

Annual Securities Report (Full Version)

The 27th Fiscal Year From April 1, 2025 to March 31, 2026

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 27th 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	4
3. Description of Business	5
4. Overview of Subsidiaries and Affiliates.....	9
Item 2: Business Overview	10
1. Management Policy, Business Environment and Tasks Ahead, etc.	10
2 Sustainability Policy and Initiatives	12
3. Risk Factors	24
4. Analyses of Consolidated Financial Position, Operating Results and Cash Flows from the Management’s Perspective.....	31
5. Material Agreements, etc.	36
6. Research and Development Activities.....	36
Item. 3 Property, Plants and Equipment.....	37
1. Overview of Capital Investment	37
2. Major Facilities	37
3. Plans for Capital Investment, Disposal of Property, Plants and Equipment, etc.	38
Item. 4 Information on the Company	39
1. Information on the Company’s Shares, etc.	39
2. Acquisitions, etc. of Treasury Share.....	47
3. Dividend Policy	48
4. Corporate Governance, etc.....	48
5. Employees.....	75
Item. 5 Financial Information	84
1. Consolidated Financial Statements, etc.....	80
2. Non-Consolidated Financial Statements, etc.....	131
Item. 6 Outline of the Stock Operations of the Company	148
Item. 7 Reference Information on the Company	150
1. Information on the Parent Company	150
2. Other Reference Information	150
Part II Information on Guarantors, etc., for the Company	151
Audit Report	

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 22, 2026
Fiscal year	The 27th Fiscal Year (from April 1, 2025 to March 31, 2026)
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
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Name of contact person	Takeshi Hirahara, Senior Executive Officer, Division Director of Administration 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		23rd	24th	25th	26th	27th
Year ended		March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025	March 31, 2026
Net sales	(million yen)	71,251	82,777	79,868	103,174	116,083
Ordinary profit	(million yen)	12,215	14,722	17,374	20,446	23,298
Profit attributable to owners of parent company	(million yen)	7,415	11,612	11,917	14,163	15,986
Comprehensive income	(million yen)	7,738	11,980	12,375	14,787	16,485
Net assets	(million yen)	74,452	83,965	94,416	105,892	120,384
Total assets	(million yen)	136,512	152,519	188,661	218,190	264,463
Net assets per share	(yen)	1,463.74	1,663.33	1,864.36	2,102.79	2,316.75
Earnings per share	(yen)	152.26	238.98	245.50	291.58	327.76
Fully diluted earnings per share	(yen)	152.12	238.76	230.74	257.26	290.63
Equity ratio	(%)	52.2	52.9	48.0	46.8	45.3
Return on equity (ROE)	(%)	10.8	15.3	13.9	14.7	14.4
Price earnings ratio	(times)	6.9	5.4	8.0	6.7	8.0
Cash flows from operating activities	(million yen)	17,443	16,544	-11,003	-4,236	-18,736
Cash flows from investing activities	(million yen)	-9,386	-6,681	-4,254	-8,809	-10,226
Cash flows from financing activities	(million yen)	449	2,039	21,040	9,479	22,837
Cash and cash equivalents at end of period	(million yen)	29,951	41,914	47,866	44,754	38,502
Number of employees [Number of temporary employees]	(persons)	696 [532]	702 [601]	763 [656]	895 [835]	1,076 [873]

Notes: 1. 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.

2. 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 onwards are the figures after the application of this accounting standard.

(2) The Company

Fiscal year		23rd	24th	25th	26th	27th
Year ended		March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025	March 31, 2026
Net sales	(million yen)	59,563	52,097	52,929	72,930	78,830
Ordinary profit	(million yen)	14,356	11,753	11,614	15,339	17,605
Profit	(million yen)	9,284	7,871	7,953	10,821	12,329
Share capital	(million yen)	11,965	11,965	11,965	11,965	14,414
Total number of shares outstanding	(shares)	48,755,500	48,755,500	48,755,500	48,755,500	51,907,314
Net assets	(million yen)	74,432	79,859	85,382	93,100	106,739
Total assets	(million yen)	124,800	137,212	168,972	186,019	221,827
Net assets per share	(yen)	1,527.80	1,645.34	1,757.95	1,915.70	2,064.75
Dividends per share (Including interim dividends per share)	(yen)	44.00 (21.00)	48.00 (23.00)	58.00 (26.00)	66.00 (33.00)	76.00 (38.00)
Earnings per share	(yen)	190.65	161.98	163.85	222.78	252.79
Fully diluted earnings per share	(yen)	190.47	161.83	154.00	196.56	224.16
Equity ratio	(%)	59.6	58.2	50.5	50.0	48.1
Return on equity (ROE)	(%)	13.0	10.2	9.6	12.1	12.3
Price earnings ratio	(times)	5.5	7.9	12.0	8.8	10.4
Dividend payout ratio	(%)	23.1	29.6	35.4	29.6	30.1
Number of employees	(persons)	322	329	351	361	395
Total shareholder yield	(%)	113.1	142.0	218.3	224.9	302.5
(Comparison index: TOPIX including dividends)	(%)	(102.0)	(107.9)	(152.5)	(150.2)	(202.2)
Highest share price	(yen)	1,263	1,317	1,965	2,235	2,858
Lowest share price	(yen)	912	1,005	1,241	1,450	1,672

- Notes: 1. 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 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.
2. The dividend of 58 yen per share for the 25th fiscal year includes the 25th anniversary commemorative dividend of 2 yen per share.
3. 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.
4. 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 onwards 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 Inc. 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) and 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. (merged into Sun Frontier Hotel Management Inc.) into a consolidated subsidiary.
July 2024	Made Oriental Resort Associates Inc. into a consolidated subsidiary.
August 2025	Made Nagano LindenPlaza Hotel Co., Ltd. into a consolidated subsidiary.
October 2025	Made Otake Kenso Holdings Co., Ltd. (merged into Otake Kenso Co., LTD.) into a consolidated subsidiary.
February 2026	Signed a capital and business alliance agreement with ITOCHU Corporation.

3. Description of Business

The Group consists of the Company and 39 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 conduct initiatives by renovating office buildings with declining occupancy rates due to aging deterioration and other factors that need repairs, design upgrades, etc., to high occupancy, high value-added buildings with a focus on “client’s perspective.” 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. Capitalizing on this know-how, we are also developing new buildings and expanding our residential business.

Also, in New York, U.S.A., we offer investment opportunities to Japanese investors by converting apartments built over 100 years ago into comfortable living spaces of Japanese quality and selling them as overseas real estate with increased market value.

Furthermore, in Real Estate Specified Joint Business, we fractionalize prime real estate properties in central Tokyo and Osaka metropolitan areas 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

In order to build a stable earnings base as a stock business, we conduct Rental Building Business by purchasing and holding properties in accordance with the Company’s ownership standards, such as profitable business buildings that are built in good locations and are expected to increase their value in the future. We have 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, Rent Guarantee Business and Conference Room Rental Business.

(i) Property Management Business

As a building owners’ management partner, we support high-occupancy and high-profitability building management by working to increase profitability of owned properties and maximize real estate value through 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.

(ii) 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.

(iii) Brokerage Business

We engage in a consulting Brokerage Business in which we coordinate with financial institutions, attorneys at law, tax

accountants, etc., evaluate and assess properties promptly in response to information on the sale of commercial profitable buildings and single-building profitable condominiums, and introduces potential buyers. As part of our real estate consulting services, we also provide services to quickly resolve concerns about property sales and purchases for clients of each department, including Property Management Business and Leasing Business.

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

(iv) Leasing Business

We specialize in commercial real estate and have established a service network of 13 sites in major areas of central Tokyo. We provide services to help tenants open and relocate their stores, while addressing all building management concerns in line with building owners' requests. We match tenants with the properties we have purchased and are responsible for rebuilding them as high-occupancy, high-profit buildings. It is also an important role to provide feedback to the 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.

(v) Rent Guarantee Business

The 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 up, 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, we provide 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.

(vi) 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 sites in the central Tokyo and Yokohama areas, where we can make use of our familiarity with the local area and branch network that we have cultivated in the Office Building Business, and are pursuing convenience by responding quickly, flexibly and sensitively to client requests.

(Major affiliated company) Sun Frontier Space Management Inc.

(3) Hotel and Tourism Business

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

(i) Hotel Development Business

We develop and revitalize hotels with abundant appeal that lead to the revitalization of cities and society and sell them as investment products to Japanese and Asian wealthy individuals to secure stable profits. In particular, we enter into long-term lease agreements with our clients after they purchase one of the hotels operated by the Group and are committed to building relationships that foster deep and lasting partnerships with clients.

(Major affiliated company) Sun Frontier Hotel Management Inc.

(ii) Hotel Operation Business

With the theme of "a heartwarming and fun hotel," we value local life, culture and history and are working to create "Only One Hotel in the World" that showcases the characteristics and attractions of the region. As of filing date of this Annual Securities Report (June 22, 2026), we operate 38 hotels with 4,217 rooms nationwide and have various brands tailored to the purpose of use, such as "Hiyori Hotel" and "Tabino Hotel", as well as "Oriental Hills Okinawa" and "Shijo Kawaramachi Onsen Soraniwa Terrace Kyoto Villa."

Furthermore, as a Regional Revitalization Business, we have concluded agreements with municipalities, etc. in Kakogawa City in Hyogo Prefecture, Ishikari City in Hokkaido, Rokkasho Village in Aomori Prefecture, Sakata City in Yamagata

Prefecture, etc., in addition to Sado Island in Niigata Prefecture and Miyakojima City in Okinawa Prefecture, to revitalize local economies through hotel development and operations in cooperation with local communities.

(Major affiliated companies) Sun Frontier Hotel Management Inc.
Sky Heart Hotel Inc.
Sun Frontier Sado Inc..
Oriental Resort Associates Inc.

(4) Other

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

(i) Construction Business

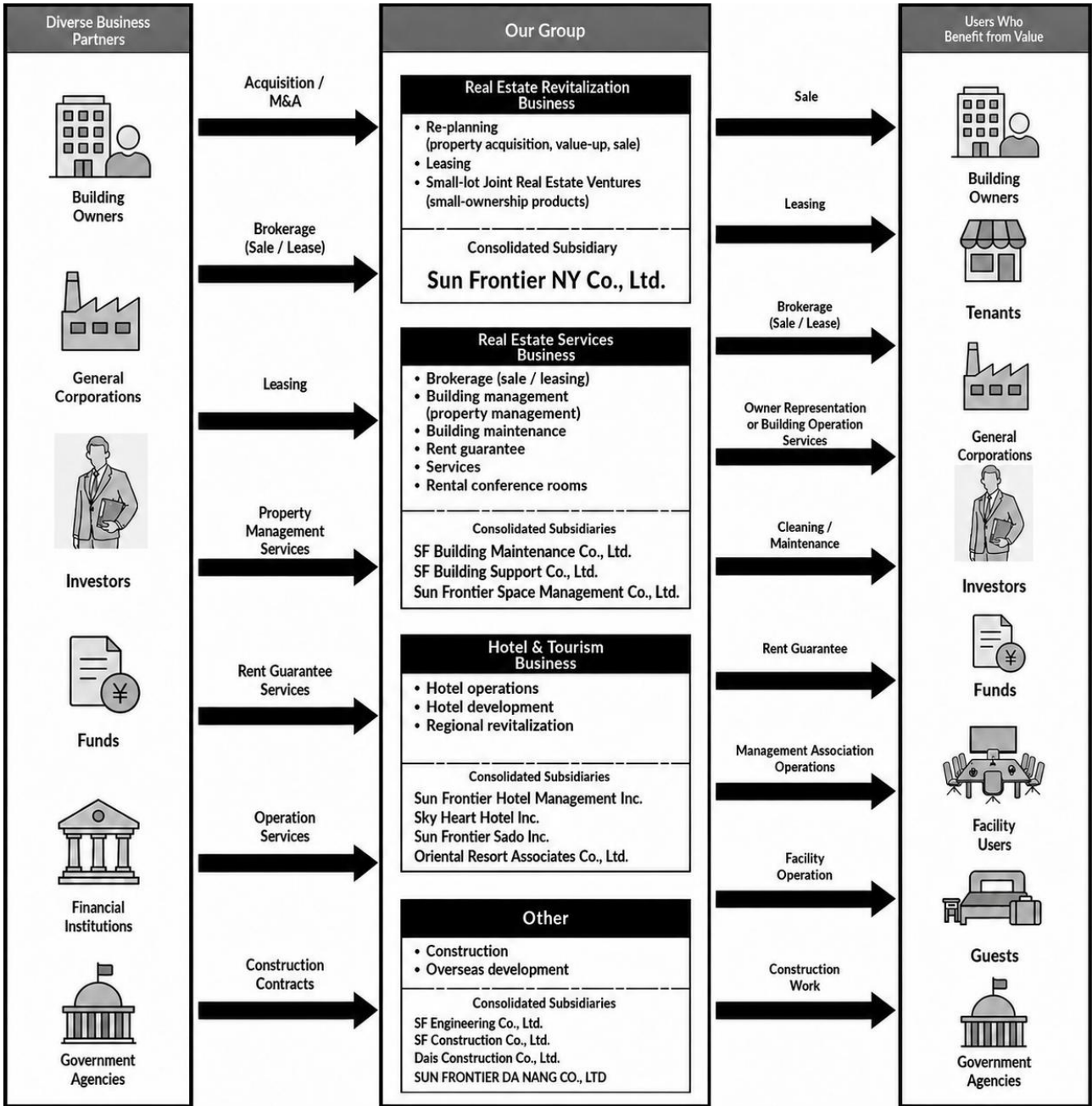
We specialize in renovation planning for office spaces, building exteriors, entrances, etc. We also conduct interior work for tenants moving in and out, restoration work, construction work requested by owners and renovation work, as well as contract work for interior finishing work in buildings, processing and installation work for windows and sashes, and telecommunications work from major construction companies.

(Major affiliated companies) SF Engineering Inc.
SF Communication Inc.
Otake Kenso Co., LTD.

(ii) Overseas Development Business

We provide wealthy clients in Japan and Asia with opportunities to invest in real estate in large Asian cities. In addition, to contribute to the development of the local economy, we operate a comprehensive business that ranges from the development and sales to leasing and management of high-rise condominiums in Da Nang City, the largest city in central Vietnam.

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



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	Two persons 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 planning, development, and operation business	99.9	One person serving concurrently as a director
Sky Heart Hotel Inc.	Chiyoda-ku, Tokyo	10 million yen	Hotel planning and operation business	100.0 [100.0]	-
Sun Frontier Sado Inc.	Sado-shi, Niigata	100 million yen	Hotel planning and operation business / Regional revitalization 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 [100.0]	One person serving concurrently as a director
Otake Kenso Co., LTD.	Shinagawa-ku, Tokyo	55 million yen	Construction (sash and window installation) business	100.0	One person serving concurrently as a director
Other 29 companies					

- Notes: 1. Inside the brackets of the "Ownership of voting rights" column indicates indirect ownership.
2. Net sales (excluding internal net sales between consolidated companies) of Sun Frontier Hotel Management Inc. account for more than 10% of the consolidated net sales. Major profit and loss information is as follows.
- | | |
|---------------------|--------------------|
| (1) Net sales | 14,086 million yen |
| (2) Ordinary profit | 1,734 million yen |
| (3) Net income | 1,451 million yen |
| (4) Net assets | 11,837 million yen |
| (5) Total assets | 39,290 million yen |

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

Since its foundation, the Group has upheld “altruism” (a spirit of compassion) as the Company policy and has engaged in its business to realize the Management Philosophy of “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.”

The Group’s management structure consists of three axes: “Mental management based on our ethos and philosophy,” “All-employee participatory management based on the divisional accounting,” and “Management that changes from a clients’ point of view.” By sharing our ethos and philosophy and emphasizing the mental growth of our employees, we are fostering a corporate culture based on altruism spirit. In addition, by operating a small-group divisional accounting system based on the Amoeba Management System, we are encouraging each employee to have managerial mindset, promoting voluntary actions and enhancing the growth potential of the entire organization. Furthermore, we aim to achieve sustainable development through the continuous provision of valuable services by quickly responding to changes in social environments and needs from clients’ point of view.

Putting these management principles into practice enhances employee satisfaction and corporate trust, serving as a source of long-term value creation.

Implement our management based on three pillars of philosophy, small-group profitability system, and the client’s perspective to create long-term corporate value.



(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.

(2) Management environment

The Japanese economy continued on a moderate recovery trend, supported by a favorable employment environment and expectations for proactive fiscal policies. While attention is focused on the response to rising prices and the future direction of fiscal management, the Bank of Japan maintained its policy interest rate at 0.75% but revised its inflation outlook upward and maintains its stance of normalizing monetary policy in line with economic and price developments. In the global economy, energy prices continue to rise against the backdrop of growing tensions in the Middle East, and the outlook is becoming increasingly

Sun Frontier Philosophy

Company policy

COMPASSION

We believe in helping others, as many as we can, throughout our lives.

Management Philosophy

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 rich and sustainable society by contributing to the evolution and the development of the human society.

Future Image

Our vision is to become the most appreciated visionary company that fully utilizes limited resources and continues the challenges to create new values.

Course of Action

1. Work For Your colleagues
2. Do The Right Thing
3. Absolute Proactiveness
4. Do it immediately, do it definitely, do it until success
5. Stay Humble, Thankful, And Respectful
6. Always Work Creatively
7. Be GENBA-Centric
8. Be Open-Minded Cheerful and Wonderful

uncertain due to factors such as the resurgence of inflation and its impact on supply chains. Under these circumstances, although uncertainty may arise regarding the future procurement of certain materials for office renovations and new construction projects due to supply-side constraints, the Group is working to ensure the steady progress and profitability of our projects by securing materials early and making flexible procurements.

In the office market of Tokyo's five central wards, which is the core area of Office Building Business in the Group, rents have continued to rise, and vacancy rates have remained low, resulting in a solid market environment. Although new office building supply is expected in some areas in 2026, demand for proactive relocations and expansions aimed at securing talented personnel has remained strong, and the supply-demand balance has stayed tight. On the other hand, while uncertainty in the global economy continues due to geopolitical risks and other factors, the direct impact on the central Tokyo office market has been limited. In the real estate investment market, despite rising domestic interest rates, investment appetite from both domestic and overseas institutional investors has remained solid, supported by stable rent increases and a weaker yen. At the same time, there is a growing tendency to place greater emphasis on the profitability of properties in making investment decisions, accelerating the screening of properties based on superior locations, building specifications, and operational capabilities. As this market polarization progresses, the Company will continue to monitor market trends closely. In the hotel and tourism market, while inbound demand from China slowed in the latter half of the year, inbound demand from Europe and the United States remained strong, and both occupancy rates and average daily rates at accommodation facilities stayed at high levels.

(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. However, the Medium-term Management Plan 2028 was revised upward on May 11, 2026.

In the fiscal year ended March 31, 2026, the first year of the Medium-term Management Plan 2028, all business segments, centered on Real Estate Revitalization Business, Real Estate Service Business, and Hotel and Tourism Business, performed steadily. For the fiscal year ending March 31, 2027, both net sales and profit are expected to exceed the plan announced in the Medium-term Management Plan 2028. In addition, given a certain level of probability of future business growth driven in part by the creation of new projects through the capital and business alliance with ITOCHU Corporation, we have decided to revise upward the net sales and ordinary profit for the fiscal year ending March 31, 2028.

<Overview 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, providing manufacturing through clients' point of view and heart-warming services.

- Quantitative target

		Before revision FY2028/3	After revision FY2028/3	Increase/ Decrease	Percentage change
Profit plan	Net sales	135 billion yen	150 billion yen	+15 billion yen	+11.1%
	Ordinary profit	27 billion yen	30 billion yen	+3 billion yen	+11.1%
Management indicator	Ordinary profit margin	20%	20%	—	—
	ROE	14% or more	14% or more	—	—
	Equity ratio	45% level	45% level	—	—

<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.

In conjunction with the upward revision of the Medium-term Management Plan 2028, we will accelerate our progress toward the realization of our Long-Term Vision.

- 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.

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.

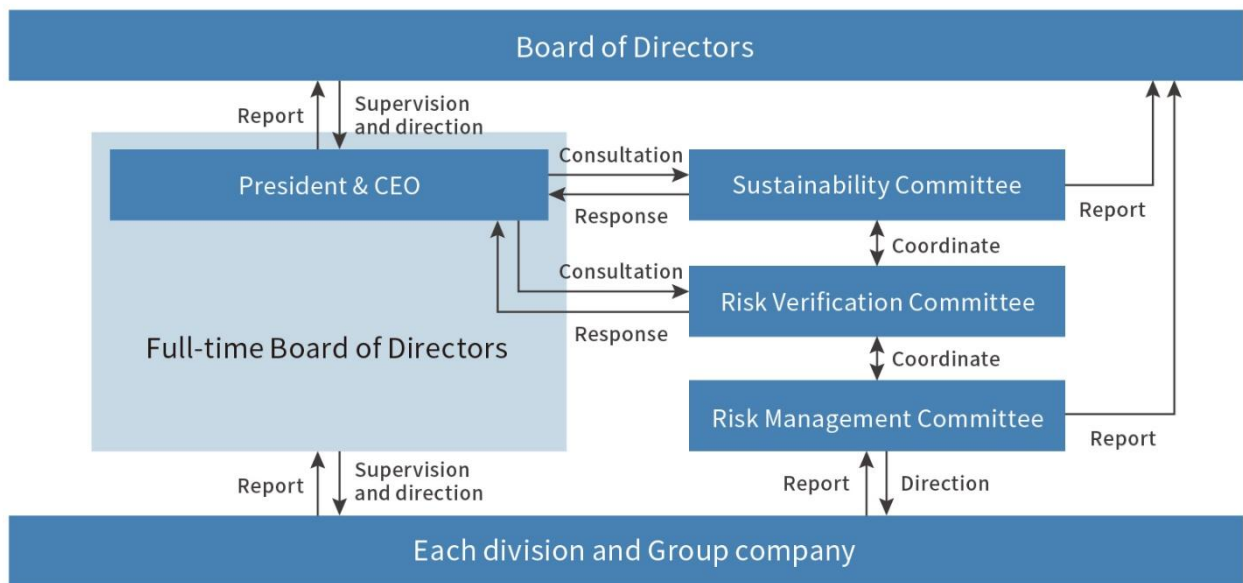
Important issues	Social issues to be solved	Key measures	Specific measures	Indicators	Objectives (KPIs)	Fiscal 2025 (FY2026/3) results
2	Revitalization of regional economies	Creation of buildings, offices, and spaces with job satisfaction and creativity that contribute to economic growth	Promotion of real estate revitalization with consideration for well-being	Supply rate of new replanning properties that exceed company standards	FY2023: 30% FY2025: 50% FY2030: 70%	66.7%
				Tenant satisfaction survey	Conduct annually	Completed
	Responding to increasingly severe natural disasters	Disaster prevention and mitigation by regional coordination	Provision of setup offices with emergency supplies and installation space	Number of office lots with emergency supplies and installation space	FY2024: 20 lots FY2027: 50 lots FY2030: 75 lots	20 lots
			Provision of information that contributes to the improvement of tenants' disaster prevention awareness	Disaster prevention information posting on dedicated website (Company-owned properties)	Publication rate: 100%	100%
3	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 utilization of diversity	Creation of a work environment suited to each employee's life stage and provision of flexible training opportunities	Ratio of women in managerial positions (Sun Frontier Fudousan Co., Ltd.)	FY2035: 15% or more	9.6% (April 1, 2026)
			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	11.7%
		Creation of a workplace with job satisfaction, creativity, and growth opportunities	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	17,647 yen (increased by 98.3% YoY)
			Holding seminars aimed at promoting employees' mental and physical health to create an environment where each employee can work in good health, both in mind and body	Holding seminars by occupational physicians, etc.	At least twice a year	3 times

■ 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 risks and 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 those 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	Receives reports from the Sustainability Committee on climate-related risk management and oversees the progress of the measures.
President & CEO	Receives reports on the status of overall sustainability activities, including climate-related initiatives, from the Sustainability Committee as an advisory body. Assumes ultimate responsibility for the assessment and management of risks, including those related to climate change.
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	Deliberates 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 the Risk Management Committee, it compiles risks and opportunities related to climate change from each department and group company, considers countermeasures, and makes regular reports to the Board of Directors. The committee is convened quarterly.

ii. Strategy

Based on the TCFD recommendations, we analyzed scenario of risks and 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 risks and 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 Business and Construction Business). 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 risks and 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, and Other Business (Overseas Development Business and Construction Business)

Impact : High : Very significant impact (> 19% of net sales)
 Medium : Significant impact (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 risks and opportunities recognized by the Company whose impact on the business is “medium” or above.

Main category	Sub-category	Details of risks and opportunities	Impact on business and financial results		Term of risk occurrence
			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 risks and 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 (100 million yen)		Degree of influence
			1.5 ° C	4 ° C	
Carbon tax	Increased tax burden due to a large increase in carbon tax	[Company-wide] Company's CO2 emissions x 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 emission intensity	[Real Estate Revitalization] Input cost of raw materials* x emission intensity of raw materials x 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 x maximum days of downtime* x 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 x 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) x 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 x 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 x maximum days of downtime x damage ratio	0.0003	0.001	Small
Increased demand opportunity	Revenue increase from expanded maintenance demand	[Property Management / Building Maintenance] Maintenance service revenue x (1 + probability of flood occurrence)	6.47	6.56	Small
Business continuity	Profit loss due to operational shutdown	[Rental Conference Room] Daily profit loss x maximum days of downtime x damage ratio	0.0002	0.0004	Small
Employee health	Increase in cost due to heat allowance from rising temperatures	[Construction] Heat allowance x 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 work efficiency x labor cost per person	0.01	0.002	Small
Carbon tax	Cost increase due to carbon pricing	[Overseas Development] Scope 1 & 2 emissions x 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 to overall sustainability issues, including those related to climate change. With regard to climate-related risks, the Risk Verification Committee evaluates the 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 risks and opportunities. In Fiscal year 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, and aim for reductions, while building systems and setting targets.

Greenhouse Gas Emissions

(Consolidated)

Unit : t-CO₂e

	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025
Scope 1 *1	3,238	3,392	3,642	3,854
Scope 2 *2	7,634	7,281	7,608	8,286
Scope 3 *3	-	-	210,557	219,274

(Non-consolidated)

Unit : t-CO₂e

	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025
Scope 1 *1	0.0	0.0	0.0	0
Scope 2 *2	213	88	162	182
Scope 3 *3	153,108	148,641	168,918	162,742

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

Calculation period: Fiscal 2022 (April 2022 to March 2023), Fiscal 2023 (April 2023 to March 2024),
Fiscal 2024 (April 2024 to March 2025), Fiscal 2025 (April 2025 to March 2026)

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 2021, Fiscal 2022, Fiscal 2023, and Fiscal 2024

*From Fiscal 2024 onward, the Scope 3 boundary has been expanded to cover the entire consolidated group. (Fiscal 2022 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 2025 Results
Total of Scope 1 and Scope 2	22% reduction (annual reduction of 2.7%)	Carbon neutral	2.0% reduction (*)

* Increases due to M&As and site expansion are excluded.

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

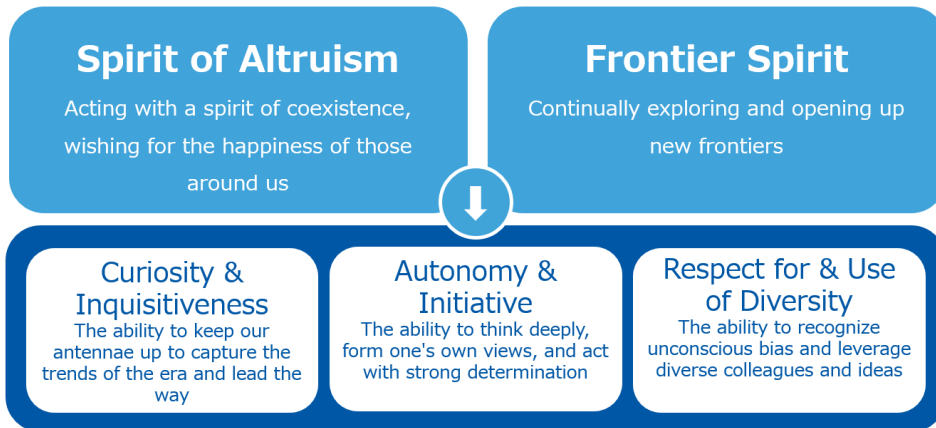
We develop human resources who can open up new fields with a frontier spirit to realize a sustainable and prosperous society together with colleagues who share the value of altruism, the Company policy.

◆ 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.”

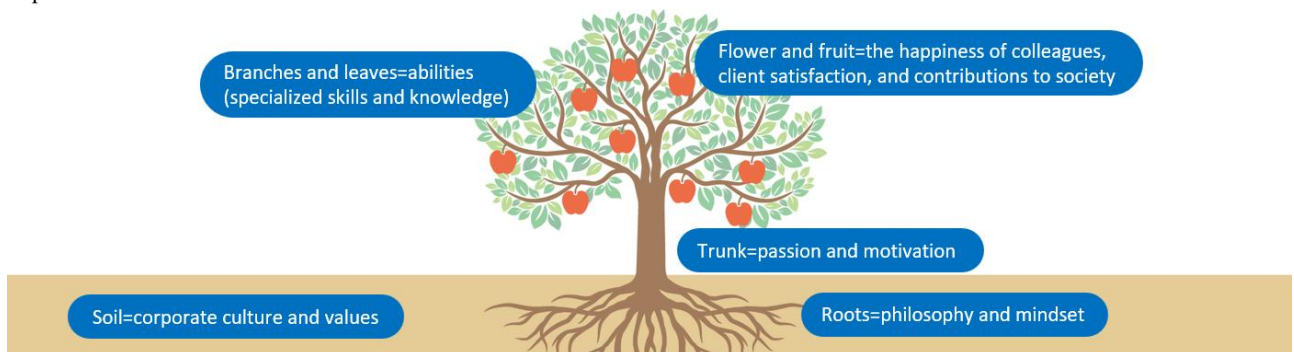
The Employee Profile that Supports Sun Frontier



◆ 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.sunfirt.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 values 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.

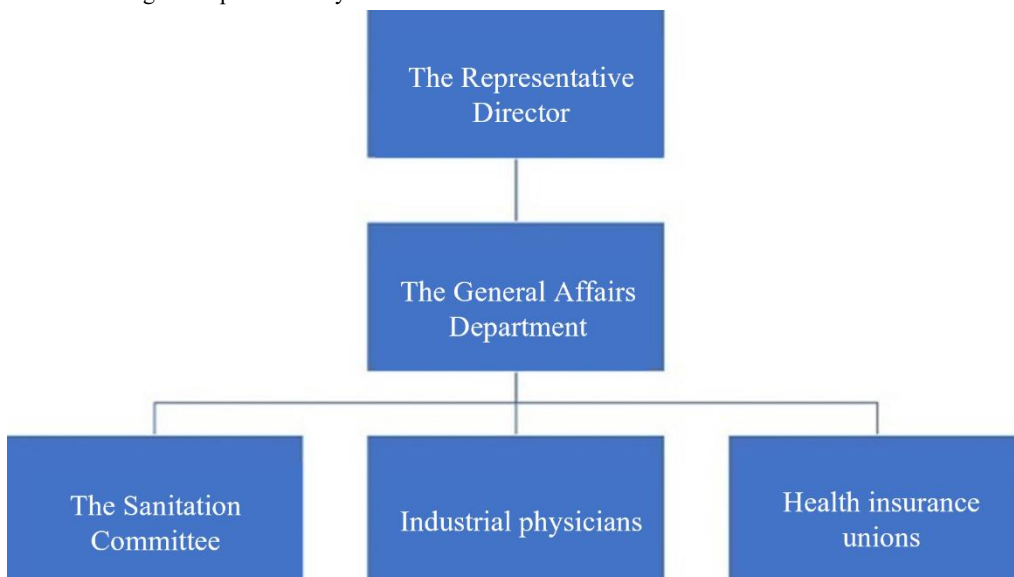
We believe that the foundation of a growing company is formed by boldly predicting future changes and continuously striving to achieve its goals.

■ 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>

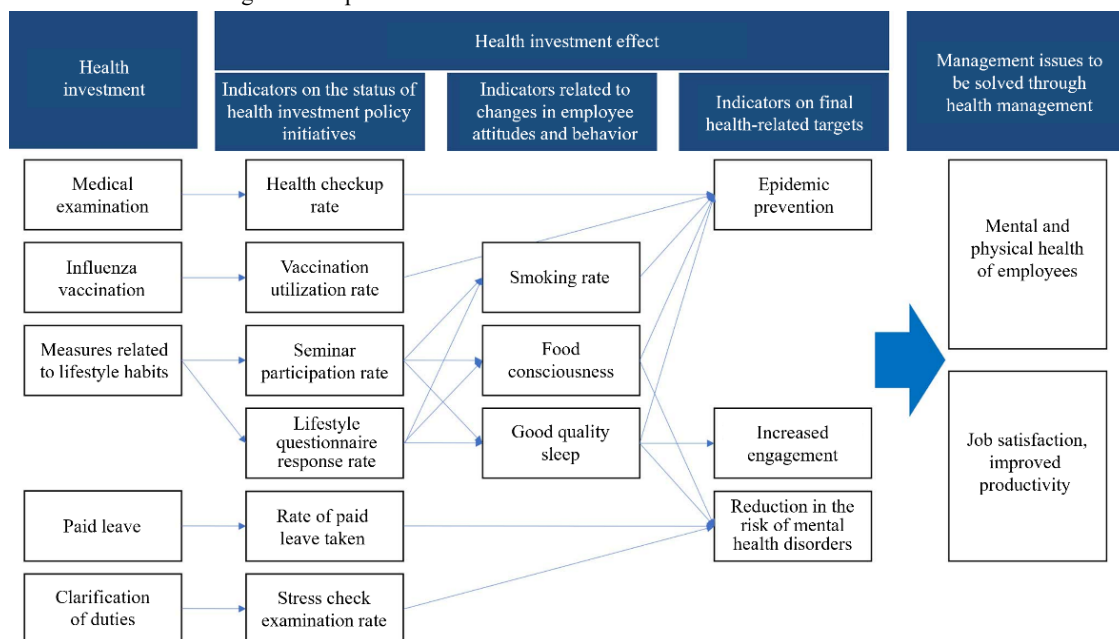


The chief executive officer for the promotion of health management is the President Representative Director, and the General Affairs Department plays a central role in cooperation with the sanitation committee, industrial physicians, and health insurance unions. The sanitation committee, chaired by General 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 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	FY2026 (Targets)
Participation rate in regular health checkups	98.9%	99.2%	99.7%	98.0%	98.0%	100.0%
Rate of paid leave taken	66.5%	64.2%	68.4%	66.8%	74.3%-	-
Number of paid leave taken	10.2 days	10.3 days	11.6 days	10.7 days	12.4 days	-
Participation rate in stress check	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
High stress rate	11.5%	9.3%	9.6%	9.3%	Less than 7.1%	Less than 10%
Turnover rate (regular employees only) *1	12.8%	7.3%	9.1%	7.4%	9.1%	-
Average years of service	6.34 years	6.71 years	6.80 years	6.94 years	7.06 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	4	-

*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 rates or a decline in rents, due to worsening economic conditions.

(2) Status of competition

The Group's businesses comprise Replanning Business, Rental Building Business, brokerage and leasing of commercial real estate, 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 a 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 rates 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 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

The 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 the Group's real estate sales revenue and a decline in the value of our owned assets. Consequently, the Group's business, financial position, and operating results may be adversely affected.

(12) Risks related to foreign exchange fluctuations

The 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 the Group's individual businesses. Additionally, changes in exchange rates can affect the performance of tenant companies, potentially impacting the Group's rental income. These factors may influence the Group's business, financial position, 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 rates 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, decrease, 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
	Sun Frontier Sado Inc.	September 11, 2025 - September 10, 2030			Governor of Niigata 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, and interior finishing work	Construction Business Act	Governor of Tokyo
	Otake Kenso Co., Ltd.	June 20, 2025 - June 19, 2030	Building construction, carpenter construction, plastering work, scaffolding and earthwork business, stonework, roof construction, tile, brick and block construction, steel structure construction, sheet metal work, glass work, painting work, waterproofing work, interior finishing work, heat insulation work, and fittings work		
	Tama Kenso Kogyo CO., LTD.	June 10, 2025 - June 9, 2030	Building construction		

License, permission, registration, etc.	Company name	Validity period, registration date	Type	Relevant laws	Issuer of registration, etc.
General construction license	SF Engineering Inc.	January 17, 2023 - January 16, 2028	Building construction and interior finishing work	Construction Business Act	Governor of Tokyo
	SF Building Maintenance Inc.	December 25, 2023 - December 24, 2028	Carpenter construction, plastering work, stonework, roof construction, tile, brick and block construction, sheet metal work, glass work, painting work, waterproofing work, interior finishing work, heat insulation work, fittings work, and firefighting facilities work		
	SF Communication Inc.	March 10, 2022 - March 9, 2027	Electrical work, telecommunication s work		
	Jonan Kenso Co., Ltd.	June 20, 2025 - June 19, 2030	Carpenter construction, plastering work, stonework, roof construction, tile, brick and block construction, sheet metal work, glass work, painting work, waterproofing work, interior finishing work, heat insulation work, and fittings work		
	Tama Kenso Kogyo CO., LTD.	June 10, 2025 - June 9, 2030	Carpenter construction, plastering work, stonework, roof construction, tile, brick and block construction, sheet metal work, glass work, painting work, waterproofing work, interior finishing work, heat insulation work, and fittings work		
	Arrow Co., Ltd.	September 4, 2023 - September 3, 2028	Fittings work		

License, permission, registration, etc.	Company name	Validity period, registration date	Type	Relevant laws	Issuer of registration, etc.
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, and 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	-		
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 of Hokuriku Shinetsu Transport Bureau

License, permission, registration, etc.	Company name	Validity period, registration date	Type	Relevant laws	Issuer of registration, etc.
General passenger automobile transport business	Okesa Kanko Taxi Co., Ltd.	Registered on May 6, 1955	-	Road Transport Act	Director of Hokuriku Shinetsu Transport Bureau
Registered electric construction business operator license	SF Communication Inc.	October 3, 2025 - October 2, 2030	-	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

Amid rising geopolitical risks and continued uncertainty in the global economy, Office Building Business in the Group is focusing on the development of office buildings that meet diverse management styles and properties with high social value that have acquired environmental certification. Although the number of property sales decreased in the current period, both net sales and profit increased year on year due to the sales of large-scale properties and new buildings with high profitability. In addition, the property acquisition significantly exceeded the results of the previous fiscal year and we are making steady progress toward sustainable growth in the future while carefully assessing the changes in the market climate. In terms of the development of Hotel and Tourism Business, construction work for the new business openings has progressed steadily. In terms of the operations, we received high praise from guests for the warm service of our staff, resulting in improvements in the occupancy rates and average daily rates, leading to growth in our business performance.

As a result, the performance in the current period reached a record high for the second consecutive year in net sales, the third consecutive year in ordinary profit, and the fourth consecutive year in profit.

(millions of yen)

	Results for FY2025/3	Results for FY2026/3	Rate of change	Forecast	Achievement rate
Net sales	103,174	116,083	+12.5%	117,000	99.2%
Gross profit	32,225	38,114	+18.3%	36,420	104.7%
Operating profit	21,279	25,356	+19.2%	23,840	106.4%
Ordinary profit	20,446	23,298	+13.9%	22,500	103.5%
Profit attributable to owners of parent	14,163	15,986	+12.9%	15,500	103.1%

The results by segment are as follows.

(Real Estate Revitalization Business)

Real Estate Revitalization Business operates (1) Replanning Business and (2) Rental Building Business.

- (1) In Replanning Business, the number of properties sold was 24 (including 3 new buildings, 3 small-lot properties, and 2 properties in New York), and the number of properties sold decreased year on year (-14 compared to the previous fiscal year). However, both net sales and profit increased partly due to the sales of large-scale properties and new buildings with high profitability. In the next fiscal year (ending March 31, 2027), we plan to diversify asset types and sell various properties, including new buildings, small-lot properties, properties in New York and residential properties in addition to the existing replanning properties.
- (2) In Rental Building Business, both net sales and profit increased due to an increase in the number of owned units supported by strong property acquisition and an improvement in vacancy rates through robust leasing activities.

<Results of the Real Estate Revitalization Business>

(Millions of yen)

	Results for FY2025/3	Results for FY2026/3	Rate of change	Forecast	Achievement rate
Net sales	71,339	76,434	+7.1%	81,340	94.0%
Replanning Business	68,684	72,479	+5.5%	78,440	92.4%
Rental Building Business	2,654	3,955	+49.0%	2,900	136.4%
Gross profit	22,114	24,500	+10.8%	25,560	95.9%
Replanning Business	21,860	23,488	+7.4%	25,160	93.4%
Rental Building Business	253	1,011	+298.2%	400	252.8%
Segment profit	20,104	22,148	+10.2%	-	-
Replanning Business	19,850	21,136	+6.5%	-	-
Rental Building Business	253	1,011	+298.2%	-	-

(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, the number of properties contracted increased by 17 from the end of the previous fiscal year to 559 properties and the occupancy rate also rose to 95.6% from the end of the previous fiscal year, resulting in increases in both net sales and profit. Going forward, we will continue to strive to enhance client satisfaction and build strong client loyalty by providing prompt and high-quality services.
- (2) In the Building Maintenance Business both net sales and profit increased year on year due to the rise in the number of buildings under management through collaboration with various divisions within the group. We will continue to absorb the increasing costs and aim to improve our performance with appropriate management fees.
- (3) In the Sales Brokerage Business, as the scale of the projects we handle has grown in addition to successful closing deals resulting from referrals within the group, both net sales and profit increased significantly year on year.
- (4) In the Leasing Brokerage Business, against the backdrop of a robust office market, the number of contracts concluded for properties managed by the Company increased, resulting in year-on-year increase in both net sales and profit.
- (5) In the Rent Guarantee Business, the number of new and re-guarantee contracts in our core credit guarantee business both increased, resulting in year-on-year increases in both net sales and profit.
- (6) In the Rental Conference Room Business, one site was closed due to redevelopment in the site opening area, while two new sites were opened and one site was expanded, resulting in a total of 19 sites with 10,406 tsubo in operation as of March 31, 2026. In addition, both net sales and profit increased year on year, due to factors such as an increase in large-scale projects including training for new graduate employees, a rise in long-term use by repeat customers, and the successful acquisition of new customers at sites opened less than a year ago. As of the filing date of the Annual Securities Report (June 22, 2026), our operating scale has reached 19 sites with 10,803 tsubo. Under our policy of “not selling rooms, but achieving success in events” and aiming for the 16,000 tsubo scale set forth in the Medium-Term Management Plan 2028, we will promote business expansion through new openings and expansion of existing sites, while also working to strengthen our organizational structure with a view to medium- to long-term business growth.

<Results of the Real Estate Service Business>

(Millions of yen)

	Results for FY2025/3	Results for FY2026/3	Rate of change	Forecast	Achievement rate
Net sales	12,488	16,307	+30.6%	14,000	116.5%
PM/BM/Brokerage Business, etc.	8,511	10,916	+28.3%	8,789	124.2%
Rental Conference Room Business	3,976	5,390	+35.6%	5,210	103.5%
Gross profit	6,124	8,719	+42.4%	6,940	125.6%
PM/BM/Brokerage Business, etc.	5,536	7,151	+29.2%	5,915	120.9%
Rental Conference Room Business	587	1,567	+166.9%	1,024	153.1%
Segment profit	6,112	8,703	+42.4%	-	-
PM/BM/Brokerage Business, etc.	5,536	7,151	+29.2%	-	-
Rental Conference Room Business	576	1,552	+169.4%	-	-

(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 the Hotel Development Business, as there were no property sales, net sales decreased, and profit also decreased due to increased expenses related to opening new hotels. As of the filing date of the Annual Securities Report (June 22, 2026), the total number of hotels scheduled to open, under construction, or in the planning stage is 16 hotels with 2,158 rooms.
- (2) In the Hotel Operation Business, the expansion of inbound demand continued due to the Expo 2025 Osaka, Kansai, Japan held from April 2025. Although there were travel restrictions imposed by the Chinese government in the second half of the fiscal year, inbound demand, mainly from Europe and the United States, remained strong. At the same time, domestic travel consumption also remained robust, and both the occupancy rate and average daily rate of guest rooms continued to rise based on our high value-added strategy. During this period, three hotels opened as planned, and two hotels were added to our group through M&A, resulting in year-on-year increases in both net sales and profit. We will continue to steadily strengthen our business with the aim of operating 10,000 guest rooms by 2033.

<Results of the Hotel and Tourism Business>

(Millions of yen)

	Results for FY2025/3	Results for FY2026/3	Rate of change	Forecast	Achievement rate
Net sales	18,831	18,949	+0.6%	21,490	88.2%
Hotel Development Business	3,071	0	-	3,000	-
Hotel Operation Business, etc.	15,760	18,949	+20.2%	18,490	102.5%
Gross profit	4,479	4,387	-2.0%	4,340	101.1%
Hotel Development Business	991	-62	-	520	-
Hotel Operation Business, etc.	3,487	4,450	+27.6%	3,820	116.5%
Segment profit	4,072	3,817	-6.3%	-	-
Hotel Development Business	779	-303	-	-	-
Hotel Operation Business, etc.	3,293	4,120	+25.1%	-	-

(Other Business)

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

- (1) In the Construction Business, both net sales and profit increased year on year due to an increase in the number of orders received, the acquisition of large-scale projects, and the addition of the Otake Kenso Group, which processes and installs sashes and glass windows, to our group in October. Going forward, by strengthening collaboration within the group, we aim to further internalize processes from planning to construction in the replanning business, and to establish a system that enables us to provide high-quality, highly functional office spaces and other solutions in a stable and timely manner.
- (2) In the Overseas Development Business, sales for the second project “HIYORI Aqua Tower,” which commenced in the previous period, began in February 2026, and construction is progressing toward completion in the first half of 2027. As the results for this property will be recorded in the next fiscal year and beyond, both net sales and profit for the period remained at levels similar to the previous fiscal year.

<Results of Other Business>

(Millions of yen)

	Results for FY2025/3	Results for FY2026/3	Rate of change	Forecast	Achievement rate
Net sales	1,992	5,872	+194.8%	2,230	263.3%
Gross profit	498	1,479	+196.9%	530	279.2%
Segment profit	435	1,177	+170.2%	-	-

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	76,434	7.1
Real Estate Service Business	16,307	30.6
Hotel and Tourism Business	18,949	0.6
Other	5,872	194.8
Adjustment	-1,481	
Total	116,083	12.5

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 264,463 million yen (up 21.2% from the end of the previous fiscal year), liabilities were 144,078 million yen (up 28.3% from the end of the previous fiscal year), and net assets were 120,384 million yen (up 13.7% from the end of the previous fiscal year).

The increase in total assets was mainly due to an increase of 43,975 million yen in real estate for sale in process and an increase of 2,230 million yen in buildings (net), despite a decrease of 5,645 million yen in cash and deposits and a decrease of 792 million yen in long-term loans receivable.

The increase in liabilities was mainly due to an increase in notes and accounts payable - trade of 1,808 million yen and an increase in long-term borrowings of 30,337 million yen, despite a decrease in long-term borrowings due within one year of 1,077 million yen and a decrease in bonds payable of 4,897 million yen.

The increase in net assets was mainly due to an increase in share capital of 2,448 million yen, an increase in capital surplus of 2,438 million yen, and the recording of profit attributable to owners of parent of 15,986 million yen, despite the payment of dividends of 3,456 million yen and a decrease in non-controlling interests of 3,081 million yen.

Equity ratio decreased by 1.5 percentage points to 45.3%.

(3) Consolidated Cash Flows

Cash and cash equivalents (hereinafter called, "funds") at the end of the current consolidated fiscal year decreased by 6,251 million yen from the beginning of the fiscal year to 38,502 million yen as a result of a decrease of 18,736 million yen in funds from operating activities, a decrease of 10,226 million yen in funds from investing activities and an increase of 22,837 million yen in funds from financing activities. As a result, funds decreased by 6,251 million yen compared to the beginning of the fiscal year, and the balance of funds at the end of the fiscal year was.

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 18,736 million yen compared with a net cash outflow of 4,236 million yen in the previous fiscal year. This was mainly due to a decrease of 40,435 million yen resulting from an increase in inventories and corporate

income tax payments of 8,389 million yen, despite profit before income taxes of 23,153 million yen and depreciation of 3,458 million yen.

(Cash flows from investing activities)

Net cash outflow used in investing activities was 10,226 million yen compared with a net cash outflow of 8,809 million yen in the previous fiscal year. This was mainly due to expenditure for the acquisition of property, plant and equipment of 5,787 million yen and expenditure for the acquisition of subsidiary shares resulting in a change in the scope of consolidation of 2,802 million yen, despite proceeds from withdrawal of time deposits of 234 million yen and proceeds from collection of loans of 784 million yen.

(Cash flows from financing activities)

Net cash inflow provided by financing activities was 22,837 million yen compared with a net cash inflow of 9,479 million yen in the previous period. This was mainly due to proceeds from long-term borrowings of 63,346 million yen, despite repayments of long-term borrowings of 34,622 million yen and dividend payments of 3,455 million yen.

(Sources of capital and liquidity of funds)

The primary demand for funds in the Group's business activities is the purchase of inventory assets related to the Real Estate Revitalization Business. Purchase of inventory assets is financed through long-term borrowings from financial institutions secured by individual inventory assets and funds generated from operating activities. These inventory assets are scheduled to be sold within one year, and our basic policy is to repay borrowings in a lump sum upon the sale of inventory assets, while also making regular monthly repayments. As a result, liquidity of funds is sufficiently secured.

(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.

On February 25, 2026, the Company and ITOCHU Corporation entered into a capital and business alliance agreement.

As the details of the contract are described in (Significant Subsequent Events) of "Item 5. Financial Information, 1. Consolidated Financial Statements, etc. (1) Notes to Consolidated Financial Statements," information on material agreements, etc. are omitted.

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 6,049 million yen, mainly for the acquisition of hotel facilities (5,353 million yen).

2. Major Facilities

(1) Reporting company

As of March 31, 2026, 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	75	- (-)	59	135	163
Branches, etc. (Chuo-ku, Tokyo, etc.)	Real Estate Service Business	Commercial facility	49	- (-)	21	70	232
Rental property for business use (Minato-ku, Tokyo, etc.)	Real Estate Revitalization Business	Buildings for rent, etc.	371	1,091 (695)	12	1,476	-
Real estate for Hotel Operation Business (Shimogyo-ku, Kyoto-shi, Kyoto)	Hotel Operation Business	Hotel operation	3,413	5,396 (1,277)	10	8,820	-
Sub-leased property, etc. (Chuo-ku, Tokyo, etc.)	Real Estate Service Business and Other	Property management contract facilities, etc.	245	- (-)	33	279	-

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, Others, 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	1,088
Sub-leased property, etc. (Chuo-ku, Tokyo, etc.)	Real Estate Service Business and Other	Property management contract facilities, etc.	10,158

(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	5,801	772 (33,152)	2,834	9,409	240 (350)
Sky Heart Hotel Inc.	Head office and hotel facilities (Chiyoda-ku, Tokyo, etc.)	Hotel and Tourism Business	Hotel operation	63	63 (1,600)	7	134	18 (49)
Sun Frontier Sado Inc.	Head office and hotel facilities (Sado-shi, Niigata)	Hotel and Tourism Business	Hotel operation	570	23 (31,590)	93	688	30 (86)
Hotel Osado Co., Ltd.	Head office and hotel facilities (Sado-shi, Niigata)	Hotel and Tourism Business	Hotel operation	610	91 (21,603)	54	756	4 (24)
Nihon Toshi Hotel Kaihatsu Co., Ltd.	Head office and hotel facilities (Nishi-ku, Osaka-shi, Osaka)	Hotel and Tourism Business	Hotel operation	567	- (-)	101	668	18 (81)
Oriental Resort Associates Co., Ltd.	Head office and hotel facilities (Onna-son, Kunigami-gun, Okinawa)	Hotel and Tourism Business	Hotel operation	820	- (-)	7	827	8 (13)
Sun Frontier Space Management Inc.	Head office and rental conference room facilities (Minato-ku, Tokyo, etc.)	Real Estate Service Business	Conference Room Rental Business	458	0 (9)	184	643	84 (170)
Otake Kenso Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Other	Office equipment	144	1,725 (2,356)	4	1,875	46 (0)

- 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 and exclude agency workers.
4. On April 1, 2026, Nippon Toshi Hotel Kaihatsu Co., Ltd. ceased to exist as a result of an absorption-type merger with Sun Frontier Hotel Management Inc. as the surviving company.

(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, 2026)	Number of shares issued as of filing date (June 22, 2026)	Name of Listed Financial Instruments Exchange or registered Authorized Financial Instruments Firms Association	Contents
Common shares	51,907,314	57,407,314	Tokyo Stock Exchange Prime Market	Share unit: 100 shares
Total	51,907,314	57,407,314	-	-

Note: New shares were issued by the third-party allotment method on April 1, 2026. As a result, the number of shares increased by 5,500,000 and the total number of shares issued is 57,407,314.

(2) Share acquisition rights, etc.

(i) Stock option plans

A. 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*	393 units	555 units	834 units	1,676 units [1,516 units]
Type, description and number of shares to be issued upon the Share Acquisition Rights*	Common shares 3,930 shares (Note 1)	Common shares 5,550 shares (Note 1)	Common shares 8,340 shares (Note 1)	Common shares 16,760 shares [15,160 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, 2026). For changes between the end of the fiscal year and the end of the month previous to the filing month (May 31, 2026), the details as of the end of the month previous to the filing month are shown in square brackets. There have been no other changes since the end of this fiscal year.

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 the 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)*	25
Number of own Share Acquisition Rights out of Share Acquisition Rights (units)*	-
Type, description and number of shares to be issued upon exercise of Share Acquisition Rights (shares) *	Common shares 3,283,086 [3,299,900] 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 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

	<p>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 [1,546.1 yen].</p> <p>The conversion price may be adjusted as provided in the Issuance Terms of the Bonds with Share Acquisition Rights. (Note 1)</p>
Period for exercising Share Acquisition Rights*	<p>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)</p> <p>However, the exercise of voting rights may not be requested during the following periods.</p> <p>(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.)</p> <p>(2) The day on which the transfer institution deems it necessary</p> <p>(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.</p>
Issue price of shares and amount to be incorporated into capital when shares are issued upon exercise of Share Acquisition Rights	<p>1. Issue price</p> <p>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)</p> <p>2. Increased share capital and capital reserve</p> <p>(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.</p> <p>(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.</p>
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*	<p>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.</p> <p>1. The number of Share Acquisition Rights of the Successor Company, etc. to be delivered</p> <p>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.</p> <p>2. The type of shares subject to the Share Acquisition Rights of the Successor Company, etc.</p> <p>Common shares of the Successor Company, etc.</p> <p>3. The number of shares subject to the Share Acquisition Rights of the Successor Company, etc.</p> <p>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."</p> <p>(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.</p> <p>(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</p>

	<p>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.</p> <p>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.</p> <p>5. The period during which the Share Acquisition Rights of the Successor Company, etc. may be exercised 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.</p> <p>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.</p> <p>7. There are no provisions on the Share Acquisition Rights of the Successor Company, etc.</p> <p>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.</p> <p>9. If Organizational Restructuring occurs, it shall be determined in accordance with this column.</p> <p>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.</p>
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)*	5,102

* These items indicate the status as of the end of the fiscal year (March 31, 2026). For changes between the end of the fiscal year and the end of the month previous to the filing month (May 31, 2026), the details as of the end of the month previous to the filing month are shown in square brackets. There have been no other changes since the end of this fiscal year.

(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.

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

As a result of the issuance of new shares through third-party allotment, which was resolved at the Board of Directors’ meeting held on February 25, 2026 and was implemented on April 1, 2026, the conversion price of the Bonds with Share

Acquisition Rights has been adjusted by 1,546.1 yen per share since April 2, 2026, in accordance with the conversion price adjustment clause in the Issuance Terms.

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.

Date	Change in the total number of shares issued (shares)	Total number of shares outstanding (shares)	Change in share capital (millions of yen)	Balance of share capital (millions of yen)	Change in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
April 1, 2025 to March 31, 2026	3,151,814	51,907,314	2,448	14,414	2,448	8,898

Note: 1. The increase was due to the exercise of share acquisition rights of 1st Series Unsecured Convertible Bonds with Share Acquisition Rights.

2. As a result of a capital increase by third-party allotment with a payment date of April 1, 2026, the total number of shares issued increased by 57,407,314 shares and share capital and capital reserve each increased by 6,704 million yen.

(5) Shareholdings by shareholder category

As of March 31, 2026

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	-	12	26	210	180	53	12,794	13,275	-
Number of shares held (Units)	-	55,145	19,925	213,387	122,807	580	106,928	518,772	30,114
Shareholding ratio (%)	-	10.63	3.84	41.13	23.67	0.11	20.61	100.00	-

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. 94,320 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 943 units and 20 shares, respectively.

3. The Company issued 5,500,000 shares (55,000 voting rights) through a capital increase by third-party allotment with a

payment date of April 1, 2026. SI Corporation, which is wholly owned by ITOCHU Corporation, conducted a tender offer for the Company's shares during the period from February 26, 2026 to April 9, 2026, and acquired 6,656,900 shares of the Company's shares (66,569 voting rights) as a result.

(6) Major shareholders

As of March 31, 2026

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	20,978,600	40.49
AAGS S5, L. P.	C/O WALKERS CORPORATE LIMITED, 190 ELGIN AVENUE, GEORGE TOWN, GRAND CAYMAN KY1-9008, CAYMAN ISLANDS	3,151,800	6.08
The Master Trust Bank of Japan, Ltd. (Accounted in trust)	AKASAKA INTERCITY AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	2,990,300	5.77
Custody Bank of Japan, Ltd. (Accounted in trust)	1-8-12 Harumi, Chuo-ku, Tokyo	1,813,600	3.50
JP JPMSE LUX RE CITIGROUP GLOBAL MARKETS L EQ CO (Standing proxy: MUFG Bank, Ltd., Settlement & Clearing)	CITYGROUP CENTRE CANADA SQUARE LONDON - NORTH OF THE THAMES UNITED KINGDOM E14 5LB (1-4-5, Marunouchi, Chiyoda-ku, Tokyo)	758,504	1.46
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 2-7-3, Marunouchi, Chiyoda-ku, Tokyo	694,766	1.34
NOMURA INTERNATIONAL PLC A/C JAPAN FLOW (Standing proxy: Nomura Securities Co., Ltd.)	1 ANGEL LANE, LONDON, EC4R 3AB, UNITED KINGDOM (1-13-1 Nihonbashi, Chuo-ku, Tokyo)	553,465	1.07
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)	494,737	0.95
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)	492,300	0.95
SBI SECURITIES Co., Ltd.	1-6-1, Roppongi, Minato-ku, Tokyo	437,570	0.84
Total	-	32,365,642	62.47

- Note:
- The treasury shares excluded from the above issued shares do not include 128,300 shares of the Company's shares accounted in trust by the employee stock ownership plan (J-ESOP)
 - Of the number of shares held above, the number of shares held through trusts is as follows.

The Master Trust Bank of Japan, Ltd.	814,100 shares
Custody Bank of Japan, Ltd.	1,190,200 shares
 - HOUON Co., Ltd. is an asset management company whose shares are indirectly and wholly owned by Tomoaki Horiguchi, Chairman and Representative Director of the Company, and is a joint holder of the Company's shares with him.
 - The Company issued 5,500,000 shares (55,000 voting rights) through a capital increase by third-party allotment with a payment date of April 1, 2026. SI Corporation, which is wholly-owned by ITOCHU Corporation, conducted a tender offer for the Company's shares during the period from February 26, 2026 to April 9, 2026, and acquired 6,656,900 shares of the Company's shares (66,569 voting rights) as a result. Following these developments, ITOCHU Corporation and SI Corporation have become major shareholders of the Company, respectively, and ITOCHU Corporation has become an "other affiliated company" of the Company.

(7) Voting rights

(i) Outstanding shares

As of March 31, 2026

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury share, etc.)	-	-	-
Shares with restricted voting rights (others)	-	-	-
Shares with full voting rights (treasury share, etc.)	(Treasury share) Common shares 94,300	-	-
Shares with full voting rights (others)	Common shares 51,782,900	517,829	-
Shares less than one unit	Common shares 30,114	-	-
Number of issued shares	51,907,314	-	-
Total number of voting rights	-	517,829	-

Notes: 1. Shares less than one unit include 20 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, 2026

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	94,300	-	94,300	0.18
Total	-	94,300	-	94,300	0.18

Notes: 1. In addition to the above, there are 20 shares less than one unit.

2. The Company’s 128,300 treasury 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.

For details, please refer to “5. Employees (2) Status of Employees.”

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 a 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 fiscal year under review	92,500	199
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	-	-
Percentage of unexercised shares as of the filing date (%)	-	-

(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	954	69
Treasury shares acquired during the period	2,288	2

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, 2026 to the filing date of this Annual Securities Report.

(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)	32,720	67	—	—
Other (exercise of stock option rights)	10,730	19	1,600	2
Number of treasury shares held	94,320	—	95,008	—

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, 2026 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 are as follows.

Date of resolution	Total dividend amount (million yen)	Dividends per share (yen)
November 10, 2025 Board of Directors Resolution	1,849	38.00
May 19, 2026 Board of Directors Resolution	1,968	38.00

Note: The total dividends 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 and incorporating the Audit & Supervisory Committee members, who audit and supervise the execution of duties of the directors, as members of the Board of Directors, we will strengthen the supervisory function of the Board of Directors and further enhance corporate governance. Furthermore, 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, by having the Board of Directors focus on important management decisions such as management plans, we will achieve sustainable growth and increase corporate value in the medium to long term.

(a) Board of Directors

As of the filing date of this Annual Securities Report (June 22, 2026), the Company's Board of Directors consists of nine members from directors (including five 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.

During the fiscal year under review, the Company held 19 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	19 times	18 times
President Representative Director	Seiichi Saito	19 times	19 times
Vice President Director	Izumi Nakamura	19 times	19 times
Managing Director	Mitsuhiro Ninomiya	19 times	18 times
Director	Kentaro Kawanishi	15 times	15 times
Outside Director	Keiichi Asai	19 times	19 times
Outside Director	Koichi Ishimizu	19 times	19 times
Audit & Supervisory Committee Member Director	Shinichi Tominaga	19 times	13 times
Audit & Supervisory Committee Member Outside Director	Yukiko Edahiro	19 times	19 times
Audit & Supervisory Committee Member Outside Director	Kazutaka Okubo	19 times	19 times
Audit & Supervisory Committee Member Outside Director	Fumio Tsuchiya	-	-

- Note:
1. Since Mr. Kentaro Kawanishi was appointed as Director at the Annual General Meeting of Shareholders held on June 24, 2025, the attendance figures at the Board of Directors meetings provided in the above table are for those held after his appointment.
 2. Mr. Mitsuhiro Ninomiya and Mr. Shinichi Tominaga retired from their positions as Directors as of March 31, 2026.
 3. Due to the resignation of Mr. Shinichi Tominaga, Mr. Fumio Tsuchiya was appointed as Director who is an Audit & Supervisory Committee Member on April 1, 2026. For this reason, he did not attend the Board of Directors meetings in the fiscal year under review.

(b) Audit & Supervisory Committee

As of the filing date of the Annual Securities Report (June 22, 2026), the Audit & Supervisory Committee consists of three Audit & Supervisory Committee members (including three 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 the 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 shall 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 2025, Nomination and Compensation Committee meetings were held three times, and the attendance of

individual directors is as follows.

Title	Name	Number of meetings held	Attendance
Chairman Representative Director	Tomoaki Horiguchi	3 times	2 times
President Representative Director	Seiichi Saito	3 times	3 times
Outside Director	Keiichi Asai	3 times	3 times
Audit & Supervisory Committee Member Outside Director	Kazutaka Okubo	3 times	3 times

The members of each organization as of the filing date of the Annual Securities Report (June 22, 2026) 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	○		
Director	Kentaro Kawanishi	○		
Outside Director	Keiichi Asai	○		○
Outside Director	Koichi Ishimizu	○		
Audit & Supervisory Committee Member Outside Director	Yukiko Edahiro	○	◎	
Audit & Supervisory Committee Member Outside Director	Kazutaka Okubo	○	○	○
Audit & Supervisory Committee Member Outside Director	Fumio Tsuchiya	○	○	

The “Election of Seven (7) Directors who are not Audit & Supervisory Committee Members” and the “Election of Three (3) Directors who are Audit & Supervisory Committee Members” were submitted as proposals (materials to be resolved) at the Annual General Meeting of Shareholders to be held on June 23, 2026. If the resolutions are 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	◎		◎
Director	Kentaro Kawanishi	○		
Director	Takeshi Hirahara	○		
Director	Keitaro Otomichi	○		
Outside Director	Keiichi Asai	○		○
Outside Director	Hideaki Okamoto	○		

Audit & Supervisory Committee Member Outside Director	Koichi Ishimizu	○	◎	
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" and the "Election of Three (3) Directors who are Audit & Supervisory Committee Members" as proposals (materials to be resolved) at the Annual General Meeting of Shareholders to be held on June 23, 2026. If the proposals are approved and passed, the number of Directors will be ten (10) (including four (5) Outside Directors).

B. Reason for adoption of the said system

The Company operates an Audit & Supervisory Committee system. As of the filing date of the Annual Securities Report (June 22, 2026), five of the nine 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

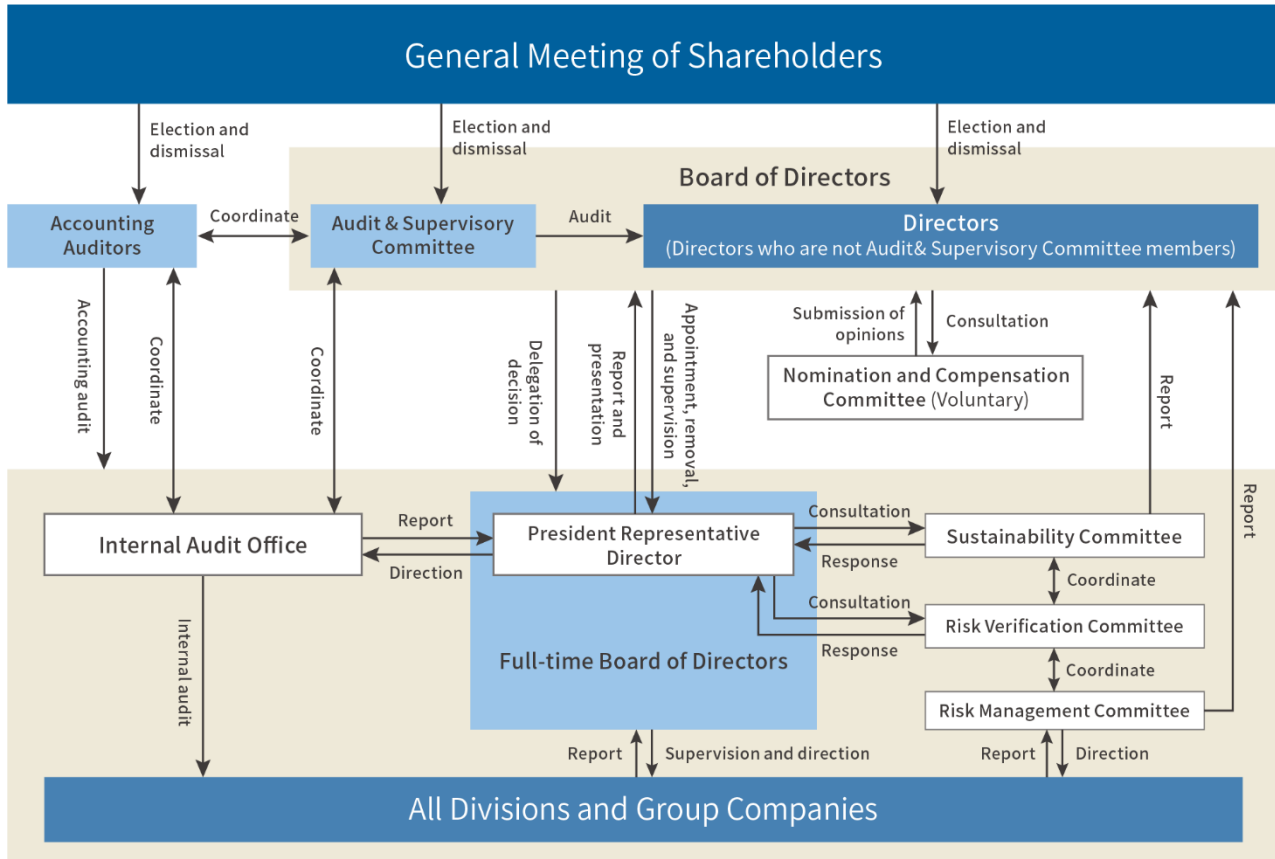
All directors and employees shall strive to establish a management system that is trusted by society on an ongoing basis in the future by strengthening internal management systems and raising awareness of compliance, based on the recognition that it is our social responsibility as a company to always 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 Department 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 Department 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 Department 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 19 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 22, 2026 (the filing date of the Annual Securities Report) is as follows.

Male: 8 persons, Female: 1 person (percentage of female: 11%)

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Chairman Representative Director	Tomoaki Horiguchi	April 21, 1958	<p>March 1990 Sun Frontier Co., Ltd. (merged company) <u>President Representative Director</u></p> <p>April 1999 Establishment of the Company President Representative Director</p> <p>August 2015 Representative Director of Sun Frontier Hotel Management Inc..</p> <p>November 2017 Representative Director of Sun Frontier Sado Inc.(current position)</p> <p>June 2018 Representative Director of Sun Frontier Okinawa Co., Ltd. (current position)</p> <p>August 2018 Representative Director of Okesa Kanko Taxi Co., Ltd. (current position)</p> <p>April 2020 Chairman Representative Director of the Company (current position)</p> <p>May 2021 President Representative Director of Hotel Osado Co., Ltd. (current position)</p> <p>July 2024 Representative Director of Oriental Resort Associates Inc. (current position)</p> <p>June 2025 Chairman Representative Director of Sun Frontier Hotel Management Inc. (current position)</p>	(Note 3)	16,990
President Representative Director	Seiichi Saito	June 9, 1960	<p>September 2005 Joined the Company</p> <p>November 2005 Division Director of Administration Division</p> <p>June 2006 Director, Division Director of Administration Division</p> <p>June 2008 Senior Managing Director, Division Director of Administration Division</p> <p>June 2012 Executive Vice President, Vice President Executive Officer, Division Director of Administration Division</p> <p>June 2014 Representative Executive Vice President, Vice President Executive Officer, Division Director of Administration Division</p> <p>April 2015 Representative Executive Vice President, Vice President Executive Officer, Division Director of Asset Management Division</p> <p>June 2017 Chairman of Sun Frontier Fudousan Taiwan Co., Ltd. (current position)</p> <p>January 2019 Representative Director of Kouwa Corporation (currently SF Engineering Inc.) (current position)</p> <p>April 2020 President Representative Director of the Company, President Executive Officer (current position)</p> <p>March 2023 CEO of Sun Frontier NY Co., Ltd. (current position)</p>	(Note 3)	95,156

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Vice President Director, Division Director of Entrusted Asset Management Division	Izumi Nakamura	March 16, 1952	<p>September 2006 Joined the Company Head of Sales Administration, Entrusted Asset Management Division</p> <p>June 2008 Director, Division Director of Entrusted Asset Management Division of the Company</p> <p>June 2012 Representative Director of SF Building Support Inc.</p> <p>June 2012 Managing Director, Managing Executive Officer, Division Director of Entrusted Asset Management Division of the Company</p> <p>November 2013 Representative Director of Yubi Co., Ltd. (currently SF Building Maintenance Inc.) (current position)</p> <p>June 2016 Senior Managing Director, Senior Managing Executive Officer, Division Director of Entrusted Asset Management Division</p> <p>April 2020 Executive Vice President, Vice President Executive Officer, Division Director of Entrusted Asset Management Division (current position)</p>	(Note 3)	68,686
Director, Division Director of Entrusted Asset Management Division	Kentaro Kawanishi	October 16, 1980	<p>February 2008 Joined the Company Entrusted Asset Management Division Property Management Business Department</p> <p>April 2018 General Manager of Property Management 2nd Department of the Company</p> <p>April 2020 Head of Property Management Business and General Manager of Property Management 2nd Department of the Company</p> <p>June 2020 Executive Officer of the Company</p> <p>April 2023 Head of Property Management Business, General Manager of Property Management 2nd Department and General Manager of Real Estate Solutions of the Company</p> <p>April 2024 Senior Executive Officer, Deputy Division Director of Entrusted Asset Management Division, Head of Property Management Business, General Manager of Property Management 2nd Department and General Manager of Real Estate Solutions of the Company</p> <p>June 2025 Director of the Company</p> <p>April 2026 Director and Senior Executive Officer, Division Director of Entrusted Asset Management Division, General Manager of Real Estate Solutions Department, and Head of Sustainability Promotion Office (current position)</p>	(Note 3)	7,907

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Director	Keiichi Asai	September 29, 1954	<p>April 1978 Joined Mitsubishi Corporation</p> <p>April 2009 Executive Officer and Head of the Energy Business Group CEO Office of the same company</p> <p>April 2013 Vice President Director of Lithium Energy Japan</p> <p>September 2014 President Representative Director of KH Neochem Co., Ltd.</p> <p>June 2021 Outside Director, Audit & Supervisory Committee Member of Cosmo Energy Holdings Co., Ltd. (current position)</p> <p>June 2022 Outside Director of the Company (current position)</p>	(Note 3)	-
Director	Koichi Ishimizu	October 16, 1958	<p>April 1984 Joined Shimizu Corporation</p> <p>February 1997 Director of Tokyo Branch Construction Department of the same company</p> <p>July 2007 General Manager of Tokyo Building Construction Department No. 3, Building Construction Division of the same company</p> <p>July 2008 General Manager of New Head Office Construction Division of the same company</p> <p>April 2015 Executive Officer, Director of Hiroshima Branch of the same company</p> <p>April 2017 Managing Officer in charge of the Tokyo Metropolitan Area, Director of Tokyo Branch of the same company</p> <p>April 2020 Senior Managing Officer in charge of the Tokyo Metropolitan Area, Director of Tokyo Branch, Manager in charge of Nuclear and Thermal Power Business of the same company</p> <p>April 2021 Senior Managing Officer in charge of the Kansai Region, Director of the Yumeshima Project of the same company</p> <p>April 2023 Standing Advisor of the same company</p> <p>March 2024 Resigned from the same company</p> <p>June 2024 Outside Director of the Company (current position)</p>	(Note 3)	-
Director, Audit & Supervisory Committee Member	Yukiko Edahiro	June 14, 1980	<p>December 2009 Registered as an attorney at law (Tokyo Bar Association)</p> <p>December 2009 Joined Makinouchi & Kamiishi Law Office (currently Makinouchi Law Office)</p> <p>July 2016 Joined Ginza Broad Law Firm</p> <p>January 2020 Representative, Toranomom Daiichi Law Office (current position)</p> <p>June 2024 Outside Director, Audit & Supervisory Committee Member of the Company (current position)</p>	(Note 4)	-
Director, Audit & Supervisory Committee Member	Kazutaka Okubo	March 22, 1973	<p>November 1995 Joined Century Audit Corporation (currently EY ShinNihon LLC)</p> <p>April 1999 Registered as Certified Public Accountant</p> <p>February 2005 Managing Director of ShinNihon Integrity Assurance Co., Ltd. (currently EY ShinNihon Sustainability Co., Ltd.)</p> <p>June 2006 Partner of ShinNihon Audit Corporation (currently EY ShinNihon LLC)</p>	(Note 4)	4,605

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
			July 2012 Senior Partner of ShinNihon LLC (currently EY 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) September 2021 Outside Director, Audit & Supervisory Committee Member of BrainPad Inc. 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)		
Director, Audit & Supervisory Committee Member	Fumio Tsuchiya	July 26, 1952	April 1985 Registered as an attorney at law (The Second Tokyo Bar Association) April 1989 Established Tsuchiya Law Office as Representative (current position) April 2026 Outside Director, Audit & Supervisory Committee Member of the Company (current position)	(Note 4)	-
Total					193,344

- Notes: 1. Director Mr. Keiichi Asai, Mr. Koichi Ishimizu, Mr. Kazutaka Okubo, Ms. Yukiko Edahiro and Mr. Fumio Tsuchiya 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 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 15 executive officers are as follows.

Name	Title	Position
* Seichi Saito	President Executive Officer	
* Izumi Nakamura	Vice President Executive Officer	
* Kentaro Kawanishi	Senior Executive Officer	Division Director of Entrusted Asset Division, General Manager of Real Estate Solutions Department and Head of Sustainability Promotion Office
Yasushi Yamada	Senior Executive Officer	Division Director of Business Promotion Division
Kenji Honda	Senior Executive Officer	Division Director of Asset Management Division
Keitaro Otomichi	Senior Executive Officer	Deputy Division Director of Entrusted Asset Management Division President and Representative Director of Sun Frontier Space Management Inc.
Takeshi Hirahara	Senior Executive Officer	Division Director of Administration Division and General Manager of Corporate Planning Department

Shuhei Oda	Senior Executive Officer	Deputy Division Director of Asset Management Division, Head of Building Business Department General Manager of Project Planning and Development, Building Business Department
Kenji Wakao	Executive Officer	General Manager of Construction, Asset Management Division
Hiroyuki Takekawa	Executive Officer	General Manager of DX Business Division
Keiichiro Nishimoto	Executive Officer	General Manager of Leasing Management, Fiduciary Asset Management Division
Tetsuya Arai	Executive Officer	<u>General Manager of Consulting</u> , Asset Management Division
Hiroyuki Kobayashi	Executive Officer	General Manager of Replanning, Building Business Division, Asset Management Division
Akihiro Inada	Executive Officer	General Manager of Sales, Building Business Department, Asset Management Division
Yasushi Sera	Executive Officer	Head of Property Management Business, Entrusted Asset Management Division General Manager of Property Management Business 1st Department

* Indicates Executive Officer concurrently serving as Director.

2. The “Election of Seven (7) Directors who are not Audit & Supervisory Committee Members” and the “Election of Three (3) Directors who are Audit & Supervisory Committee Members” have been submitted as proposals (materials to be resolved) at the Annual General Meeting of Shareholders to be held on June 23, 2026. If the proposals are 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) <u>President Representative Director</u> April 1999 Establishment of the Company President Representative Director August 2015 Representative Director of Sun Frontier Hotel Management Inc. November 2017 Representative Director of Sun Frontier Sado Inc.(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)	16,990

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
President Representative Director	Seiichi Saito	June 9, 1960	<p>September 2005: Joined the Company</p> <p>November 2005: Division Director of Administration Division</p> <p>June 2006: Director, Division Director of Administration Division</p> <p>June 2008: Senior Managing Director, Division Director of Administration Division</p> <p>June 2012: Executive Vice President, Vice President Executive Officer, Division Director of Administration Division</p> <p>June 2014: Representative Executive Vice President, Vice President Executive Officer, Division Director of Administration Division</p> <p>April 2015: Representative Executive Vice President, Vice President Executive Officer, Division Director of Asset Management Division</p> <p>June 2017: Chairman of Sun Frontier Fudousan Taiwan Co., Ltd. (current position)</p> <p>January 2019: Representative Director of Kouwa Corporation (currently SF Engineering Inc.) (current position)</p> <p>April 2020: President Representative Director of the Company, President Executive Officer (current position)</p> <p>March 2023: CEO of Sun Frontier NY Co., Ltd. (current position)</p>	(Note 3)	95,156
Director, Division Director of Entrusted Asset Management Division	Kentaro Kawanishi	October 16, 1980	<p>February 2008: Joined the Company Entrusted Asset Management Division Property Management Business Department</p> <p>April 2018: General Manager of Property Management 2nd Department of the Company</p> <p>April 2020: Head of Property Management Business and General Manager of Property Management 2nd Department of the Company</p> <p>June 2020: Executive Officer of the Company</p> <p>April 2023: Head of Property Management Business, General Manager of Property Management 2nd Department and General Manager of Real Estate Solutions of the Company</p> <p>April 2024: Senior Executive Officer, Deputy Division Director of Entrusted Asset Management Division, Head of Property Management Business, and General Manager of Real Estate Solutions of the Company</p> <p>June 2025: Director of the Company</p> <p>April 2026: Director and Senior Executive Officer, Division Director of Entrusted Asset Management Division, General Manager of Real Estate Solutions Department, and Head of Sustainability Promotion Office (current position)</p>	(Note 3)	7,907
Director, Division Director of Administration Division	Takeshi Hirahara	August 23, 1964	<p>April 2019: Joined the Company, General Manager of Corporate Planning Department, Administration Division</p> <p>June 2020: Executive Officer and General Manager of Corporate Planning, Administration</p>	(Note 3)	2,804

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
			<p>March 2023 Division of the Company Sun Frontier NY Co., Ltd. Secretary / Treasurer (current position)</p> <p>April 2024 Senior Executive Officer, Deputy Division Director of Administration Division and General Manager of Corporate Planning Department of the Company</p> <p>April 2026 Senior Executive Officer, Division Director of Administration Division and General Manager of Corporate Planning Department of the Company (current position)</p> <p>June 2026 Director of the Company (current position)</p>		
Director	Keitaro Otomichi	December 6, 1978	<p>November 2003 Joined the Company</p> <p>April 2019 Director of Sun Frontier Space Management Inc.</p> <p>April 2023 President and Representative Director of the same company</p> <p>June 2023 Executive Officer of the Group, President and Representative Director of Sun Frontier Space Management Inc.</p> <p>April 2026 Senior Executive Officer, Deputy Division Director of Entrusted Asset Management Division, President and Representative Director of Sun Frontier Space Management Inc. (current position)</p> <p>June 2026 Director of the Company (current position)</p>	(Note 3)	1,858
Director	Keiichi Asai	September 29, 1954	<p>April 1978 Joined Mitsubishi Corporation</p> <p>April 2009 Executive Officer and Head of the Energy Business Group CEO Office of the same company</p> <p>April 2013 Vice President Director of Lithium Energy Japan</p> <p>September 2014 President Representative Director of KH Neochem Co., Ltd.</p> <p>April 2019 Retired from the same company</p> <p>June 2021 Outside Director, Audit & Supervisory Committee Member of Cosmo Energy Holdings Co., Ltd. (current position)</p> <p>June 2022 Outside Director of the Company (current position)</p>	(Note 3)	-
Director	Hideaki Okamoto	May 19, 1970	<p>April 1994 Joined ITOCHU Corporation</p> <p>April 2025 Chief Operating Officer of Construction & Real Estate Division of the same company</p> <p>June 2025 Non-executive Director of ITOCHU Property Development, Ltd. (current position)</p> <p>December 2025 Outside Director of Paraca Inc. (current position)</p> <p>April 2026 Executive Officer, Chief Operating Officer of Construction & Real Estate Division of ITOCHU Corporation (current position)</p> <p>June 2026 Outside Director of the Company (current position)</p>	(Note 3)	-

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Director, Audit & Supervisory Committee Member	Koichi Ishimizu	October 16, 1958	<p>April 1984 Joined Shimizu Corporation</p> <p>February 1997 Director of Tokyo Branch Construction Department of the same company</p> <p>July 2007 General Manager of Tokyo Building Construction Department No. 3, Building Construction Division of the same company</p> <p>July 2008 General Manager of New Head Office Construction Division of the same company</p> <p>April 2015 Executive Officer, Director of Hiroshima Branch of the same company</p> <p>April 2017 Managing Officer in charge of the Tokyo Metropolitan Area, Director of Tokyo Branch of the same company</p> <p>April 2020 Senior Managing Officer in charge of the Tokyo Metropolitan Area, Director of Tokyo Branch, Manager in charge of Nuclear and Thermal Power Business of the same company</p> <p>April 2021 Senior Managing Officer in charge of the Kansai Region, Director of the Yumeshima Project of the same company</p> <p>April 2023 Standing Advisor of the same company</p> <p>March 2024 Resigned from the same company</p> <p>June 2024 Outside Director of the Company (current position)</p> <p>June 2026 Outside Director, Audit & Supervisory Committee Member of the Company (current position)</p>	(Note 4)	-
Director, Audit & Supervisory Committee Member	Kazutaka Okubo	March 22, 1973	<p>November 1995 Joined Century Audit Corporation (currently EY ShinNihon LLC)</p> <p>April 1999 Registered as Certified Public Accountant</p> <p>February 2005 Managing Director ShinNihon Integrity Assurance Co., Ltd. (currently EY ShinNihon Sustainability Co., Ltd.)</p> <p>June 2006 Partner of ShinNihon Audit Corporation (currently EY ShinNihon LLC)</p> <p>July 2012 Senior Partner of ShinNihon LLC (currently EY ShinNihon LLC)</p> <p>February 2016 Senior Managing Director and General Manager of ERM of the same audit corporation</p> <p>June 2019 President Representative Director of Okubo Associates Co., Ltd. (current position)</p> <p>June 2019 Outside Director of the Company</p> <p>December 2019 Outside Director of LIFULL Co., Ltd. (current position)</p> <p>February 2020 Outside Director of SALA Corporation (current position)</p> <p>June 2020 Outside Director of The Shoko Chukin Bank, Ltd. (current position)</p> <p>June 2020 Outside Director, Audit & Supervisory Committee Member of Musashi Seimitsu Industry Co., Ltd. (current position)</p> <p>September 2021 Outside Director, Audit & Supervisory Committee Member of BrainPad Inc.</p> <p>June 2022 Outside Director, Audit & Supervisory Committee Member of SEGA SAMMY HOLDINGS INC. (current position)</p>	(Note 4)	4,605

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 Representative, Toranomom Daiichi Law Office (current position) June 2024 Outside Director, Audit & Supervisory Committee Member of the Company (current position)	(Note 4)	-
					129,320

Notes: 1. Director Mr. Keiichi Asai, Mr. Hideaki Okamoto, 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 23, 2026

4. For two years from the conclusion of the Annual General Meeting of Shareholders on June 23, 2026

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)
Koichi Moriya	September 29, 1960	April 1989 Registered as an attorney (The Second Tokyo Bar Association)	4,800
		July 2000 Established Moriya Law Office as Representative (current position)	
		May 2004 Outside Auditor of Samantha Thavasa Japan Limited	
		June 2014 Outside Auditor of the Company	
		May 2018 Outside Director of Samantha Thavasa Japan Limited (current position)	
June 2026 Substitute Outside Director, Audit & Supervisory Committee Member of the Company			

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 14 executive officers are as follows.

Name	Title	Position
* Seiichi Saito	President Executive Officer	
* Kentaro Kawanishi	Senior Executive Officer	Division Director of Entrusted Asset Division, General Manager of Real Estate Solutions Department and Head of Sustainability Promotion Office
* Takeshi Hirahara	Senior Executive Officer	Division Director of Administration Division and General Manager of Corporate Planning Department
* Keitaro Otomichi	Senior Executive Officer	Deputy Division Director of Entrusted Asset Management Division President and Representative Director of Sun Frontier Space Management Inc.

Yasushi Yamada	Senior Executive Officer	Division Director of Business Promotion Division
Kenji Honda	Senior Executive Officer	Division Director of Asset Management Division
Shuhei Oda	Senior Executive Officer	Deputy Division Director of Asset Management Division, Head of Building Business Department General Manager of Project Planning and Development, Building Business Department
Kenji Wakao	Executive Officer	General Manager of Construction, Asset Management Division
Hiroyuki Takekawa	Executive Officer	General Manager of DX Division
Keiichiro Nishimoto	Executive Officer	General Manager of Leasing Management, Fiduciary Asset Management Division
Tetsuya Arai	Executive Officer	<u>General Manager of Consulting</u> , Asset Management Division
Hiroyuki Kobayashi	Executive Officer	General Manager of Replanning Building Business Division, Asset Management Division
Akihiro Inada	Executive Officer	General Manager of Sales, Building Business Department, Asset Management Division
Yasushi Sera	Executive Officer	Head of Property Management Business, Entrusted Asset Management Division General Manager, Property Management Business 1st 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 five 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 and advise on 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.

Outside Director Mr. Koichi Ishimizu joined Shimizu Corporation and engaged in construction management at construction sites and supervision of construction projects from inception to completion. He has also held senior management positions, including Executive Officer and Senior Executive Officer and has abundant knowledge and experience in both field operations and management. In addition, based on his experience cultivated as an Outside Director, the Company has appointed him as an Outside Director because the Company has judged that he can be expected to appropriately audit the Group's business execution and supervise and advise on the management. 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 the 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 governance and finance due to his audit experience at a major audit corporation. He has a wealth of insight and experience in a wide range of areas, such as corporate 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 strengthen governance and audit and supervise management toward the sustainable enhancement of the Company's corporate value. 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 (4,605 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.

Outside Director Ms. Yukiko Eda, who is an Audit & 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 who is an Audit and Supervisory Committee Member, believing that her professional expertise will contribute to strengthening the governance and carrying out audit and supervision of business execution of the Group, and providing objective and professional advice in promoting the active participation of diverse human resources including women and foreign nationals. The Company has 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. Eda.

Outside Director Mr. Fumio Tsuchiya, who is an Audit & Supervisory Committee Member, is a lawyer with extensive experience and deep insight as a specialist in corporate legal affairs. Based on his insight cultivated through this experience, the Company has appointed him as Outside Director who is an Audit & Supervisory Committee Member, believing that he will contribute to the transparent management of the Company by auditing and supervising the Company's management from an objective standpoint. 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 had entered into a legal advisory contract with the Company and SF Building Support Inc., a group company of the Company, in light of the content of the transactions, etc., the Company determined that it would not affect his independency. As the contract was cancelled prior to his appointment, there are no other personal relationships, capital relationships, significant business relationships, or any other interests between the Company and Mr. Tsuchiya.

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 (*2) 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 12 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 Board 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 status 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 Board of Directors meetings and 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 three 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 three 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 status 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 selected 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 from Directors and employees as appropriate, request reports, and state opinions on any questions and doubts. In addition, he or she 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 13 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 status. 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 the 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 13 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 Directors 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 Board meetings

Category	Name	Attendance
Full-time Audit & Supervisory Committee Member	Shinichi Tominaga	13 times/10 times
Outside Audit & Supervisory Committee Member	Kazutaka Okubo	13 times/13 times
Outside Audit & Supervisory Committee Member	Yukiko Edahiro	13 times/13 times
Outside Audit & Supervisory Committee Member	Fumio Tsuchiya	-

1. Mr. Shinichi Tominaga resigned from the Audit & Supervisory Committee on March 31, 2026.
2. Due to the resignation of Mr. Shinichi Tominaga, Mr. Fumio Tsuchiya took office as a Director who is an Audit & Supervisory Committee Member on April 1, 2026. Therefore, he did not attend Audit & Supervisory Board meetings held in the fiscal year under review.

The Company has proposed “Election of seven (7) Directors who are not Audit & Supervisory Committee Members” and “Election of three (3) Directors of who are Audit & Supervisory Committee Members” as proposals (matters to be resolved) at the Annual General Meeting of Shareholders to be held on June 23, 2026. If these proposals are approved and passed, the Audit & Supervisory Committee will continue to consist of three (3) Directors who are Audit & Supervisory Committee Members (three (3) of whom are Outside Audit & Supervisory Committee Members).

(ii) Internal audit

The internal audit of the Company has established the Internal Audit Office (four 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, a 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

5 Certified Public Accountants, 3 other persons

Note: Other are those who have passed the certified public accountant examination and are 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 the 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, 2025		Fiscal year ended March 31, 2026	
	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	43	-	51	-
Consolidated subsidiaries	-	-	-	-
Total	43	-	51	-

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 the Company.

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 auditors. 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 the Board of Directors meeting 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 who are not Audit & Supervisory Committee Members 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 seven (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, is 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 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 five).

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 calculation method for determining the composition and ratio of remuneration and 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.

As of the filing date of the Annual Securities Report, the Company has held 19 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 22,500 million yen with a total of 23,298 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 the President Representative Director, who can evaluate operations by each Director, with 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	Restricted stock remuneration	
Directors (excluding Audit & Supervisory Committee Members and Outside Directors)	256.4	150.2	80.0	26.3	7
Audit & Supervisory Committee Members (excluding Outside Directors)	12.0	12.0	-	-	1
Outside Officers	29.3	29.3	-	-	4

(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 stocks	Balance sheet amount (million yen)
Unlisted share	3	0
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 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.

5. Employees

(1) Basic policy, etc. regarding human resources strategy

■ Human resource strategy

<Basic policy>

The Company will grow and expand our organization based on human resources who share the value of altruism and explore new frontiers with a pioneering spirit.

<Human resource strategy and promotion policy>

At the Group, we believe that people are the source of value creation. Based on the altruism, we place importance on caring for our colleagues and creating value through collaboration. All employees share these values and ways of thinking, as well as the ideal way of acting, as the Philosophy, and the implementation of the Philosophy is manifested as added value for customers.

Based on the long-term vision and medium-term management plan, the Company is promoting the diversification of core business coordination through manufacturing from the customers' point of view and heart-warming services, focusing on expanding its operational domains and areas.

The Group's human resource strategy is based on the promotion of three linked points: (i) securing diverse human resources through recruitment and development, (ii) penetration of the Philosophy, and (iii) developing human resources who have a sense for management. By increasing the number of colleagues through recruitment, supporting corporate growth through training, and sharing the same values and code of conduct through practicing the Philosophy, we can create collaboration across departments and lead to the creation of projects and business expansion involving multiple departments. The accumulation of such daily initiatives creates a virtuous cycle in which human resources who have a sense for management are nurtured and developed and the organization expands.

In addition, we have set indicators for providing development opportunities, promoting the active participation of diverse human resources, and creating a comfortable working environment. We regularly check the progress of these indicators to continuously promote initiatives.

Through these initiatives, we will establish a human resource base that supports sustainable growth of the Group to lead to the enhancement of corporate value over the medium to long term.

■ Policy for determining employee salaries, etc.

<Basic policy>

Compensation and remuneration for employees are determined based on a comprehensive evaluation that takes into account both the practice of the Philosophy and performance.

<Process and approach for evaluation and decision-making>

The Company does not evaluate employees based solely on short-term individual performance but emphasizes practicing the Philosophy in daily operations. We also evaluate employees in terms of both human growth based on the Course of Action and creating social value through collaboration with colleagues.

The evaluation and decision-making process is determined through three stages of evaluation: primary evaluation, secondary evaluation, and final evaluation, and feedback interviews are held.

In order to make this evaluation approach effective, supervisors and employees periodically confirm progress and actions through regular dialogue, using a performance review form consisting of eight Course of Action items and six ability-related items, as well as through management by objectives (MBO). They check not only results, but also the expectations and roles of themselves and the organization regarding the initiatives in the course of action.

In addition, the Company's remuneration plan is designed to achieve both short-term results and "physical and mental well-being" over the medium to long term, in which employees can take on challenges and grow with peace of mind, while focusing on fixed remuneration based on objective economic levels.

At the same time, with a view to raising awareness towards the enhancement of corporate value, we have introduced a restricted stock (RS) remuneration, mainly for management executives, to motivate them from a long-term perspective.

Through these evaluation and remuneration systems, we aim to enhance the value creation of the entire organization through the growth of each and every employee.

(2) Status of Employees

(i) Consolidated

As of March 31, 2026

Segment Name	Number of Employees
Real Estate Revitalization Business	90 (1)
Real Estate Service Business	394 (237)
Hotel and Tourism Business	336 (613)
Reportable segment total	820 (851)
Other	209 (15)
Company-wide (common)	47 (7)
Total	1,076 (873)

(Note) 1. The number of employees is the number of working employees.

2. Figures in parentheses in the “Number of Employees” column are temporary workers.

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.

(ii) Status of the Company

As of March 31, 2026

Number of Employees	Average age (years old)	Average length of service (years)	Average annual salary (thousand yen)	Change in average annual salary compared to the previous fiscal year (%)
395 (18)	36.0	7.06	7,683	3.0

Segment Name	Number of Employees
Real Estate Revitalization Business	86 (1)
Real Estate Service Business	232 (7)
Hotel and Tourism Business	0 (0)
Reportable segment total	318 (8)
Other	30 (3)
Company-wide (common)	47 (7)
Total	395 (18)

(Note) 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 workers.

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.

(iii) Status of labor unions

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

(iv) 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.

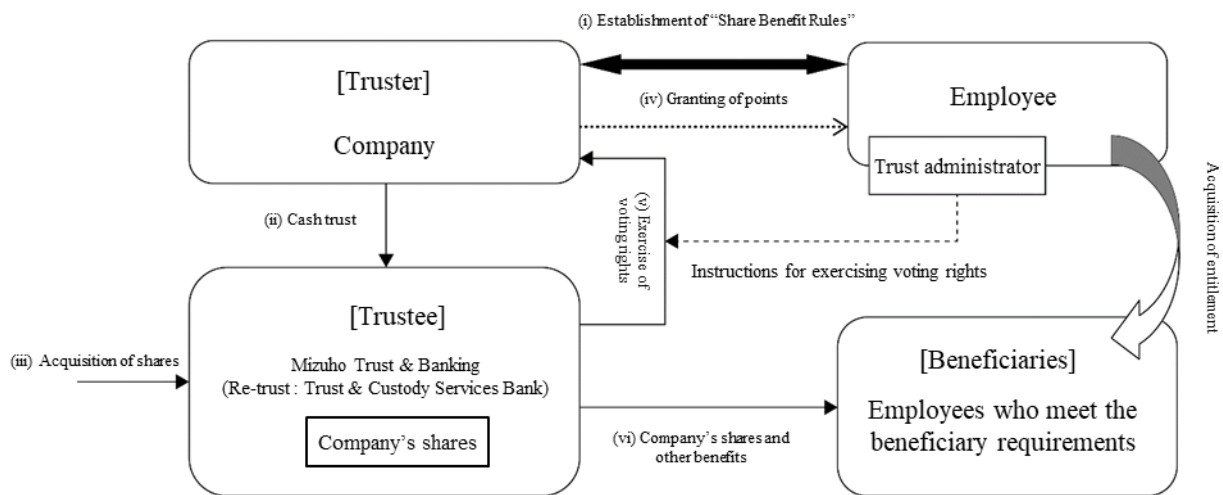
<Outline of the Plan>

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 shall entrust 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 shall 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 shall grant points to employees based on the “Share Benefit Regulations.”
- E. The Trust shall 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 shall 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 shall be provided with cash equivalent to the market value of the Company’s shares.

<Total number of shares to be delivered to employees, etc.>

128,300 shares

<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

(v) 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)

	Percentage of female employees in managerial positions (Note) 1, (Note) 2	Percentage of male employees taking childcare leave (%) (Note) 3	Wage differences between men and women (%)		
			All employees	Employees	Temporary workers (Note) 4
Sun Frontier Fudousan Co., Ltd.	9.2	45.5	77.2	76.0	116.6
Sun Frontier Hotel Management Inc.	17.0	50.0	102.4 (Note) 5	76.7	175.0

(Note) 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 2026 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, 2025 and March 31, 2026 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, technical interns, and short-term interns.
5. The ratio of part-time employees to all employees of Sun Frontier Hotel Management Inc. is 58.6%, of which 67.5% 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.

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

Please refer to: https://www.sunfrt.co.jp/sustainability/en/library/esg_social/

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, 2025 to March 31, 2026 and the non-consolidated financial statements for the business year (from April 1, 2025 to March 31, 2026) 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 ensuring that the Company has an appropriate grasp of the contents of Accounting Standards and related regulations, or developing a system that can accurately respond to changes in Accounting Standards and related regulations, the Company joined the Financial Accounting Standards Foundation, and are 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, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	*2) 44,920	*2) 39,274
Notes, accounts receivable and contract assets	*1) 2,105	*1) 3,791
Real estate for sale	*2) 17,151	*2) 17,949
Real estate for sale in process	*2) 116,417	*2) 160,392
Costs of uncompleted construction contracts	39	71
Supplies	105	127
Other	2,983	4,121
Allowance for doubtful accounts	-15	-22
Total current assets	183,706	225,705
Non-current assets		
Property, plant and equipment		
Buildings	*4) 17,211	*4) 20,796
Accumulated depreciation	-6,089	-7,401
Accumulated impairment losses	-6	-47
Buildings (net amount)	*2) 11,116	*2) 13,347
Land	*2, *4) 9,888	*2, *4) 9,387
Other	*2, *4) 5,182	*2, *4) 5,847
Accumulated depreciation	-1,888	-2,320
Accumulated impairment losses	-7	-15
Other (net amount)	3,285	3,511
Total property, plant and equipment	24,290	26,246
Intangible assets		
Goodwill	923	1,851
Other	1,365	1,490
Total intangible assets	2,288	3,342
Investments and other assets		
Guarantee deposits	*3) 3,958	*3) 4,944
Long-term loans receivable	1,459	667
Deferred tax assets	1,966	2,687
Other	617	967
Allowance for doubtful accounts	-97	-97
Total investments and other assets	7,904	9,170
Total non-current assets	34,484	38,758
Total assets	218,190	264,463

(Unit: million yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,521	5,329
Short-term borrowings	100	1,310
Current portion of long-term borrowings	*2) 10,140	*2) 9,063
Income taxes payable	4,994	4,358
Provision for bonuses	328	419
Provision for bonuses for directors	80	88
Provision for fulfillment of guarantees	*3) 34	*3) 20
Other	7,464	10,113
Total current liabilities	26,663	30,703
Non-current liabilities		
Bonds payable	9,999	5,102
Long-term borrowings	*2) 72,219	*2) 102,556
Provisions for directors' retirement benefits	-	359
Retirement benefit liability	1	32
Provision for share-based remuneration	113	129
Other	3,299	5,196
Total non-current liabilities	85,634	113,375
Total liabilities	112,298	144,078
Net assets		
Shareholders' equity		
Share capital	11,965	14,414
Capital surplus	6,462	8,901
Retained earnings	82,723	95,252
Treasury shares	-202	-324
Total shareholders' equity	100,949	118,243
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	7
Foreign currency translation adjustment	1,207	1,489
Total accumulated other comprehensive income	1,210	1,497
Share acquisition rights	30	23
Non-controlling interests	3,702	620
Total net assets	105,892	120,384
Total liabilities and net assets	218,190	264,463

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

(Unit: million yen)

	For the year ended March 31, 2025	For the year ended March 31, 2026
Net sales	*1) 103,174	*1) 116,083
Cost of sales	70,949	*2) 77,968
Gross profit	32,225	38,114
Selling, general and administrative expenses	*3) 10,945	*3) 12,758
Operating profit	21,279	25,356
Non-operating income		
Interest and dividend income	67	148
Compensation for leasehold surrender received	-	40
Subsidy income	75	-
Foreign exchange gain	17	-
Other	41	115
Total non-operating income	201	303
Non-operating expenses		
Interest expenses	905	1,516
Share issuance costs	-	584
Other	129	260
Total non-operating expenses	1,034	2,361
Ordinary profit	20,446	23,298
Extraordinary income		
Government subsidy	412	-
Gain on sales of non-current assets	*4) 112	-
Gain on sale of shares of subsidiaries and associates	51	-
Total extraordinary income	575	-
Extraordinary loss		
Loss on valuation of investment securities	49	104
Loss on retirement of non-current assets	1	40
Loss on reduction of non-current assets	412	-
Other	5	-
Total extraordinary losses	469	145
Profit before income taxes	20,552	23,153
Corporate tax, resident tax and business tax	6,710	7,741
Corporate tax adjustments	-307	-814
Total income taxes	6,402	6,926
Profit	14,149	16,226
Profit (loss) attributable to non-controlling interests	-13	240
Profit attributable to owners of parent	14,163	15,986

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	For the year ended March 31, 2025	For the year ended March 31, 2026
Profit	14,149	16,226
Other comprehensive income		
Valuation difference on available-for-sale securities	0	4
Foreign currency translation adjustment	637	254
Total other comprehensive income	* 638	* 258
Comprehensive income	14,787	16,485
Comprehensive income attributable to		
Owners of parent	14,744	16,265
Non-controlling interests	43	219

(iii) Consolidated Statement of Changes in Equity
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					
Conversion of convertible bonds with share acquisition right					-
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
Increase (decrease) due to merger of consolidated subsidiaries					-
Increase (decrease) in equity due to additional acquisition of shares of consolidated subsidiaries					-
Changes due to redemption of preferred shares of consolidated subsidiaries					-
Net changes in items other than shareholders' equity during period					
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						
Conversion of convertible bonds with share acquisition right						-
Dividends of surplus						-3,165
Profit attributable to owners of parent						14,163
Acquisition of treasury shares						-
Disposal of treasury shares						61

	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			
Increase (decrease) due to merger of consolidated subsidiaries						-
Increase (decrease) in equity due to additional acquisition of shares of consolidated subsidiaries						-
Changes due to redemption of preferred shares of consolidated subsidiaries						-
Net changes in items other than shareholders' equity during period	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

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	11,965	6,462	82,723	-202	100,949
Changes during period					
Conversion of convertible bonds with share acquisition right	2,448	2,448			4,897
Dividends of surplus			-3,456		-3,456
Profit attributable to owners of parent			15,986		15,986
Acquisition of treasury shares				-199	-199
Disposal of treasury shares		-2		77	74
Increase (decrease) due to merger of consolidated subsidiaries		-2			-2
Increase (decrease) in equity due to additional acquisition of shares of consolidated subsidiaries		-5			-5
Changes due to redemption of preferred shares of consolidated subsidiaries					-
Net changes in items other than shareholders' equity during period					
Total changes during period	2,448	2,438	12,529	-122	17,294
Balance at end of the period	14,414	8,901	95,252	-324	118,243

	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	1,207	1,210	30	3,702	105,892
Changes during period						
Conversion of convertible bonds with share acquisition right						4,897
Dividends of surplus						-3,456
Profit attributable to owners of parent						15,986
Acquisition of treasury shares						-199
Disposal of treasury shares						74
Increase (decrease) due to						-2

	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			
merger of consolidated subsidiaries						
Increase (decrease) in equity due to additional acquisition of shares of consolidated subsidiaries						-5
Changes due to redemption of preferred shares of consolidated subsidiaries					-3,288	-3,288
Net changes in items other than shareholders' equity during period	4	282	286	-7	206	486
Total changes during period	4	282	286	-7	-3,081	14,492
Balance at end of the period	7	1,489	1,497	23	620	120,384

(iv) Consolidated Statements of Cash Flows

(Unit: million yen)

	For the year ended March 31, 2025	For the year ended March 31, 2026
Cash Flows from Operating Activities		
Profit before income taxes	20,552	23,153
Depreciation	*2) 2,612	*2) 3,458
Amortization of goodwill	254	457
Loss on reduction of non-current assets	412	-
Government subsidy	-412	-
Increase (decrease) in allowance for doubtful accounts	61	6
Increase (decrease) in provision for bonuses	47	85
Increase (decrease) in provision for bonuses for directors	-0	8
Increase (decrease) in provision for provision for fulfillment of guarantees	-10	-14
Increase (decrease) in provision for share-based remuneration	15	15
Interest and dividend income	-67	-148
Subsidy income	-75	-
Interest expenses	905	1,516
Loss (gain) on investments based on equity method	14	-
Loss on retirement of non-current assets	1	40
Decrease (increase) in trade receivables	-43	-71
Decrease (increase) in inventories	-25,042	-40,435
Increase (decrease) in trade payables	677	973
Increase (decrease) in guarantee deposits received	760	918
Loss (gain) on valuation of investment securities	49	104
Loss (gain) on sale of shares of subsidiaries and associates	-51	-
Share issuance costs	-	584
Other	514	323
Subtotal	1,178	-9,021
Interest and dividends received	61	129
Interest paid	-893	-1,456
Income taxes refund (paid)	-5,071	-8,389
Proceeds from subsidy income	75	-
Proceeds from government subsidy	412	-
Cash Flows from Operating Activities	-4,236	-18,736
Cash Flows from Investing Activities		
Proceeds from sale of shares of subsidiaries and associates	80	0
Payments for acquisition of businesses	-	-149
Payments into time deposits	-160	-708
Proceeds from withdrawal of time deposits	-	234
Purchase of property, plant and equipment	-4,019	-5,787
Proceeds from sales of property, plant and equipment	165	1
Purchase of intangible assets	-253	-335
Payments of guarantee deposits	-654	-1,261
Proceeds from refund of guarantee deposits	129	86
Loan advances	-1,500	-1
Proceeds from collection of loan receivables	8	784
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-2,369	*3) -2,802
Other	-235	-287
Cash Flows from Investing Activities	-8,809	-10,226

	For the year ended March 31, 2025	For the year ended March 31, 2026
Cash Flows from Financing Activities		
Net increase (decrease) in short-term borrowings	38	1,210
Proceeds from long-term borrowings	36,535	63,346
Repayments of long-term borrowings	-23,703	-34,622
Dividends paid	-3,163	-3,455
Purchase of treasury shares	-	-199
Repayments to non-controlling shareholders	-102	-
Dividends paid to non-controlling interests	-106	-
Payment for acquisition of subsidiaries resulting in no change in scope of consolidation	-	-3,309
Other	-18	-132
Cash Flows from Financing Activities	9,479	22,837
Effect of exchange rate change on cash and cash equivalents	455	-125
Increase (decrease) in cash and cash equivalents	-3,112	-6,251
Cash and cash equivalents at beginning of period	47,866	44,754
Cash and cash equivalents at end of period	*1) 44,754	*1) 38,502

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

39 companies

Names of major consolidated subsidiaries

SF Building Support Inc.

SF Building Maintenance Inc.

Sun Frontier Space Management Inc.

SF Engineering Inc.

Sun Frontier Hotel Management Inc.

Sky Heart Hotel Inc.

Sun Frontier Sado Inc.

Sun Frontier NY Co., Ltd.

Oriental Resort Associates Inc.

Otake Kenso Co., Ltd.

Jonan Kenso Co., Ltd.

Tama Kenso Industry Co., Ltd.

In the current consolidated fiscal year, Otake Kenso Co., Ltd. and seven other companies acquired through share acquisition, and five other companies newly established were included in the scope of consolidation. In addition, five companies were excluded from the scope of consolidation following absorption-type mergers with the Company or its group company as the surviving company, and one company was excluded due to liquidation.

One of the subsidiaries included in the scope of consolidation through share acquisition has been consolidated only in the consolidated balance sheet of 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.

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

Not applicable.

3. Fiscal year of consolidated subsidiaries

Domestic consolidated subsidiaries and one foreign consolidated subsidiary close their books on March 31, and Sun Frontier NY Co., Ltd. and fifteen 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.

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 a 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 a 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 a 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 20 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 the 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 obligations at the end of the consolidated fiscal year under review.

(vi) Provision for retirement benefits for directors (and other officers)

In order to prepare for the payment of directors' (and other officers) retirement benefits, certain consolidated subsidiaries record the estimated amount that would be required to be paid at the end of the current consolidated fiscal year.

(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

The 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

The 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 obligation is 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

The 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

The 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, the 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

The 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 and other related services to accommodate customers.

The performance obligation is satisfied at a point in time by providing such services to customers, and revenue is recorded at the time of customer check-in.

B. Hotel Development Business

The 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

The 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, contracted interior construction work for large, medium and small sized facilities, and sash and glass work, etc.

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 recorded 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) Other significant matters for the preparation of 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 the consolidated financial statements of the current consolidated fiscal year

	Previous fiscal year	Current consolidated fiscal year
Real estate for sale	17,151 million yen	17,949 million yen
Real estate for sale in process	116,417 million yen	160,392 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 assumed market conditions in the future and is based on important assumptions such as future tenant rents, average daily rates and occupancy rates and expected yields of hotel rooms.

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 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 the Hotel Development Business and Hotel Operation Business	16,677 million yen	20,307 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 and, based on important assumptions including the forecast of the average daily rates and occupancy rates of hotel rooms, etc., as well as the assumption of future market conditions.

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 consolidated financial statements for the following fiscal year and thereafter.

(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) etc.

(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 Standard 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 ending March 31, 2028.

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

The Company is currently evaluating the impact of the application of the “Accounting Standard for Leases” on Consolidated Financial Statements.

(Accounting Standard for Subsequent Events, etc.)

- “Accounting Standard for Subsequent Events” (ASBJ Statement No. 41, January 9, 2026 ASBJ)
- “Implementation Guidance on Accounting Standard for Subsequent Events” (ASBJ Guidance No. 35, January 9, 2026 ASBJ)

(1) Overview

The Accounting Standard for Subsequent Events and related guidance set forth the accounting treatment and disclosure of subsequent events. The priority task is to establish a comprehensive accounting standard that handles the definition, accounting treatment, disclosure, etc. of subsequent events. The basic policy is to retain, in principle, the accounting treatment described in the Auditing Standards Board of the Japanese Institute of Certified Public Accountants (JICPA) Auditing Standards Committee Auditing Standard Statement No. 560, Practical Guidelines No. 1, “Auditing Treatment of Subsequent Events,” and transfer it to the ASBJ. The Accounting Standard for Subsequent Events and related guidance also includes reviewing the wording and adjusting the evaluation period for subsequent events, as well as requiring new notes on the approval of the disclosure of financial statements.

(2) Scheduled date of application

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

(Change of Presentation Method)

(Consolidated Balance Sheet)

“Accounts payable - trade,” which was presented under “Current liabilities” until the previous fiscal year, was renamed “Notes and accounts payable - trade” from the current consolidated fiscal year due to the occurrence of new notes payable in the current consolidated fiscal year.

(Consolidated Statement of Income)

“Loss on retirement of non-current assets,” which was included in “Other” under “Extraordinary loss” in the previous fiscal year, is presented separately from the current consolidated fiscal year as it exceeded more than 10% of the total amount of extraordinary loss. To reflect this change, consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 7 million yen, which was included in “Other” under “Extraordinary loss” in the previous fiscal year’s Consolidated Statement of Income, has been reclassified as 1 million yen in “Loss on retirement of non-current assets” and 5 million yen in “Other.”

(Consolidated Statements of Cash Flows)

“Borrowing related expenses,” which was presented separately under “Cash flows from operating activities” in the previous fiscal year, is included in “Other” from the current consolidated fiscal year due to its decreased materiality. Also, “Loss on retirement on non-current assets” and “Loss (gain) on valuation of investment securities” which were included in “Other” under “Cash flows from operating activities” in the previous fiscal year are presented separately from the current consolidated fiscal year due to their increased materiality. To reflect this change, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 13 million yen in “Borrowing related expenses” and 553 million yen in “Other” under “Cash flows from operating activities” in the previous fiscal year’s Consolidated Statements of Cash Flows, have been reclassified as 1 million yen in “Loss on retirement of non-current assets,” 49 million yen in “Loss (gain) on valuation of investment securities” and 514 million yen in “Other.”

“Proceeds from collection of loans receivable,” 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 their increased materiality. To reflect this change, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, -226 million yen in “Other” under “Cash flows from investing activities” in the previous fiscal year’s Consolidated Statements of Cash Flows, has been reclassified as 8 million yen in “Proceeds from collection of loans receivable” and -235 million yen in “Other.”

“Payments for borrowing related expenses” which was presented separately under “Cash flows from financing activities” in the previous fiscal year is included in “Other” from the current consolidated fiscal year due to its decreased materiality. To reflect this change, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, -13 million yen in “Payments for borrowing related expenses” and -4 million yen in “Other” under “Cash flows from financing activities” in the previous fiscal year’s Consolidated Statements of Cash Flows, have been reclassified as -18 million yen in “Other.”

(Additional Information)

Change in the holding purpose of assets

Due to a change in the holding purpose, 4,767 million yen in property, plant and equipment (“buildings” of 2,274 million yen and “land” of 2,492 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 consolidated 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 placed 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 Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

	For the year ended March 31, 2025	For the year ended March 31, 2026
Cash and deposits (Note)	65 million yen	274 million yen
Real estate for sale	13,274	10,781
Real estate for sale in process	102,302	138,388
Buildings	7,671	9,767
Land	9,313	7,945
Other	2,310	678
Total	134,938 million yen	167,835 million yen

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

2. Shares of subsidiaries and affiliates (amount before elimination in the previous fiscal year: 1,826 million yen, amount before elimination in the current consolidated fiscal year: 1,856 million yen), which are eliminated in the consolidated financial statements, were pledged as collateral for bank borrowings.

(2) Liabilities for the above

	For the year ended March 31, 2025	For the year ended March 31, 2026
Long-term borrowings (including current portion of long-term borrowings)	78,575 million yen	99,677 million yen
Total	78,575 million yen	99,677 million yen

* 3 Contingent liabilities

(1) Liability guarantee by rent guarantee

	For the year ended March 31, 2025	For the year ended March 31, 2026
(Guarantee)		
Customers pertaining to the Rent Guarantee Business (amount equivalent to the guaranteed limit)	54,590 million yen	58,985 million yen
Provision for fulfillment of guarantees	-34	-20
Total	54,556 million yen	58,965 million yen

(2) The Company guarantees liabilities for borrowings from financial institutions of customers.

For the year ended March 31, 2025	For the year ended March 31, 2026
- million yen	986 million yen

(3) Liability guarantee by representative deposit

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, 2025	For the year ended March 31, 2026
146 million yen	146 million yen

* 4 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, 2025	For the year ended March 31, 2026
Buildings	641 million yen	641 million yen
Land	32	32
Other	12	12
Total	686 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 The book value devaluation due to a decline in profitability of inventories held for the ordinary sales purpose is as follows.

	For the year ended March 31, 2025	For the year ended March 31, 2026
Sales commission	- million yen	87 million yen
Total	- million yen	87 million yen

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

	For the year ended March 31, 2025	For the year ended March 31, 2026
Sales commission	1,378 million yen	1,168 million yen
Salaries and allowances	3,111	3,755
Retirement benefit costs	87	92
Transfer to provision for bonuses	262	313
Transfer to provision for bonuses for directors (and other officers)	80	85
Transfer to provision for share-based remuneration	15	15
Provision of allowance for doubtful accounts	-	2
Commission paid	1,745	2,271

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

	For the year ended March 31, 2025	For the year ended March 31, 2026
Gain on sale of non-current assets	112 million yen	- million yen
Total	112 million yen	- million yen

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

(Related to Consolidated Statements of Comprehensive Income)

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

	For the year ended March 31, 2025	For the year ended March 31, 2026
Valuation difference on available-for-sale securities		
Current amount incurred	0 million yen	6 million yen
Reclassification adjustment	-	-
Before income tax and tax effect adjustment	0	6
Before income tax and tax effect	-0	-2
Valuation difference on available-for-sale securities	0	4
Foreign currency translation adjustment		
Current amount incurred	637	262
Reclassification adjustment	-	-7
Foreign currency translation adjustment	637	254
Total other comprehensive income	638	258

(Notes to Consolidated Statement of Changes in Equity)

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 shares 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 restricted stock remuneration lost their rights, while there was a decrease of 31,643 shares due to the disposition of treasury shares for the issuance for restricted stock remuneration.

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 Bonds with Share Acquisition Rights	Common shares	6,434,900	-	-	6,434,900	Note 1
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 related to dividend

(1) Dividend paid

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

Notes: 1. The total amount of dividends decided at the Board of Directors Resolution 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). In addition, the amount of dividends per share includes the 25th commemorative dividend of 2.00 yen.

2. The total amount of dividends decided at the Board of Directors Resolution 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 falls in the current consolidated fiscal year and whose effective date falls in the following consolidated fiscal year

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

Note: The total amount of dividends decided at the Board of Directors Resolution 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).

For the year ended March 31, 2026

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	3,151,814	-	51,907,314 shares

(Summary of Reasons for Change)

Increase due to the exercise of share acquisition rights of unsecured convertible bonds with share acquisition rights 3,151,814 shares

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	172,616 shares	93,454	43,450	222,620 shares

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

(Summary of Reasons for Change)

Details of the increase/decrease in the number of treasury shares in common shares are as follows.

Increase due to acquisition of treasury shares for the purpose of delivering restricted stock	92,500 shares
Increase due to acquisition of treasury shares following the forfeiture of rights by a grantee of restricted stock remuneration	929 shares
Increase due to purchase of odd-lot shares	25 shares
Decrease due to disposition of treasury shares for the purpose of granting as restricted stock remuneration	32,720 shares
Decrease due to disposition of treasury shares upon the exercise of stock options	10,730 shares

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	-	-	-	-	-	4
Submitting company	2019 Share Acquisition Rights as Stock Option	-	-	-	-	-	4
Submitting company	2020 Share Acquisition Rights as Stock Option	-	-	-	-	-	3
Submitting company	2021 Share Acquisition Rights as Stock Option	-	-	-	-	-	11
Submitting company	Share acquisition rights in 1st Series Unsecured Convertible Bonds with Share Acquisition Rights	Common shares	6,434,900		3,151,814	3,283,086	Note 1
Total			6,434,900		3,151,814	3,283,086	23

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)

Decrease due to the exercise of share acquisition rights of unsecured convertible bonds with share acquisition rights 3,151,814 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 20, 2025	Common shares	1,607	33.00	March 31, 2025	June 25, 2025
Board of Directors, November 10, 2025	Common shares	1,849	38.00	September 30, 2025	December 2, 2025

Note: 1. 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).

2. The total amount of dividends decided by the Board of Directors on November 10, 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).

(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 19, 2026	Common shares	Retained earnings	1,968	38.00	March 31, 2026	June 24, 2026

Note: The total amount of dividends decided by the Board of Directors on May 19, 2026 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, 2025	For the year ended March 31, 2026
Cash and deposits account	44,920 million yen	39,274 million yen
Time deposits with a deposit period of more than 3 months	-165	-771
Cash and cash equivalents	44,754 million yen	38,502 million yen

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

	For the year ended March 31, 2025	For the year ended March 31, 2026
	1,271 million yen	1,993 million yen

* 3 Breakdown of assets and liabilities of newly consolidated subsidiaries due to acquisition of shares

The breakdown of assets and liabilities at the time of consolidation resulting from the consolidation of Otake Kenso Holdings Co., Ltd. and its four wholly owned subsidiaries through the acquisition of shares, and the relationship between the acquisition cost of shares of Otake Kenso Holdings Co., Ltd. and its four wholly owned subsidiaries and the payments (net amount) for the acquisition of Otake Kenso Holdings Co., Ltd. and its four wholly owned subsidiaries are as follows.

Current assets	3,136 million yen
Non-current assets	2,123
Goodwill	1,281
Current liabilities	-1,190
Non-current liabilities	-1,342
Acquisition cost of shares	4,006 million yen
Cash and cash equivalents	-2,013
Net payments for acquisitions	1,992 million yen

In addition, the breakdown of assets and liabilities of companies that became newly consolidated subsidiaries due to the acquisition of shares during the fiscal year under review other than those listed above, as well as the relationship between the acquisition cost of shares and the payments (net amount) for the acquisition, have been omitted due to their insignificance.

* 4 Breakdown of significant non-cash transactions

Convertible bonds with share acquisition rights

	For the year ended March 31, 2025	For the year ended March 31, 2026
Increase in share capital due to conversion of convertible bonds with share acquisition rights	- million yen	2,448 million yen
Increase in capital reserve due to conversion of convertible bonds with share acquisition rights	-	2,448
Decrease in convertible bonds with share acquisition rights due to conversion of convertible bonds with share acquisition rights	-	4,897

(Lease Transactions)

Operating lease transactions

(Lessee)

Future minimum lease payments for the non-cancelable portion of operating lease transactions

	For the year ended March 31, 2025	For the year ended March 31, 2026
Within one year	3,052 million yen	3,925 million yen
Over one year	18,254	19,089
Total	21,307 million yen	23,014 million yen

(Lessor)

The future minimum lease payments for the non-cancelable portion of operating lease transactions are stated from the current consolidated fiscal year due to their increased materiality. The information for the previous fiscal year is omitted because the amount is not significant.

	For the year ended March 31, 2026
Within one year	869 million yen
Over one year	2,023
Total	2,892 million yen

(Note) The above amounts include the future minimum lease payments under the leases relating to inventories held for sale.

(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 fluctuation 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 unsecured convertible bonds with stock acquisition rights, procured primarily to fund capital

expenditures. Although they do not bear interest, they are subject to liquidity risks, meaning payment may not be possible on the due dates.

(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, 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

For the fiscal year ended March 31, 2026

	Consolidated Balance Sheet amount (million yen)	Market value (million yen)	Difference (million yen)
Corporate bonds	5,102	4,718	-383
Long-term borrowings (including current portion)	111,620	107,047	-4,572
Total liabilities	116,722	111,766	-4,955

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:

Category	(million yen)	
	For the year ended March 31, 2025	For the year ended March 31, 2026
Shares of unlisted companies	105	0

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, 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	-	-

For the year ended March 31, 2026

	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	39,274	-	-	-
Long-term loans receivable	41	667	-	-
Total	39,315	667	-	-

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

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

For the year ended March 31, 2026

	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	1,310	-	-	-	-	-
Corporate bonds	-	-	5,102	-	-	-

Long-term borrowings	9,063	24,322	37,629	12,199	14,460	13,944
Total	10,373	24,322	42,731	12,199	14,460	13,944

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 in the Consolidated Balance Sheet at market value

Previous consolidated fiscal year (March 31, 2025)

There are no applicable matters.

Current consolidated fiscal year (March 31, 2026)

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, 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

Current consolidated fiscal year (March 31, 2026)

Category	Market value (million yen)			
	Level 1	Level 2	Level 3	Total
Corporate bonds	-	4,718	-	4,718
Long-term borrowings	-	107,047	-	107,047

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, 2025

Omitted due to lack of importance.

For the year ended March 31, 2026

Omitted due to lack of importance.

(Retirement Benefits)

1. Overview of stated retirement benefit plans

The Company and some 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, 2025	For the year ended March 31, 2026
Retirement benefit liability at beginning of year	1 million yen	1 million yen
Retirement benefit expenses	-	-4
Payments for retirement benefits	-	-1
Increase due to new consolidation	-	37
Retirement benefit liability balance at end of year	1	32

(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, 2025	For the year ended March 31, 2026
Unfunded retirement benefit obligation	1 million yen	32 million yen
Net liabilities and assets recorded in Consolidated Balance Sheet	1	32
Retirement benefit liability	1	32
Net liabilities and assets recorded in Consolidated Balance Sheet	1	32

3. Defined Contribution Plan

The amount required to be contributed by the Company and its consolidated subsidiaries to the defined contribution plan was 95 million yen for the year ended March 31, 2025 and 105 million yen for the year ended March 31, 2026.

(Stock Options, etc.)

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

	For the year ended March 31, 2025	For the year ended March 31, 2026
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 fiscal year ended March 31, 2026), 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	1,310	1,850
Forfeited	-	-
Unexercised balance	3,930	5,550

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	2,780	4,790
Forfeited	-	-
Unexercised balance	8,340	16,760

(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)	1,781	1,781
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)	1,781	1,781
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, 2025	For the year ended March 31, 2026
Deferred tax assets		
Inventories	1,086 million yen	1,489 million yen
Excess depreciation	392	377
Taxes and duties	87	115
Denial of accrued liability	416	349
Accrued enterprise tax	265	276
Accrued expenses	154	186
Provision for bonuses	103	136
Long-term accounts payable	17	144
Denial of loss on valuation of investment securities	48	81
Asset retirement obligations	81	191
Denial of valuation loss on land	10	266
Denial of loss on valuation of shares of subsidiaries and affiliates	-	178
Loss carryforwards (Note 2)	259	90
Other	257	324
Subtotal deferred tax assets	3,180 million yen	4,208 million yen
Valuation allowance for loss carryforwards for tax purposes (Note 2)	-195	-76
Valuation allowance for future deductible temporary differences, etc.	-1,008	-1,081
Subtotal valuation allowance (Note 1)	-1,204	-1,158
Total deferred tax assets	1,976 million yen	3,049 million yen
Deferred tax liabilities		
Land valuation difference	423 million yen	1,165 million yen
Valuation of inventory assets	-	280
Asset retirement obligations	-	73
Uncompleted construction expense	4	-
Other	11	5
Total deferred tax liabilities	438 million yen	1,524 million yen
Net deferred tax assets	1,537 million yen	1,524 million yen

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

Note: 1. The valuation allowance decreased by 45 million yen. This decrease was mainly due to a decrease in the valuation allowance for deductible temporary differences as a result of a review of the recoverability category of deferred tax assets by consolidated subsidiaries.

(Change in presentation method)

“Denial of valuation loss on land” of deferred tax assets, which was included in “Other” in the previous fiscal year, is presented separately in the current consolidated fiscal year due to its increased materiality. To reflect this change in presentation method, the notes related to Tax Effect Accounting in the previous fiscal year have been reclassified. As a result, “Other” of 267 million yen in deferred tax assets in the previous fiscal year has been reclassified as “Denial of valuation loss on land” of 10 million yen and “Other” of 257 million yen.

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

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.

For the year ended March 31, 2026

(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)	0	-	0	3	27	59	90
Valuation allowance	-	-	-	-0	-21	-53	-76
Deferred tax assets (b)	0	-	0	2	5	5	13

(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).

(Business Combination, etc.)

Business combination by acquisition of shares

(1) Overview of the business combination

(i) Name and business of the acquired company

Name of the acquired company: Otake Kenso Holdings Co., Ltd. and the following four wholly owned subsidiaries:

Otake Kenso Co., Ltd.

Jonan Kenso Co., Ltd.

Tama Shutter Industrial Corporation

Arrow Co., Ltd.

Description of business Design and installation of sashes and glass window panels in office buildings and hotels

(ii) Main reason for the business combination

Otake Kenso Holdings and its group companies (hereinafter referred to as "Otake Kenso") have many years of experience and advanced technical capabilities in the design and construction of sashes and glass window panels for office buildings and hotels. In addition, they have their own plant in Tokyo Prefecture, which gives them the advantage of being able to provide detailed services and supply quickly. By internalizing processes from planning to construction in-house, the Group will be able to provide higher-quality and more functional office spaces and other facilities in a stable and timely manner. Otake Kenso's technology for improving buildings' insulation and energy conservation efficiency through the renewal of sashes and glass windows are also expected to make a significant

contribution to the creation of environmental value in our Replanning Business.

(iii) Date of business combination

October 1, 2025

(iv) Legal form of the business combination

Acquisition of shares in exchange for cash

(v) Name of the company after the business combination

Otake Kenso Holdings Co., Ltd.
and the following four wholly owned subsidiaries
Otake Kenso Co., Ltd.
Jonan Kenso Co., Ltd.
Tama Shutter Industrial Corporation
Arrow Co., Ltd.

(vi) Percentage of voting rights acquired

100%

(vii) Basis for determining the acquired company

The Company acquired shares in exchange for cash.

(2) Period of the acquired companies' financial results included in the consolidated financial statements

From October 1, 2025 to March 31, 2026

(3) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition: Cash 4,006 million yen

Acquisition cost: 4,006 million yen

(4) Details and amount of major acquisition-related expenses

Advisory fees, etc. 171 million yen

(5) Amount of goodwill, reason for recognition, and amortization method and period

(i) Amount of goodwill 1,281 million yen

(ii) Reason for recognition This is the excess sales capacity expected from future operations.

(iii) Amortization method and period Straight-line method over 4 years

(6) Assets received and liabilities subscribed on the date of the business combination and the breakdown thereof

Current assets 3,136 million yen

Non-current assets 2,123 million yen

Total assets 5,260 million yen

Current liabilities 1,190 million yen

Non-current liabilities 1,342 million yen

Total liabilities 2,533 million yen

- (7) Estimated impact on the current consolidated fiscal year's Consolidated Statement of Income on the assumption that the business combination was completed on the first day of the current fiscal year and the calculation method thereof

This information is omitted due to immateriality.

These notes have not received audit certification.

(Asset retirement obligations)

- (1) Overview of asset retirement obligations

The Group recognizes obligations mainly related to recovery to the original state at the time of vacating based on real estate lease agreements and removal costs expected to be incurred in the future for buildings and facilities constructed on leased land as asset retirement obligations.

In some cases, instead of recording an obligation for asset retirement obligations, the amount that is considered unlikely to be recovered is reasonably estimated by comparing with the leasehold and guarantee deposits related to the subject real estate lease agreement, and records the amount attributable to the current consolidated fiscal year.

- (2) Calculation method for the amount of such asset retirement obligations

Discount rates ranging from 1.42% to 3.32% were used to calculate asset retirement obligations based on an estimated useful life of 10 to 39 years.

- (3) Change in the total amount of such asset retirement obligations

	For the year ended March 31, 2025	For the year ended March 31, 2026
Beginning balance	- million yen	- million yen
Increase due to acquisition of property, plant and equipment	-	164
Increase due to mergers	-	59
Adjustment over time	-	4
Year-end balance	- million yen	228 million yen

(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, 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).

For the year ended March 31, 2026, net rental income from such rental properties was 244 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, 2025	For the year ended March 31, 2026
Consolidated Balance Sheet value	Beginning balance	8,660	6,839
	Increase/decrease during the period	-1,821	-4,364
	Year-end balance	6,839	2,475
Year-end market value		10,159	6,314

Notes: 1. The amount recorded in the 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 (9 million yen), and the decrease is mainly due to transfer resulting from a change in the purpose of holding assets (1,613

million yen) and depreciation (203 million yen).

In the current consolidated fiscal year, the increase is mainly due to new acquisitions (693 million yen), and the decrease is due to transfer resulting from a change in the purpose of holding assets (4,767 million yen), depreciation (170 million yen) and a decrease resulting from sales (119 million yen).

3. Fair values at the end of the fiscal period are amounts based on real estate appraisal reports by external real estate appraisers or amounts 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 consolidated fiscal year

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 the Hotel and Tourism Business and rights to customers arising from the contract performance in the 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 the 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 the Replanning Business, the payment received prior to performance based on the contract work agreements in the Construction Business, and accommodation charges received as advance payment in the 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 the 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 the 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, 2026

(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, 2026)
Claims arising from contracts with customers (beginning of the fiscal year)	1,943
Claims arising from contracts with customers (end of the fiscal year)	3,414
Contract assets (beginning of the fiscal year)	134
Contract assets (end of the fiscal year)	74
Contract liabilities (beginning of the fiscal year)	440
Contract liabilities (end of the fiscal year)	1,676

Notes: 1. Claims arising from contracts with customers

Claims arising from contracts with customers mainly consist of uncollected payments of hotel charges recognized in the Hotel and Tourism Business and rights to customers arising from the contract performance in the 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 the 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 the Replanning Business, the payment received prior to performance based on the contract work agreements in the Construction Business, and accommodation charges received as advance payment in the 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, 440 million yen was recognized as the revenue for the current consolidated fiscal year. The decrease in contract assets in the current consolidated fiscal year was mainly due to a decrease in construction orders in the Construction Business, and the increase in contract liabilities was mainly due to an increase in advances received in the Construction 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: The “Real Estate Revitalization Business,” the “Real Estate Service Business,” and the “Hotel and Tourism Business,” which are defined by the product and service segments established by the head office.

The “Real Estate Revitalization Business” is engaged in the Replanning Business and the Rental Building Business. The “Real Estate Service Business” is engaged in the Property Management Business, the Building Maintenance Business, the Sales Brokerage Business, the Leasing Brokerage Business, the Conference Room Rental Business, and the Rent Guarantee Business. The “Hotel and Tourism Business” is engaged in the Hotel Development Business and the 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 Accounting Policies for the 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, 2025

(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	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 the Overseas Development Business and the 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.

For the year ended March 31, 2026

(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	68,491	12,943	18,424	99,859	5,638	105,498	-	105,498
Other income	7,942	2,179	432	10,554	29	10,584	-	10,584
Net sales to external customers	76,434	15,123	18,857	110,414	5,668	116,083	-	116,083
Internal sales or transfers	0	1,184	92	1,277	204	1,481	-1,481	-
Subtotal	76,434	16,307	18,949	111,691	5,872	117,564	-1,481	116,083
Segment profit	22,148	8,703	3,817	34,669	1,177	35,846	-12,547	23,298
Segment assets	155,841	5,632	50,719	212,192	6,844	219,037	45,426	264,463
Segment liabilities	90,650	6,398	21,973	119,023	4,139	123,163	20,915	144,078
Others								
Depreciation	1,776	145	1,261	3,183	10	3,193	264	3,458
Amortization of goodwill	-	-	235	235	222	457	-	457
Interest expenses	1,122	15	209	1,347	25	1,372	143	1,516
Income(loss) on investments based on equity method	-	-	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets	6	462	5,353	5,822	13	5,835	213	6,049

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

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

- (1) Adjustment in segment profit of negative 12,547 million yen includes elimination of intersegment transactions of negative 3 million yen and company-wide expenses of negative 12,544 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 45,426 million yen includes eliminations of intersegment transactions of negative 37,002 million yen and company-wide assets of 82,428 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 20,915 million yen includes elimination of intersegment transactions of negative 553 million yen and company-wide liabilities of 21,469 million yen that are not allocated to each reportable segment.
- (4) Adjustment of depreciation under “Other” of 264 million yen is for depreciation of company-wide assets not allocated to each reportable segment.

- (5) Adjustment of increase in property, plant and equipment and intangible assets under “Others” of 213 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, 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.

For the fiscal year ended March 31, 2026

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, 2025

Not applicable.

For the fiscal year ended March 31, 2026

Not applicable.

Information on goodwill amortization and unamortized balance by reportable segment

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.

For the fiscal year ended March 31, 2026

(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	-	-	584	584	1,267	-	1,851

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, 2025

Not applicable.

For the fiscal year ended March 31, 2026

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, 2025

There are no important matters to be stated.

For the fiscal year ended March 31, 2026

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, 2025

There are no important matters to be stated.

For the fiscal year ended March 31, 2026

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, 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.

For the fiscal year ended March 31, 2026

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

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

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 the 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, 2025	For the fiscal year ended March 31, 2026
Number of Special Purpose Companies	22 partnerships	27 partnerships
Total assets as of the latest balance sheet date (simple sum)	11,514 million yen	18,828 million yen
Total liabilities (simple sum)	264 million yen	424 million yen

The total assets and total liabilities of three partnerships for the previous fiscal year and of one partnership 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, 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.

For the fiscal year ended March 31, 2026

	Amounts of major transactions	Major profit and loss	
		Item	Amount
Transfer of real estate (Note 1)	4,005 million yen	Net sales	4,005 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, 2025	For the year ended March 31, 2026
Net assets per share	2,102.79 yen	2,316.75 yen
Earnings per share	291.58 yen	327.76 yen
Fully diluted earnings per share	257.26 yen	290.63 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, 2025	For the year ended March 31, 2026
Earnings per share		
Profit attributable to owners of parent company (million yen)	14,163	15,986
Amount not attributable to common shareholders (million yen)	-	-
Profit attributable to owners of parent company for common shares (million yen)	14,163	15,986
Average number of common shares (shares)	48,573,202	48,772,528
Fully diluted earnings per share		
Adjustment of profit attributable to owners of parent company (million yen)	-	-
Common shares increase (shares)	6,480,186	6,230,569
(including Convertible bonds with Share Acquisition Rights (shares))	(6,434,900)	(6,193,117)
(including Share Acquisition Rights (shares))	(45,286)	(37,452)
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, 2025	For the year ended March 31, 2026
Total net assets (million yen)	105,892	120,384
Amount of deduction from total net assets (million yen)	3,732	643
(including Share Acquisition Rights (million yen))	30	23
(including non-controlling interests (million yen))	3,702	620
Net assets at year-end available to common shares (million yen)	102,159	119,740
Number of common shares at year-end used for the calculation of net assets per share (shares)	48,582,884	51,684,694

3. The Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP) are included in 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)

Capital and Business Alliance Agreement

On February 25, 2026, the Company entered into a capital and business alliance agreement with ITOCHU Corporation (hereinafter “ITOCHU”) for the purpose of enhancing the corporate value of both companies over the medium to long term by combining the resources and know-how of the Company and ITOCHU, expanding the existing businesses of both companies and developing new ones. In connection with this, new shares were issued through a third-party allotment and a tender offer for the Company’s shares was conducted as follows.

1. Issuance of new shares by third-party allotment

On April 1, 2026, new shares were issued by the third-party allotment method. The overview is as follows.

(i) Overview of the capital increase by third-party allotment

(1) Due date	April 1, 2026
(2) Number of shares newly issued	5,500,000 common shares
(3) Issue price	2,438 yen per share
(4) Amount of funds to be procured	13,409,000,000 yen
(5) Amount of stated capital to be increased	6,704,500,000 yen
(6) Amount of capital reserve to be increased	6,704,500,000 yen
(7) Method of offering or allotment (allottee)	All shares shall be allotted to ITOCHU by way of third-party allotment

(ii) Change in the total number of issued shares and the amount of stated capital by way of the capital increase by third-party allotment

(1) Total number of issued shares before capital increase	51,907,314 shares (amount of stated capital before capital increase: 14,414,211,307 yen)
(2) Number of shares to be increased by capital increase	5,500,000 common shares (amount of stated capital to be increased: 6,704,500,000 yen)
(3) Total number of issued shares after capital increase	57,407,314 shares (amount of stated capital after capital increase: 21,118,711,307 yen)

2. Tender offer for company shares by SI Corporation, a wholly owned subsidiary of ITOCHU

A tender offer for common shares of the Company that SI Corporation (the “Tender Offeror”), which is a wholly-owned subsidiary of ITOCHU, had been conducting since February 26, 2026 was completed on April 9, 2026, and the total number of share certificates, etc. tendered (7,768,279 shares) exceeds the maximum number of shares that may be purchased through the tender offer (6,656,900 shares) and therefore the Tender Offeror will acquire 6,656,900 Company shares, which constitutes the maximum number of shares that may be purchased.

As a result, together with the above-mentioned capital increase by third-party allotment on April 1, 2026, the number of voting rights in the Company’s shares held by ITOCHU directly or through the Tender Offeror as of April 16, 2026 (the commencement date of settlement of the tender offer) exceeded 20% of the number of voting rights of all shareholders of the Company, and ITOCHU newly became an “other affiliated company” of the Company as of the same date.

(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	5,102	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	4,897	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 1 year (million yen)	More than 1 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)
-	-	5,102	-	-

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	100	1,310	1.50	-
Long-term borrowings due within one year	10,140	9,063	1.70	-
Long-term borrowings	72,219	102,556	1.77	2027-2046
Total	82,459	112,930	-	-

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	24,322	37,629	12,199	14,460

Asset retirement obligations

This information is omitted because the amount of asset retirement obligations at the beginning and the end of the current consolidated fiscal year period was less than 1/100 of the total amount of liabilities and net assets at the beginning and the end of the current consolidated fiscal year period.

(2) Other

Interim information on current consolidated fiscal year

		Interim consolidated accounting period	Current consolidated fiscal year
Net sales	(million yen)	58,232	116,083
Interim (full-year) profit before income taxes	(million yen)	13,594	23,153
Interim (full-year) profit attributable to owners of parent company	(million yen)	8,993	15,986
Interim (full-year) earnings per share	(yen)	185.31	327.76

2. Non-Consolidated Financial Statements, etc.

(1) Non-Consolidated Financial Statements

(i) Non-Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	25,674	17,515
Account receivable - trade	*2) 423	*2) 903
Real estate for sale	*1) 16,336	*1) 13,574
Real estate for sale in process	*1) 96,557	*1) 133,689
Short-term loans to affiliates	6,082	8,985
Other	*2) 1,862	*2) 2,969
Allowance for doubtful accounts	-26	-8
Total current assets	146,911	177,629
Non-current assets		
Property, plant and equipment		
Buildings	*1) 6,716	*1) 4,227
Land	*1) 9,056	*1) 6,563
Other	*1) 127	*1) 146
Total property, plant and equipment	15,900	10,937
Intangible assets		
Other	543	571
Total intangible assets	543	571
Investments and other assets		
Shares of subsidiaries and affiliates	17,346	27,262
Long-term loans to affiliates	380	265
Long-term loans receivable	1,459	667
Deferred tax assets	1,471	1,703
Other	2,102	2,888
Allowance for doubtful accounts	-96	-96
Total investments and other assets	22,663	32,689
Total non-current assets	39,108	44,198
Total assets	186,019	221,827

(Unit: million yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Accounts payable - trade	*2) 2,175	*2) 3,352
Current portion of long-term borrowings	*1) 7,493	*1) 6,860
Income taxes payable	3,067	3,323
Deposits payable	*2) 2,513	*2) 3,120
Provision for bonuses	173	190
Provision for bonuses for directors	69	79
Other	*2) 1,784	*2) 3,326
Total current liabilities	17,277	20,254
Non-current liabilities		
Bonds payable	9,999	5,102
Long-term borrowings	*1) 63,206	*1) 86,312
Long-term guarantee deposits	2,238	3,085
Provision for share-based remuneration	103	119
Asset retirement obligations	-	60
Other	92	*2) 154
Total non-current liabilities	75,641	94,834
Total liabilities	92,919	115,088
Net assets		
Shareholders' equity		
Share capital	11,965	14,414
Capital surplus		
Capital reserve	6,449	8,898
Other capital surplus	43	41
Total capital surplus	6,493	8,940
Retained earnings		
Legal reserve	13	13
Other retained earnings		
Retained earnings brought forward	74,797	83,670
Total retained earnings	74,810	83,683
Treasury shares	-202	-324
Total shareholders' equity	93,067	106,713
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2	2
Total valuation and translation adjustments	2	2
Share acquisition rights	30	23
Total net assets	93,100	106,739
Total liabilities and net assets	186,019	221,827

(ii) Non-Consolidated Statement of Income

(Unit: million yen)

	For the year ended March 31, 2025	For the year ended March 31, 2026
Net sales	*1) 72,930	*1) 78,830
Cost of sales	*1) 48,718	*1) 50,650
Gross profit	24,212	28,179
Selling, general and administrative expenses	*1, *2) 8,236	*1, *2) 8,913
Operating profit	15,975	19,265
Non-operating income		
Interest and dividend income	*1) 81	*1) 152
Compensation for leasehold surrender received	-	40
Reversal of allowance for doubtful accounts	113	17
Other	*1) 53	*1) 68
Total non-operating income	248	277
Non-operating expenses		
Interest expenses	784	1,232
Share issuance costs	-	584
Allowance for doubtful accounts provision	90	-
Other	9	120
Total non-operating expenses	884	1,937
Ordinary profit	15,339	17,605
Extraordinary income		
Gain on extinguishment of tie-in shares	-	*3) 177
Gain on sale of shares of subsidiaries and associates	80	0
Government subsidy	12	-
Total extraordinary income	92	177
Extraordinary loss		
Loss on valuation of investment securities	49	104
Loss on devaluation of shares of subsidiaries' and affiliates' stocks	-	70
Loss on extinguishment of tie-in shares	-	*4) 53
Loss on valuation of investments in subsidiaries	15	-
Loss on reduction of non-current assets	12	-
Other	-	6
Total extraordinary loss	77	235
Profit before income taxes	15,354	17,547
Income taxes - current	4,801	5,580
Income taxes - deferred	-268	-362
Total income taxes	4,533	5,217
Profit	10,821	12,329

Cost of sales specification

Classification	Note Number	For the year ended March 31, 2025		For the year ended March 31, 2026	
		Amount (million yen)	Composition ratio (%)	Amount (million yen)	Composition ratio (%)
Real Estate Revitalization Business cost					
Buildings and Land		44,546	91.4	44,885	88.6
Outsourcing costs		328	0.7	402	0.8
Expenses		1,854	3.8	2,263	4.5
(including taxes and duties)		(375)		(464)	
(including depreciation)		(1,181)		(1,640)	
Real Estate Revitalization Business cost total		46,730	95.9	47,550	93.9
Real Estate Service Business cost					
Outsourcing costs		593	1.2	850	1.7
Expenses		765	1.6	1,271	2.5
(including rent)		(501)		(930)	
Real Estate Service Business cost total		1,359	2.8	2,122	4.2
Hotel and Tourism Business cost					
Expenses		409	0.8	410	0.8
(including rent)		(110)		(110)	
(including depreciation)		(265)		(264)	
Hotel and Tourism Business cost total		409	0.8	410	0.8
Other Business cost					
Outsourcing costs		23	0.1	182	0.4
Labor costs		8	0.0	8	0.0
Expenses		187	0.4	377	0.7
Other Business cost total		219	0.5	567	1.1
Cost of sales		48,718	100.0	50,650	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, 2025

(Unit: million yen)

	Shareholders' equity							Treasury shares
	Share capital	Capital surplus			Retained earnings		Total retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings Retained earnings brought forward		
Balance at beginning of the period	11,965	6,449	14	6,464	13	67,141	67,154	-233
Changes during period								
Conversion of convertible bonds								
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					
Conversion of convertible bonds	-				-
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

For the year ended March 31, 2026

(Unit: million yen)

	Shareholders' equity							
	Share capital	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	43	6,493	13	74,797	74,810	-202
Changes during period								
Conversion of convertible bonds	2,448	2,448	-0	2,448				
Dividends of surplus						-3,456	-3,456	
Profit						12,329	12,329	
Purchase of treasury shares								-199
Disposal of treasury shares			-2	-2				77
Net changes in items other than shareholders' equity								
Total changes during period	2,448	2,448	-2	2,446	-	8,872	8,872	-122
Balance at end of the period	14,414	8,898	41	8,940	13	83,670	83,683	-324

	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	93,067	2	2	30	93,100
Changes during period					
Conversion of convertible bonds	4,897				4,897
Dividends of surplus	-3,456				-3,456
Profit	12,329				12,329
Purchase of treasury shares	-199				-199
Disposal of treasury shares	74				74
Net changes in items other than shareholders' equity		0	0	-7	-6
Total changes during period	13,645	0	0	-7	13,638
Balance at end of the period	106,713	2	2	23	106,739

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 a 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 3 to 20 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 renovation work, 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, 2025	For the year ended March 31, 2026
Real estate for sale	16,336 million yen	13,574 million yen
Real estate for sale in process	96,557 million yen	133,689 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 such as the assumed market conditions in the future, and is calculated based on important assumptions such as future tenant rents and expected yields.

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, 2025	For the year ended March 31, 2026
Non-current assets related to Hotel Development Business	9,067 million yen	8,820 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.

(Change of Presentation Method)

Related to Non-Consolidated Balance Sheet

“Current portion of long-term loans receivable from subsidiaries and associates” under “Current assets,” which was presented separately in the previous fiscal year, is included in “Other” in the fiscal year under review due to a decrease in its financial significance. To reflect this change, the non-consolidated financial statements for the previous fiscal year have been reclassified. As a result, 32 million yen in “Current portion of long-term loans receivable from subsidiaries and associates” and 1,830 million yen in “Other” under “Current assets” in the Non-consolidated Balance Sheet for the previous fiscal year have been reclassified as 1,862 million yen in “Other”.

Related to Non-Consolidated Statement of Income

“Foreign exchange gain” under “Non-operating income,” which was presented separately in the previous fiscal year, is included in “Other” in the fiscal year under review due to a decrease in its financial significance. To reflect this change, the non-consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 19 million yen in “Foreign exchange gain” and 33 million yen in “Other” under “Non-operating income” in the Non-Consolidated Balance Sheet for the previous fiscal year have been reclassified as 53 million yen in “Other”.

(Additional Information)

Change in the holding purpose of assets

Due to a change in the holding purpose, 4,767 million yen in property, plant and equipment (“buildings” of 2,274 million yen and “land” of 2,492 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, 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, 2025	As of March 31, 2026
Real estate for sale	13,274 million yen	10,781 million yen
Real estate for sale in process	92,146	122,205
Buildings	6,363	3,759
Land	8,981	6,488
Other	28	28
Total	120,794 million yen	143,263 million yen

(2) Liabilities for the above

	As of March 31, 2025	As of March 31, 2026
Long-term borrowings (including current portion of long-term borrowings)	70,481 million yen	87,272 million yen
Total	70,481 million yen	87,272 million yen

*2 Assets and liabilities related to affiliated companies (excluding those presented separately)

	As of March 31, 2025	As of March 31, 2026
Short-term monetary claim	100 million yen	100 million yen
Short-term monetary obligations	131	380
Long-term monetary obligations	-	81

3. Debt Guarantees

(1) Guarantees for affiliated companies' borrowings from financial institutions

	As of March 31, 2025	As of March 31, 2026
Sun Frontier Hotel Management Inc.	8,151 million yen	15,697 million yen
Sun Frontier Sado Inc.	387	350
SF Communication Inc.	17	8
Hotel Osado Co., Ltd.	462	490
AQUA TOWER LIMITED LIABILITY COMPANY	947	1,118

(2) Guarantees for affiliated companies' indemnity obligations to financial institutions

	As of March 31, 2025	As of March 31, 2026
Sun Frontier Hotel Management Inc.	- million yen	1,650 million yen

(3) Guarantees for customers' borrowings from financial institutions

	As of March 31, 2025	As of March 31, 2026
	- million yen	986 million yen

(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, 2025	For the year ended March 31, 2026
Operating transactions (revenue)	504 million yen	543 million yen
Operating transactions (expenses)	1,553	1,403
Non-operating transactions (revenue)	61	102

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

	For the year ended March 31, 2025	For the year ended March 31, 2026
Sales commission	1,057 million yen	939 million yen
Commission paid	1,550	1,732
Salaries and allowances	2,158	2,478
Transfer to provision for bonuses	172	189
Transfer to provision for bonuses for directors (and other officers)	69	80
Transfer to provision for share-based remuneration	13	15
Allowance for doubtful accounts provision	-	0
Depreciation	194	195
Approximate percentage		
Selling costs	12.8%	10.5%
General and administrative expenses	87.2%	89.5%

*3 Gain on extinguishment of tie-in shares

Gain on extinguishment of tie-in shares was recorded due to the absorption-type merger of Navd Inc., a consolidated subsidiary, with the Company as the surviving company on November 1, 2025.

*4 Loss on extinguishment of tie-in shares

Loss on extinguishment of tie-in shares was recorded due to the absorption-type merger of UT Trading LLC, a consolidated subsidiary, with the Company as the surviving company on April 1, 2025, and CRC Japan Co., Ltd. on June 1, 2025.

(Securities)

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

For the year ended March 31, 2026

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, 2026 (million yen)
Shares of subsidiaries	27,262
Shares of affiliates	-
Total	27,262

(Tax Effect Accounting)

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

	As of March 31, 2025	As of March 31, 2026
Deferred tax assets		
Inventories	686 million yen	1,025 million yen
Denial of loss on devaluation of shares of subsidiaries and affiliates	690	708
Denial of loss on valuation of investment securities	48	81
Accrued enterprise tax	169	182
Allowance for doubtful accounts	41	33
Taxes and duties	79	108
Denial of accrued liability	137	65
Accrued expenses	90	106
Provision for bonuses	52	59
Long-term accounts payable	17	17
Denial of loss on devaluation of non-current assets	9	9
Excess depreciation	48	39
Asset retirement obligations	-	49
Other	128	211
Subtotal deferred tax assets	2,202 million yen	2,698 million yen
Valuation allowance	-729	-696
Total deferred tax assets	1,473 million yen	2,002 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale securities	1 million yen	1 million yen
Valuation of inventory assets	-	280
Asset retirement obligations	-	16
Other	0	0
Total deferred tax liabilities	1 million yen	298 million yen
Net deferred tax assets	1,471 million yen	1,703 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).

(Business combinations, etc.)

Business combination through acquisition

Omitted because the same contents are stated in “Notes (Business combinations, etc.)” in the consolidated financial statements.

(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)

Capital and Business Alliance Agreement

On February 25, 2026, the Company entered into a capital and business alliance agreement with ITOCHU Corporation (hereinafter “ITOCHU”) for the purpose of enhancing the corporate value of both companies over the medium to long term by combining the resources and know-how of the Company and ITOCHU, expanding the existing businesses of both companies and developing new ones. In connection with this, new shares were issued through a third-party allotment and a tender offer for the Company’s shares was conducted as follows.

1. Issuance of new shares by third-party allotment

On April 1, 2026, new shares were issued by the third-party allotment method. The outline is as follows.

(i) Overview of the capital increase by third-party allotment

(1) Due date	April 1, 2026
(2) Number of shares newly issued	5,500,000 common shares
(3) Issue price	2,438 yen per share
(4) Amount of funds to be procured	13,409,000,000 yen
(5) Amount of stated capital to be increased	6,704,500,000 yen
(6) Amount of capital reserve to be increased	6,704,500,000 yen
(7) Method of offering or allotment (allottee)	All shares shall be allotted to ITOCHU by way of third-party allotment

(ii) Change in the total number of issued shares and the amount of stated capital by way of the capital increase by third-party allotment

(1) Total number of issued shares before capital increase	51,907,314 shares (amount of stated capital before capital increase: 14,414,211,307 yen)
(2) Number of shares to be increased by capital increase	5,500,000 common shares (amount of stated capital to be increased: 6,704,500,000 yen)
(3) Total number of issued shares after capital increase	57,407,314 shares (amount of stated capital after capital increase: 21,118,711,307 yen)

2. Tender offer for company shares by SI Corporation, a wholly owned subsidiary of ITOCHU

A tender offer for common shares of the Company that SI Corporation (the “Tender Offeror”), which is a wholly-owned subsidiary of ITOCHU, had been conducting since February 26, 2026 was completed on April 9, 2026, and the total number of share certificates, etc. tendered (7,768,279 shares) exceeds the maximum number of shares that may be purchased through the tender offer (6,656,900 shares) and therefore the Tender Offeror will acquire 6,656,900 Company shares, which constitutes the maximum number of shares that may be purchased.

As a result, together with the above-mentioned capital increase by third-party allotment on April 1, 2026, the number of voting rights in Company’s shares held by ITOCHU directly or through the Tender Offeror as of April 16, 2026 (the commencement

date of settlement of the tender offer) exceeded 20% of the number of voting rights of all shareholders of the Company, and ITOCHU newly became an “other affiliated company” of the Company as of the same date.

(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, 2026	Decrease during the fiscal year ended March 31, 2026	Depreciation /amortization during the current fiscal year	Balance at end of the fiscal year	Accumulated depreciation/ amortization
Property, plant and equipment	Buildings	6,716	241	2,283	447	4,227	1,709
	Land	9,056	-	2,492	-	6,563	-
	Other	127	194	133	42	146	263
	Total	15,900	435	4,908	489	10,937	1,973
Intangible assets	Other	543	192	25	139	571	-
	Total	543	192	25	139	571	-

Note: Of the increase during the current period, the main items are as follows.

Buildings	Real estate revitalization	Decrease due to change in holding purpose of Rental Building Business assets (office buildings)	2,274 million yen
Land	Real estate revitalization	Decrease due to change in holding purpose of Rental Building Business assets (office buildings)	2,492 million yen

Schedule of allowances

(Unit: million yen)

Item	Balance at beginning of the fiscal year	Increase during the fiscal year ended March 31, 2026	Decrease during the fiscal year ended March 31, 2026	Balance at end of the fiscal year
Allowance for doubtful accounts	123	0	17	105
Provision for bonuses	173	190	173	190
Provision for bonuses for directors (and other officers)	69	79	69	79
Provision for share-based remuneration	103	16	0	119

(2) Major assets and liabilities

This information is omitted because consolidated financial statements are prepared.

(3) Other

Not applicable.

Item. 6 Overview of Share Administration 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	<p>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.sunfrt.co.jp/</p>																																															
Shareholder benefits	<p>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.</p> <p>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.</p> <table border="1" data-bbox="486 1249 1406 1305"> <tr> <td>Frequency</td> <td>Once every year with a base date of March 31</td> <td>Timing</td> <td>Around the end of June</td> </tr> </table> <p>2. Period of use of the complementary coupons One year from July 1 of the year of issuance to June 30 of the following year</p> <p>3. Classification based on number of shares held and holding period</p> <table border="1" data-bbox="491 1447 1417 2018"> <thead> <tr> <th rowspan="2">Number of shares held</th> <th rowspan="2">Holding period</th> <th colspan="2">Number of coupons to be gifted</th> </tr> <tr> <th>(i) Complimentary coupon 1,000 yen</th> <th>(ii) Complimentary coupon 5,000 yen</th> </tr> </thead> <tbody> <tr> <td>100 shares or more and less than 300 shares</td> <td>-</td> <td>1</td> <td>-</td> </tr> <tr> <td>300 shares or more and less than 500 shares</td> <td>-</td> <td>-</td> <td>1</td> </tr> <tr> <td>500 shares or more and less than 1,000 shares</td> <td>-</td> <td>-</td> <td>2</td> </tr> <tr> <td>1,000 shares or more and less than 3,000 shares</td> <td>-</td> <td>-</td> <td>4</td> </tr> <tr> <td>3,000 shares or more and less than 5,000 shares</td> <td>-</td> <td>-</td> <td>10</td> </tr> <tr> <td>5,000 shares or more and less than 10,000 shares</td> <td>-</td> <td>-</td> <td>16</td> </tr> <tr> <td>10,000 shares or more</td> <td>-</td> <td>-</td> <td>30</td> </tr> <tr> <td>500 shares or more and less than 1,000 shares</td> <td rowspan="2">3 years or more*</td> <td>-</td> <td>4</td> </tr> <tr> <td>1,000 shares or more and less than 3,000 shares</td> <td>-</td> <td>8</td> </tr> </tbody> </table>			Frequency	Once every year with a base date of March 31	Timing	Around the end of June	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 and less than 3,000 shares	-	-	4	3,000 shares or more and less than 5,000 shares	-	-	10	5,000 shares or more and less than 10,000 shares	-	-	16	10,000 shares or more	-	-	30	500 shares or more and less than 1,000 shares	3 years or more*	-	4	1,000 shares or more and less than 3,000 shares	-	8
Frequency	Once every year with a base date of March 31	Timing	Around the end of June																																													
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1,000 shares or more and less than 3,000 shares		-	8																																													

*Please refer to the Company's website below for details on shareholder benefits.

https://www.sunfrt.co.jp/ir_info/stockholder_benefit_plan/

	3,000 shares or more and less than 5,000 shares		-	20
	5,000 shares or more and less than 10,000 shares		-	32
	10,000 shares or more		-	60
<p>*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 the specified number of shares (500 shares, 1,000 shares, 3,000 shares, 5,000 shares, 10,000 shares) 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.</p>				

- Note:
1. The Company entered into a capital and business alliance agreement with ITOCHU Corporation on February 25, 2026. Based on this, on April 1, 2026, the Company conducted a third-party allotment (5,500,000 shares) to ITOCHU Corporation. The Company has granted the voting rights of the shares at the 27th Annual General Meeting of Shareholders. In addition, as a result of the completion of the settlement of the tender offer by a wholly-owned subsidiary of ITOCHU Corporation on April 16, 2026, ITOCHU Corporation holds more than 20% of the Company's voting rights, including direct and indirect holdings, and has become an "other affiliated company" of the Company.
 2. 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, 2026 to the filing date of the Annual Securities Report.

(1) Annual Securities Report and Documents Attached, and Confirmation Letter

The 26th fiscal year (from April 1, 2024 to March 31, 2025)

Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2025

(2) Internal Control Report and Documents Attached

Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2025

(3) Semi-annual Securities Report and Confirmation Letter

Interim period for the 27th fiscal year (from April 1, 2025 to September 30, 2025)

Submitted to the Director-General of the Kanto Local Finance Bureau on November 11, 2025

(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 25, 2026

Extraordinary Report pursuant to Article 19, Paragraph 2, Item 12-2 (Material Agreements with Shareholders (Agreements on Governance, Voting Rights, Shareholdings, etc.) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau on February 25, 2026

Extraordinary Report pursuant to Article 19, Paragraph 2, Item 4 (Change in Major Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau on April 10, 2026

(5) Securities Registration Statement and Documents Attached

Securities Registration Statement concerning issuance of new shares by way of third party allotment

Submitted to the Director-General of the Kanto Local Finance Bureau on February 25, 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 22, 2026

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, 2025 to March 31, 2026 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, 2026, 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 (including provisions applied to the audit of financial statements of entities with a high degree of social impact) 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 for 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
<p>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 17,949 million yen in real estate for sale and 160,392 million yen in real estate for sale in process, accounting for 67.4% of total assets.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>We mainly implemented the following procedures for the evaluation of real estate for sale, etc.</p> <ul style="list-style-type: none"> • 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.
- Plan and conduct the audit of the consolidated financial statements to obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries, which serves as the basis for our opinion on the consolidated financial statements. We are responsible for the direction, supervision, and inspection 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, 2026, 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, 2026, 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 (including provisions applied to the audit of financial statements of entities with a high degree of social impact) 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.
- Plan and conduct the audit of the internal control to obtain sufficient and 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 inspection 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.

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.

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 22, 2026

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 27th fiscal year from April 1, 2025 to March 31, 2026 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, 2026, 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 (including provisions applied to the audit of non-consolidated financial statements of entities with a high degree of social impact) 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 for 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
<p>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 13,574 million yen in real estate for sale and 133,689 million yen in real estate for sale in process, accounting for 66.4% 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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>We mainly implemented the following procedures for the evaluation of real estate for sale, etc.</p> <ul style="list-style-type: none"> • 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 for 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.