1,248	1,550
Salaries and allowances	2,020	2,158
Transfer to provision for bonuses	151	172
Transfer to provision for bonuses for directors (and other officers)	70	69
Transfer to provision for share-based remuneration	12	13
Allowance for doubtful accounts provision	3	-
Depreciation	164	194
Approximate percentage		
Selling costs	7.1%	12.8%
General and administrative expenses	92.9%	87.2%

(Securities)

For the year ended March 31, 2024

Since the shares of subsidiaries and affiliates are securities without market price, the market value of shares of subsidiaries and affiliates is not stated.

The non-consolidated balance sheet amounts of shares of subsidiaries and affiliates which are securities without market price are as follows.

Classification	As of March 31, 2024(million yen)
Shares of subsidiaries	15,278
Shares of affiliates	0
Total	15,278

For the year ended March 31, 2025

Since the shares of subsidiaries and affiliates are securities without market price, the market value of shares of subsidiaries and affiliates is not stated.

The non-consolidated balance sheet amounts of shares of subsidiaries and affiliates which are securities without market price are as follows.

Classification	As of March 31, 2025(million yen)
Shares of subsidiaries	17,346
Shares of affiliates	-
Total	17,346

(Tax Effect Accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets		
Inventories	636 million yen	686 million yen
Denial of loss on devaluation of shares of subsidiaries and affiliates	703	690
Denial of loss on valuation of investment securities	32	48
Accrued enterprise tax	114	169
Allowance for doubtful accounts	33	41
Taxes and duties	65	79
Denial of accrued liability	75	137
Accrued expenses	38	90
Provision for bonuses	46	52
Long-term accounts payable	17	17
Denial of loss on devaluation of non-current assets	8	9
Excess depreciation	55	48
Other	101	128
Subtotal deferred tax assets	1,928 million yen	2,202 million yen
Valuation allowance	-716	-729
Total deferred tax assets	1,211 million yen	1,473 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale securities	1 million yen	1 million yen
Other	6	0
Total deferred tax liabilities	7 million yen	1 million yen
Net deferred tax assets	1,203 million yen	1,471 million yen

2. Reconciliation between the statutory effective tax rate and the corporate income taxes' effective tax rate after the adoption of tax effect accounting

For both the previous fiscal year and fiscal year under review, the difference between the statutory effective tax rate and the corporate income tax rate after the adoption of tax effect accounting is 5/100 or less of the statutory effective tax rate, so the description is omitted.

3. Accounting treatment of corporate income taxes and local corporate taxes, or accounting treatment of related tax effect accounting

The Company has adopted the group tax sharing system. In addition, the Company has adopted the accounting treatment of corporate income taxes and local corporate taxes or the accounting treatment of related tax effect accounting in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021).

4. Revision of deferred tax assets and deferred tax liabilities amounts due to changes in corporate tax rate

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) was promulgated on March 31, 2025, and the corporate tax rate, etc. will be changed from the fiscal year beginning on or after April 1, 2026. As a result, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities will be changed from the previous 30.6% to 31.5% for temporary differences that are expected to be eliminated in the fiscal years beginning on or after April 1, 2026. The effect of applying the revised effective statutory tax rate to the end of the fiscal year under review is insignificant.

(Revenue Recognition)

Information that serves as the basis for understanding the revenue arising from contracts with customers is omitted because the same contents are stated in “Notes (Revenue Recognition)” of the consolidated financial statements.

(Significant Subsequent Events)

Not applicable.

(iv) Non-Consolidated Supplementary Schedule

Detailed statement of property, plant and equipment, etc.

(Unit: million yen)

Category	Type of asset	Balance at beginning of the fiscal year	Increase during the fiscal year ended March 31, 2025	Decrease during the fiscal year ended March 31, 2025	Depreciation /amortization during the current fiscal year	Balance at end of the fiscal year	Accumulated depreciation/ amortization
Property, plant and equipment	Buildings	7,659	29	494	478	6,716	1,647
	Land	10,175	-	1,119	-	9,056	-
	Other	146	67	26	60	127	228
	Total	17,981	97	1,639	538	15,900	1,876
Intangible assets	Other	541	132	9	121	543	-
	Total	541	132	9	121	543	-

Note: Of the decrease during the current period, the main items are as follows.

Buildings	Real estate revitalization	Decrease due to change in holding purpose of Building Business assets (office buildings)	Rental 494 million yen
Land	Real estate revitalization	Decrease due to change in holding purpose of Building Business assets (office buildings)	Rental 1,119 million yen

Schedule of allowances

(Unit: million
yen)

Item	Balance at beginning of the fiscal year	Increase during the fiscal year ended March 31, 2025	Decrease during the fiscal year ended March 31, 2025	Balance at end of the fiscal year
Allowance for doubtful accounts	147	90	114	123
Provision for bonuses	151	173	151	173
Provision for bonuses for directors (and other officers)	70	69	70	69
Provision for share- based remuneration	90	13	-	103

(2) Major assets and liabilities

This information is omitted because consolidated financial statements are prepared.

(3) Other

Not applicable.

Item. 6 Outline of the Stock Operations of the Company

Fiscal year	April 1 to March 31			
Annual General Meeting of Shareholders	During the month of June			
Record date	March 31			
Record date for dividends of surplus	September 30, March 31			
Number of shares per unit	100 shares			
Purchase of shares less than one unit				
Handling office	(Special Account) 1-3-3 Marunouchi, Chiyoda-ku, Tokyo, Mizuho Trust & Banking Co., Ltd., Securities Agency			
Administrator of the register of shareholders	(Special Account) 1-3-3 Marunouchi, Chiyoda-ku, Tokyo, Mizuho Trust & Banking Co., Ltd.			
Agent office	-			
Purchase and sales fee	The amount separately determined as equivalent to the brokerage commission for trading of shares			
Method of public notice	The Company’s method of public notice is electronic public notice. However, if it is not possible to make an electronic public notice due to an accident or other unavoidable circumstances, it will be published in the Nihon Keizai Shimbun. The URL for public notice of the Company is as follows. https://www.sunftr.co.jp/			
Shareholder benefits *Please refer to the Company's website below for details on shareholder benefits. https://www.sunftr.co.jp/ir_info/stockholder_benefit_plan/	We would like to express our gratitude to our shareholders for their continued support. We have implemented a special benefit plan for shareholders with the aim of deepening their understanding of the Group's operations and increasing the number of shareholders who will hold the Company’s shares over the medium to long term.			
	1. Details of the complementary coupons			
	Shareholders who are listed or recorded in the register of shareholders as of the end of March of each year and also hold one unit (100 shares) or more of the Company's shares will receive “Shareholder Discount Coupon for Shareholders” that can be used at facilities operated by the Group, according to the number of shares held and the holding period. They can be used for accommodation, restaurants and merchandise at applicable facilities. For the applicable facilities and details, please refer to our website.			
	Frequency	Once every year with a base date of March 31	Timing	Around the end of June
	2. Period of use of complementary coupons			
	One year from July 1 of the year of issuance to June 30 of the following year			
	3. Classification based on number of shares held and holding period			
	Number of shares held	Holding period	Number of coupons to be gifted	
			(i) Complimentary coupon 1,000 yen	(ii) Complimentary coupon 5,000 yen
	100 shares or more and less than 300 shares	-	1	-
300 shares or more and less than 500 shares	-	-	1	
500 shares or more and less than 1,000 shares	-	-	2	
1,000 shares or more	-	-	4	
500 shares or more and less than 1,000 shares	3 years or more*	-	4	
1,000 shares or more		-	8	
*Regarding the number of shares held on the shareholder register as of the end of September and March of each year, if it can be confirmed that 500 shares or more are held seven or more times consecutively or 1,000 shares or more are held seven or more times consecutively under the same shareholder number, and if the shares are held continuously at the end of the first March thereafter, it will be recognized as long-term holding of the respective shares.				

Note: Shareholders of the Company are not entitled to exercise their rights pertaining to shares constituting less than one unit of shares held by them, except for the following rights:

- The rights provided for in each item of Article 189, Paragraph 2 of the Companies Act
- The right to claim dividends of surplus as provided in Article 166, Paragraph 1 of the Companies Act
- The right to receive the allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by each shareholder
- The right to request the Company to purchase a number of shares that, when combined with the number of shares less than one unit held, will constitute one unit

Item. 7 Reference Information on the Company

1. Information on the Parent Company

The Company has no parent company or other entities as stipulated in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The following documents have been submitted from the start date of the fiscal year ended March 31, 2025 to the filing date of the Annual Securities Report.

(1) Annual Securities Report and Documents Attached, and Confirmation Letter

The 25th fiscal year (from April 1, 2023 to March 31, 2024)

Submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2024

(2) Internal Control Report and Documents Attached

Submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2024

(3) Semi-annual Securities Report and Confirmation Letter

Interim period for the 26th fiscal year (from April 1, 2024 to September 30, 2024)

Submitted to the Director-General of the Kanto Local Finance Bureau on November 8, 2024

(4) Extraordinary Report

Extraordinary Report pursuant to Article 19, Paragraph 2, Item 9-2 (Results of Exercise of Voting Rights in General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2024

(5) Share Buyback Report

Submitted to the Director-General of the Kanto Local Finance Bureau on June 5, 2025

Part II Information on Guarantors, etc., for the Company

There are no applicable items for the current period.

**Independent Auditor's Report on the Financial Statements and Internal Control Over
Financial Reporting**

June 23, 2025

To the Board of Directors of Sun Frontier Fudousan Co., Ltd.

BDO Sanyu & Co.
Tokyo Office, Japan

Hitoshi Torii
Designated Partner
Engagement Partner
Certified Public Accountant

Tomoharu Takashima
Designated Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Sun Frontier Fudousan Co., Ltd. and its consolidated subsidiaries for the consolidated fiscal year from April 1, 2024 to March 31, 2025 provided in the "Financial Information" section in the Sun Frontier Fudousan's Annual Securities Report, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, significant accounting policies for the preparation of consolidated financial statements, and notes to the consolidated financial statements and supplementary schedules, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. The key audit matters are those addressed in the audit implementation process for the consolidated financial statements as a whole and in the formulation of the opinion, on which our audit corporation does not express an opinion separately.

Assessment of real estate for sale	
Key Audit Matters and Reasons for Decisions	Audit Response
The Company owns real estate for sale and other properties in the Replanning Business of the Real Estate Revitalization Business segment and Hotel Development Business of the Hotel and Tourism Business segment. As described in notes to consolidated financial statements (significant accounting estimates), the Consolidated Balance Sheet for the current consolidated fiscal year recorded 17,151 million yen in real estate for sale and 116,417 million yen in real estate for sale in process, accounting for 61.2% of total assets. Real estate for sale, etc. are exposed to the risk of future changes in the real estate market due to fluctuations in domestic interest rates and in demand for office space by foreign wealthy individuals and institutional investors, etc. There is a possibility that an unrealized loss will occur due to a decline in net selling price. The net selling price is the amount obtained by deducting the estimated amount of construction costs to be incurred in the future and the estimated amount of sales expenses, etc. from the estimated sales amount, which is mainly the capitalization value calculated by dividing the expected future revenue based on the business plan formulated by the Company by the expected yield. The calculation of the capitalization value includes estimates of future tenant rents, average unit prices and occupancy rates of hotel rooms, expected yields, etc., and involves management's assumptions and judgments as well as forecasts of future market conditions. Based on the above, the valuation of real estate for sale, etc. has a large potential impact on the consolidated financial statements and involves assumptions and judgments by the management. This requires a high level of judgment in the audit. Therefore, we have determined that this matter is a key audit matter.	We mainly implemented the following procedures for the evaluation of real estate for sale, etc. • The net selling price was compared with the book value for properties valued at the net selling price using the capitalization value estimated based on the business plan. • For real estate for sale, etc. sold in the current consolidated fiscal year, the net selling price evaluated in the previous consolidated fiscal year was compared with the actual selling price. • With respect to the future tenant rents, average unit prices and occupancy rates of hotel rooms, expected yields, etc., which are important assumptions in the formulation of the business plan that serves as the basis for the calculation of the capitalization value, the reasonableness, feasibility, and degree of uncertainty of the estimate were evaluated by interviewing management and Executive Officers in charge about the estimation method, basis, and measures to achieve the target, comparing with the past performance and market prices in neighboring areas, and confirming the implementation status of the measures.

Other Information

Other information included in the Annual Securities Report is information other than the consolidated financial statements and non-consolidated financial statements and their audit reports. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

The scope of our opinion on the consolidated financial statements does not include the other information, and we do not provide our opinion on the other information.

Our responsibility for the audit of the consolidated financial statements is to read the other information, and, in doing so, consider whether there is a material inconsistency between the other information and the consolidated financial statements or our knowledge obtained during audit, and give attention to whether there are any other indications of material errors in the other information aside from such material inconsistency.

If, based on the audit work performed, we determine that there is a material misstatement in the other information, we are required to report such facts.

There are no matters to be reported by the audit corporation regarding the other information.

Responsibilities of Management and the Audit & Supervisory Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements based on the going concern assumption, and in cases where it is necessary to disclose matters relating to the going concern assumption based on accounting principles generally accepted in Japan, the Company is responsible for disclosing

such matters.

The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of their duties with regard to the design and implementation of the Group's financial reporting process.

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

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements from an independent standpoint based on our audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of the accounting policies used by management and their method of application, as well as the reasonableness of the accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a modified opinion on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the consolidated financial statements. We remain solely responsible for our opinion.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, measures to eliminate disincentives or safeguards to reduce them to an acceptable level. From the matters communicated with the Audit & Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of the Company as of March 31, 2025, in accordance with Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as of March 31, 2025, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

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

opinion.

Responsibilities of Management and the Audit & Supervisory Committee for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Committee is responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement and to issue an auditor's report that expresses our opinion on the internal control report from an independent standpoint based on our audit.

In accordance with internal control auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Review the overall presentation of the internal control report, including the management's descriptions regarding the scope, procedures, and results of the evaluation of internal controls related to financial reporting.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision, and performance of the audit of the internal control report.

We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated, and other matters required by internal control auditing standards.

Remuneration Information

The amounts of remuneration for audit services and non-audit services for the Company and its subsidiaries provided to the audit corporation and persons belonging to the same network as the audit corporation are stated in "Corporate Governance, etc. (3) Conditions of Audit" included in "Information on the Company."

Interest required to be disclosed by the Certified Public Accountants Act of Japan

There are no interests between the Company and its consolidated subsidiaries and our audit corporation or engagement partners that should be stated in accordance with the provisions of the Certified Public Accountant Act of Japan.

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- Notes: 1. The original copy of the above Audit Report is kept separately by the Company (Annual Securities Report Submission Company).
2. XBRL data is not included in audit coverage.

Independent Auditor's Report on the Financial Statements

June 23, 2025

To the Board of Directors of Sun Frontier Fudousan Co., Ltd.

BDO Sanyu & Co.
Tokyo Office, Japan

Hitoshi Torii
Designated Partner
Engagement Partner
Certified Public Accountant

Tomoharu Takashima
Designated Partner
Engagement Partner
Certified Public Accountant

Report on Audit of the Non-consolidated Financial Statements

Opinion

We have audited the non-consolidated financial statements of Sun Frontier Fudousan Co., Ltd. for the 26th fiscal year from April 1, 2024 to March 31, 2025 provided in the "Financial Information" section in the Sun Frontier Fudousan's Annual Securities Report, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, significant accounting policies, the related notes and the supplementary schedules, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sun Frontier Fudousan Co., Ltd. as of March 31, 2025, and its financial performance for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Assessment of real estate for sale	
Key Audit Matters and Reasons for Decisions	Audit Response
The Company owns real estate for sale and other properties in the Replanning Business of the Real Estate Revitalization Business segment. As described in notes to financial statements (significant accounting estimates), the non-consolidated balance sheet for the current fiscal year recorded 16,336 million yen in real estate for sale and 96,557 million yen in real estate for sale in process, accounting for 60.7% of total assets. Real estate for sale, etc. is exposed to the risk of future changes in the real estate market due to fluctuations in domestic interest rates and in demand for office space by foreign wealthy individuals and institutional investors, etc. There is a possibility that an unrealized loss will occur due to a decline in net selling price. The net selling price is the amount obtained by deducting the estimated amount of construction costs to be incurred in the future and the estimated amount of sales expenses, etc. from the estimated sales amount, which is mainly the capitalization value calculated by dividing the expected future revenue based on the business plan formulated by the Company by the expected yield. Th calculation of the capitalization value includes estimates of future tenant rents, expected yields, etc., and involves management's assumptions and judgments as well as forecasts of future market conditions. Based on the above, the valuation of real estate for sale, etc. has a large potential impact on the non-consolidated financial statements and involves assumptions and judgments by the management. This requires a high level of judgment in the audit. Therefore, we have determined that this matter is a key audit matter.	We mainly implemented the following procedures for the evaluation of real estate for sale, etc. • The net selling price was compared with the book value for properties valued at the net selling price based on the capitalization value estimated based on the business plan. • For real estate for sale etc. sold in the current fiscal year, the net selling price evaluated in the previous fiscal year was compared with the actual selling price. • With respect to the future tenant rents, expected yields, etc., which are important assumptions in the formulation of the business plan that serves as the basis for the calculation of the capitalization value, the reasonableness, feasibility, and degree of uncertainty of the estimate were evaluated by interviewing management and Executive Officers in charge about the estimation method, basis, and measures to achieve the target, comparing with the past performance and market prices in neighboring areas, and confirming the implementation status of the measures.

Other Information

Other information included in the Annual Securities Report is information other than the consolidated financial statements and non-consolidated financial statements and their audit reports. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

The scope of our opinion on the non-consolidated financial statements does not include the other information, and we do not provide our opinion on the other information.

Our responsibility for the audit of the non-consolidated financial statements is to read the other information, and, in doing so, consider whether there is a material inconsistency between the other information and the non-consolidated financial statements or our knowledge obtained during audit, and give attention to whether there are any other indications of material errors in the other information aside from such material inconsistency.

If, based on the audit work performed, we determine that there is a material misstatement in the other information, we are required to report such facts.

We have no matters to report with respect to the other information.

Responsibilities of Management and the Audit & Supervisory Committee for the Non-Consolidated Financial Statements

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

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements based on the going concern assumption, and in cases where it is necessary to disclose matters relating to the going concern assumption based on accounting principles generally accepted in Japan, the Company is responsible for disclosing such matters.

The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of their duties with regard to the design

and implementation of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the non-consolidated financial statements from an independent standpoint based on our audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these non-consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- While the objective of the financial statement audit is not to express an opinion on the effectiveness of internal control, the auditor considers internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments.
- Evaluate the appropriateness of the accounting policies adopted by management and their application, as well as the reasonableness of the accounting estimates made by management and the adequacy of the related disclosures.
- Conclude on the appropriateness of preparing the non-consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the non-consolidated financial statements or, if the notes to the non-consolidated financial statements on material uncertainty are inadequate, to express a modified opinion on the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as evaluate the presentation, structure, and content of the non-consolidated financial statements, including the related notes thereto, and whether the non-consolidated financial statements fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, measures to eliminate disincentives or safeguards to reduce them to an acceptable level.

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

Remuneration Information

The amounts of remuneration for audit services and non-audit services for the Company and its subsidiaries for the fiscal year under review provided to the audit corporation and persons belonging to the same network as the audit corporation are stated in "Corporate Governance, etc. (3) Conditions of Audit" included in "Information on the Company."

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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- Notes: 1. The original copy of the above Audit Report is kept separately by the Company (Annual Securities Report Submission Company).
2. XBRL data is not included in audit coverage.