

Annual Securities Report

The 24th From April 1, 2022
Fiscal Year to March 31, 2023

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.

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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 28, 2023
Fiscal year	The 24th Fiscal Year (from April 1, 2022 to March 31, 2023)
Company name	Sun Frontier Fudousan Kabushiki Kaisha
Company name in English	Sun Frontier Fudousan Co., Ltd.
Title and name of representative	Seiichi Saito, President Representative Director
Address of registered head office	1-2-2 Yurakucho, Chiyoda-ku, Tokyo, Japan
Telephone number	+81 (0)3 5521-1301
Name of contact person	Takeshi Hirahara, Executive Officer, General Manager of Corporate Planning Division
Nearest place of contact	1-2-2 Yurakucho, Chiyoda-ku, Tokyo, Japan
Telephone number	+81 (0)3 5521-1301
Name of contact person	Takeshi Hirahara, Executive Officer, General Manager of Corporate Planning Division
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan)

Part I Corporate Information

Item 1. Overview of the Company and Its Consolidated Subsidiaries

1. Summary of Business Results

(1) Consolidated

Fiscal year		20th	21st	22nd	23rd	24th
Year ended		March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Net sales	(million yen)	53,291	73,218	59,632	71,251	82,777
Ordinary profit	(million yen)	12,813	16,127	7,524	12,215	14,722
Profit attributable to owners of parent company	(million yen)	8,783	10,666	4,274	7,415	11,612
Comprehensive income	(million yen)	8,563	10,632	4,006	7,738	11,980
Net assets	(million yen)	55,860	64,809	69,773	74,452	83,965
Total assets	(million yen)	110,898	130,293	127,485	136,512	152,519
Net assets per share	(yen)	1,145.34	1,326.93	1,368.14	1,463.74	1,663.33
Earnings per share	(yen)	180.35	219.03	87.77	152.26	238.98
Fully diluted earnings per share	(yen)	180.33	218.97	87.73	152.12	238.76
Equity ratio	(%)	50.3	49.6	52.3	52.2	52.9
Equity profit margin	(%)	16.8	17.7	6.5	10.8	15.3
Price earnings ratio	(times)	6.6	3.7	11.0	6.9	5.4
Cash flows from operating activities	(million yen)	(5,988)	(2,697)	4,733	17,443	16,544
Cash flows from investing activities	(million yen)	(4,258)	(4,441)	451	(9,386)	(6,681)
Cash flows from financing activities	(million yen)	6,599	5,535	(1,150)	449	2,039
Cash and cash equivalents at end of period	(million yen)	18,933	17,394	21,319	29,951	41,914
Number of employees [Number of temporary employees]	(persons)	522 [307]	612 [401]	641 [475]	696 [532]	702 [601]

Notes: 1. “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 as of March 31, 2020) has been applied from the beginning of the 23rd fiscal period. Major management indicator, etc. for the 23rd fiscal period are the indicators after the application of the accounting standards, etc.

2. The Company has adopted the Employee Stock Ownership Plan (J-ESOP) since the 19th fiscal year, 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 for the 19th fiscal year and thereafter. 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 Company

Fiscal year		20th	21st	22nd	23rd	24th
Year ended		March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Net sales	(million yen)	48,722	64,472	42,002	59,563	52,097
Ordinary profit	(million yen)	12,846	16,822	7,994	14,356	11,753
Profit	(million yen)	8,806	11,122	5,314	9,284	7,871
Share capital	(million yen)	11,965	11,965	11,965	11,965	11,965
Total number of shares outstanding	(shares)	48,755,500	48,755,500	48,755,500	48,755,500	48,755,500
Net assets	(million yen)	55,683	64,934	68,204	74,432	79,859
Total assets	(million yen)	104,548	121,708	114,729	124,800	137,212
Net assets per share	(yen)	1,143.30	1,333.15	1,400.21	1,527.80	1,645.34
Dividends per share (Including interim dividends per share)	(yen)	38.50 (-)	42.00 (-)	42.00 (-)	44.00 (21.00)	48.00 (23.00)
Earnings per share	(yen)	180.84	228.39	109.12	190.65	161.98
Fully diluted earnings per share	(yen)	180.82	228.33	109.07	190.47	161.83
Equity ratio	(%)	53.3	53.3	59.4	59.6	58.2
Equity profit margin	(%)	16.9	18.4	8.0	13.0	10.2
Price earnings ratio	(times)	6.5	3.6	8.9	5.5	7.9
Dividend payout ratio	(%)	21.3	18.4	38.5	23.1	29.6
Number of employees	(persons)	290	313	319	357	329
Total shareholder yield	(%)	129.48	96.29	115.77	128.87	127.6
(Comparison index: TOPIX including dividends)	(%)	(110.00)	(99.60)	(141.50)	(144.30)	(131.8)
Highest share price	(yen)	1,485	1,382	1,077	1,263	1,317
Lowest share price	(yen)	926	722	703	912	1,005

Notes:

1. “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 as of March 31, 2020) has been applied from the beginning of the 23rd fiscal period. Major management indicator, etc. for the 23rd fiscal period are the indicators after the application of the accounting standards, etc.
2. The Company has adopted the Employee Stock Ownership Plan (J-ESOP) since the 19th fiscal year, 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 for the 19th fiscal year and thereafter. Therefore, when calculating earnings per share, the weighted average number of shares for the period in common shares is calculated including the number of the said shares in treasury share. In calculating the amount of net assets per share, the said number of shares is included in the number of treasury shares to be deducted from the total number of issued shares at the end of the period.
3. Dividend of 38.5 yen per share for the 20th fiscal year includes the 20th anniversary commemorative dividend of 2 yen per share.
4. Prior to April 3, 2022, the highest and lowest share prices were recorded on the First Section of the Tokyo Stock Exchange, and after April 4, 2022 were recorded on the Prime Section of the Tokyo Stock Exchange.

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 is in brokerage, leasing and management of commercial real estate.
December 1999	Acquired license from the Minister of Construction as Real Estate Transaction Specialist (Minister of Construction (currently Ministry of Land, Infrastructure, Transport and Tourism) License).
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. Sold the first used business revenue building (Chuo-ku, Tokyo) (Revitalization Business).
January 2001	Started Replanning Business (Real Estate Revitalization and Utilization business).
April 2001	Started rental brokerage of commercial business.
January 2002	Obtained a general construction business license as a construction business (approved by the Governor of Tokyo.) Registered as a Senior 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 and started the real estate appraisal business (registered by the Governor of Tokyo).
November 2003	Sale of 1st conversion type residential revenue building (Minato-ku, Tokyo) (Revitalization Business).
November 2004	Over-the-counter registration of shares in Japan Securities Dealers Association General real estate investment advisory business registration (Minister of Land, Infrastructure, Transport and Tourism registration).
December 2004	Canceled over-the-counter registration in Japan Securities Dealers Association and listed its shares on the JASDAQ Securities Exchange. Established the first revitalization real estate fund.
April 2005	Moved registered place of business to 3-9-11, Ginza, Chuo-ku, Tokyo.
July 2005	Established SF Building Support Inc. and started the Rent Guarantee Business.
August 2005	Registered the business of the Sale and Purchase of Trust Beneficial Interests (registered by the Director-General of the Kanto Local Finance Bureau).
December 2005	Obtained special construction license (from Governor of Tokyo).
February 2007	Got listed on the first section of the Tokyo Stock Exchange.
June 2007	Relocated head office to 1-2-2, Yurakucho, Chiyoda-ku, Tokyo
September 2007	Registered the 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.) a consolidated subsidiary and started Building Maintenance Business.
March 2013	Sun Frontier Fudousan Taiwan Co., Ltd. is established in Taipei City.
November 2013	Joined the Japan Business Federation.
August 2015	Established Sun Frontier Hotel Management Inc. and began operating hotels.
October 2015	Made a business alliance on hotel business in Japan with Spring Group of China.
December 2015	SUN FRONTIER VIETNAM CO., LTD. established in Vietnam.
April 2016	Started Conference Room Rental Business.
December 2016	Made Hotel Sky Court Hotel Co., Ltd. (currently Sky Heart Hotel Inc.) into a consolidated subsidiary.
November 2017	Established Sun Frontier Sado Co., Ltd. and started to work on Regional Revitalization Business.
February 2018	Purchased the business of “Hotel AZUMA”, a long-established ryokan.
June 2018	Acquired “VIP Nangoku”, a business hotel (currently SKY HEART Hotel Shimonoseki).
October 2018	Obtained permission for Act on Specified Joint Real Estate Ventures (Commissioner of the Financial Services Agency / Minister of Land, Infrastructure, Transport and Tourism), started specified joint real estate ventures.
January 2019	Made Kouwa Corporation (currently SF Engineering Corporation) into a consolidated subsidiary.
April 2019	Spun off Conference Room Rental Business and established Sun Frontier Space Management Co., Ltd.
November 2020	Sun Frontier Hotel Management Inc. takes over the Hotel Development Business through a corporate split (simplified absorption-type split).
January 2021	Made Japan System Service Inc. into a consolidated subsidiary.
February 2021	Made Communication Development 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 through a revision of the market classification of the Tokyo Stock Exchange

3. Description of Business

The Group consists of the Company, 22 consolidated subsidiaries and 2 equity-method associated companies, and includes Real Estate Revitalization Business, Real Estate Service Business, Hotel and Tourism Business and Other.

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

(1) Real Estate Revitalization Business

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

(i) Replanning Business

We raise market value by purchasing an existing office building in central Tokyo and transforming it into a high-quality, well-designed building with a new concept that embodies the needs of the clients' point of view and improve occupancy rate through ability of tenant mediation rooted in the local community, and then sell it to building owners and investors.

In addition, after the sale, we are working to build a deep and long relationship that enables us to stay close to clients through real estate services in Property Management Business.

(Major affiliated companies) Sun Frontier NY CO., Ltd.

(ii) Rental Building Business

The Company conducts Rental Building Business by purchasing, holding or leasing and subleasing properties in accordance with the Company's ownership standards, such as profitable business buildings that are located in good locations and are expected to increase their value in the future. The Company has maintained high occupancy rate 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, rent income from Replanning properties still in the process of planning until sales belongs to this business too.

(2) Real Estate Service Business

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

(i) Property Management Business

A. Property Management Business

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

B. Building Maintenance Business

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

(Major affiliated companies) SF Building Maintenance Inc.
Japan System Service Co., Ltd.

(ii) Brokerage Business

A. Brokerage Business

The Company engages in a consulting Brokerage Business in which it coordinate with financial institutions, attorneys at law, tax accountants, etc., evaluates and assesses properties promptly in response to information on the sale of commercial profitable buildings and single-building profitable condominiums, and introduces potential buyers. In addition, among the abundant property information we have, properties that meet certain requirements are designated as Replanning Business purchase properties, and we are engaged in introducing recycled properties to customers as sales properties.

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

B. Leasing Business

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

(iii) Conference Room Rental Business

We are working to maximize the value of space and time in central Tokyo office buildings. We operate “Vision Center” which is our Conference Room Rental Business, “Vision Office” which is our monthly office rental business, and “Order Made Space” in which we rent spaces on a weekly or monthly basis. We have concentrated our stores in the central Tokyo area, where we can make use of the land intuition and branch network that we have cultivated in Office Building Business, and are pursuing convenience by responding quickly, flexibly and sensitively to client requests.

(Major affiliated companies) Sun Frontier Space Management Inc.

(iv) Rent Guarantee Business

Rent Guarantee Business provides guarantees to building owners for rent payment obligations for tenants using the 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, making it possible to move in to offices and stores. For building owners and fund companies (asset management companies), in addition to the delinquent rent, restoration costs, and administrative burden, the Group provides peace of mind to building owners by reducing the mental burden associated with negotiations with tenants who are delinquent in rent.

(Major affiliated companies) SF Building Support Inc.

(3) Hotel and Tourism Business

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

(i) Hotel Development Business

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

(Major affiliated companies) Sun Frontier Hotel Management Inc.
Sun Frontier Okinawa Co., Ltd.

(ii) Hotel Operation Business

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

In addition, we have been working toward regional revitalization on Sado island, Niigata prefecture, under the slogan “We will energize Sado Island through tourism!”

(Major affiliated companies) Sun Frontier Hotel Management Inc.
Sky Heart Hotel Inc.
Sun Frontier Sado Co., Ltd.

(4) Other

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

(i) Overseas Development Business

In addition to promoting the development and management business of high-rise condominiums in Vietnam, the Group has

also been entrusted with the development of urban-type detached houses and the ownership and management of serviced apartments with the aim of providing opportunities for wealthy clients in Japan and Asia to invest in real estate in large Asian cities and contributing to the development of local economies.

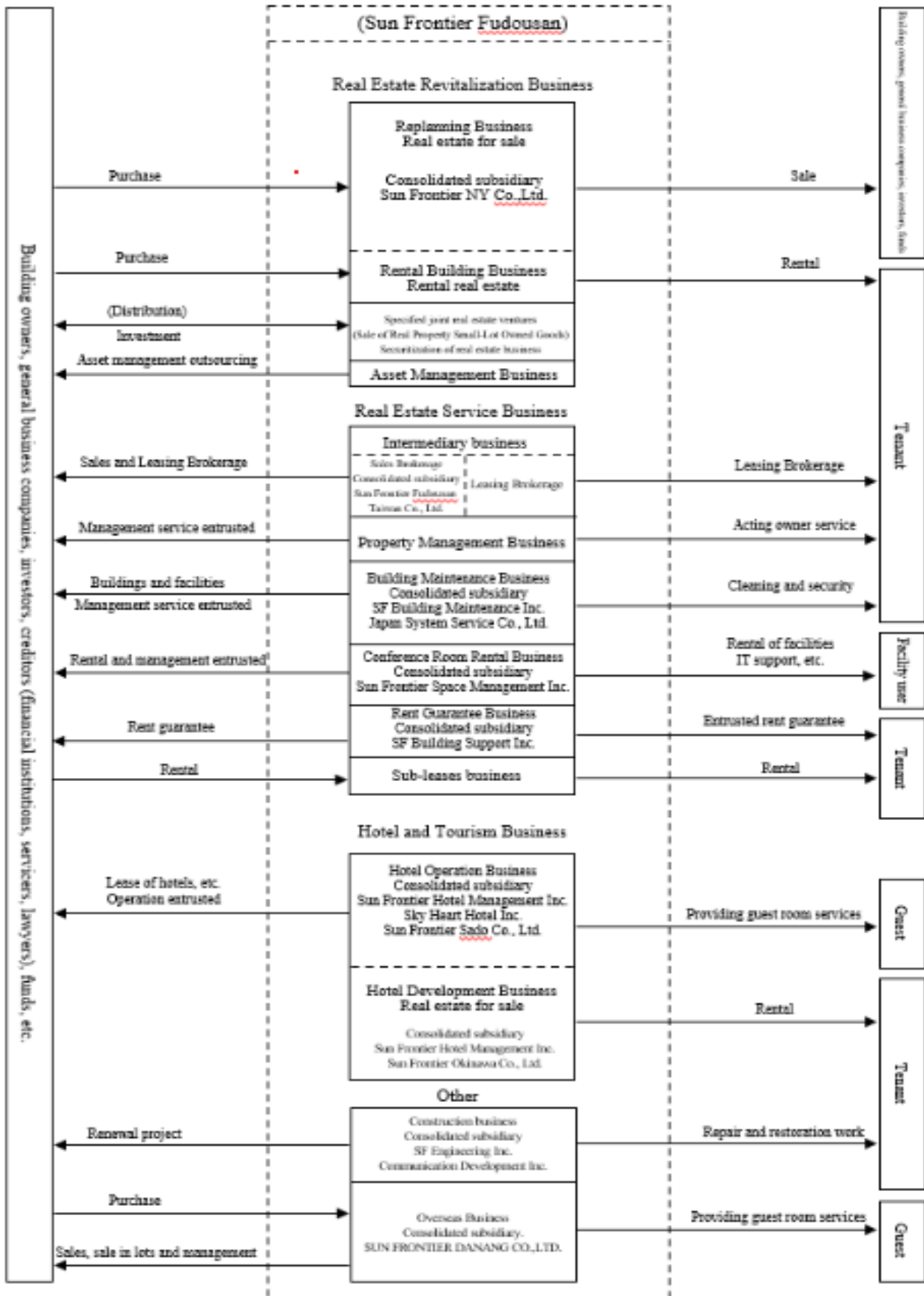
(Major affiliated companies) SUN FRONTIER DANANG CO.,LTD.

(ii) Construction Business

The Group is engaged in renovation planning, repair and renovation of commercial real estate. In addition to interior finishing work by tenants moving in and out, restoration work, work ordered from building owners, and renewal work, we also engage in contract work for interior finishing work in buildings and telecommunications work from major construction companies.

(Major affiliated companies) SF Engineering Inc.

SF Communication Inc.



4. Overview of Subsidiaries and Affiliates

Company name	Location	Share capital	Major business	Ownership of voting rights (%)	Relationship
(Consolidated subsidiaries)					
SF Building Support Inc.	Chiyoda-ku	50 million yen	Rent Guarantee Business	100.0	One person serving concurrently as officer
SF Building Maintenance Inc.	Sumida-ku	20 million yen	Building Maintenance business	100.0	One person serving concurrently as officer
Sun Frontier Space Management Inc.	Minato-ku	50 million yen	Conference Room Rental Business	100.0	Two persons serving concurrently as officers
SF Engineering Inc.	Sumida-ku	20 million yen	Construction and interior finishing	100.0	One person serving concurrently as officer
SF Communication Inc.	Chuo-ku	45 million yen	Electrical and telecommunications engineering	100.0	One person serving concurrently as officer
Navd Co., Ltd.	Chuo-ku	10 million yen	Office planning and design, Web marketing business	90.0	Two persons serving concurrently as officers
Sun Frontier Hotel Management Inc.	Chiyoda-ku	100 million yen	Hotel development and operation business	100.0	Two persons serving concurrently as officers
Sky Heart Hotel Inc.	Chiyoda-ku	10 million yen	Hotel planning and operation business	100.0	One person serving concurrently as officer
Sun Frontier Sado Co., Ltd.	Sado-shi, Niigata	100 million yen	Hotel planning and operation business and Regional Revitalization	100.0	Two persons serving concurrently as officers
Hotel Osado Co., Ltd.	Sado-shi, Niigata	100 million yen	Hotel operation business, Regional Revitalization Business	100.0	Two persons serving concurrently as officers
Okesa Kanko Taxi Co., Ltd.	Sado-shi, Niigata	10 million yen	Passenger automobile transport business	100.0	One person serving concurrently as officer
Sun Frontier Okinawa Co., Ltd.	Naha-shi, Okinawa	230 million yen	Hotel development, hotel planning and operation business	100.0	Two persons serving concurrently as officers
SF Marine Power Generation Co.,Ltd.	Chiyoda-ku	5 million yen	Design, sales and maintenance of marine power generation system	50.0	One person serving concurrently as officer
Sun Frontier Fudousan Taiwan Co., Ltd.	Taiwan	10 million Taiwan dollar	Real estate consulting business	100.0	Two persons serving concurrently as officers
SUN FRONTIER VIETNAM CO.,LTD.	Socialist Republic of Vietnam	6,000 million Vietnamese dong	Real estate business in Vietnam	100.0	One person serving concurrently as officers
SUN FRONTIER DANANG CO.,LTD.	Socialist Republic of Vietnam	160,466 million Vietnamese dong	Real estate business in Vietnam	100.0	One person serving concurrently as officers
PT.SUN FRONTIER INDONESIA	REPUBLIC OF INDONESIA	76,835 million Indonesian rupiah	Real estate business in Indonesia	85.0	Two persons serving concurrently as officers
PT.SUN FRONTIER PROPERTY ONE	REPUBLIC OF INDONESIA	120,000 million Indonesian rupiah	Real estate business in Indonesia	99.95	Two persons serving concurrently as officers
Sun Frontier NY Co., Ltd.	United States	3,000 thousand U.S. dollar	Real Estate Revitalization Business in the United States	100.0	One person serving concurrently as officer
340 West 48 SG LLC	United States	5,900 thousand U.S. dollar	Real Estate Revitalization Business in the United States	90.0	One person serving concurrently as officer
439 West 46 SG LLC	United States	9,065 thousand U.S. dollar	Real Estate Revitalization Business in the United States	90.0	One person serving concurrently as officer
437 West 46 SG LLC	United States	7,380 thousand U.S. dollar	Real Estate Revitalization Business in the United States	90.0	One person serving concurrently as officer
453 West 48 SG LLC	United States	3,772 thousand U.S. dollar	Real Estate Revitalization Business in the United States	90.0	One person serving concurrently as officer

Notes: 1. In addition to the companies listed above, there is one equity-method affiliate.

2. Net sales (excluding internal net sales between consolidated companies) of Sun Frontier Hotel Management Co., Ltd accounts for more than 10% of the consolidated net sales. Major profit and loss information is as follows.

(1) net sales	21,004 million yen
(2) ordinary profit	1,085 million yen
(3) profit	1,942 million yen
(4) net assets	9,717 million yen
(5) total assets	19,245 million yen

5. Employees**(1) Consolidated**

As of March 31, 2023

Segment Name	Number of Employees)
Real Estate Revitalization Business	57 (1)
Real Estate Service Business	305 (196)
Hotel and Tourism Business	201 (382)
Reportable segment Total	563 (579)
Other	98 (12)
Company-wide (common)	41 (10)
Total	702 (601)

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

(2) The Company

As of March 31, 2023

Number of Employees	Average age (years old)	Average length of service (years)	Average annual salary (thousand yen)
329 (27)	36.4	6.7	7,200

Segment Name	Number of Employees)
Real Estate Revitalization Business	57 (1)
Real Estate Service Business	198 (10)
Hotel and Tourism Business	0 (0)
Reportable segment Total	255 (11)
Other	33 (6)
Company-wide (common)	41 (10)
Total	329 (27)

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

(3) Status of labor unions

Although no labor union has been formed, labor-management relations are moving smoothly

(4) KPIs for diversity

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

	Ratio of female employees in managerial positions Note 1, 2	Percentage of male employees taking childcare leave Note 3	Wage differentials between men and women (%) Note 1		
			All employees	Employees	Temporary workers Note 4
Sun Frontier Fudousan Co., Ltd.	8.8	7.7	76.5	74.5	111.3
Sun Frontier Hotel Management Co., Ltd.	13.8	25.0	46.8 Note 5	68.6	65.3

Notes: 1. Calculated in accordance with the provisions of the “Act on the Promotion of Women's Active Engagement in Professional Life” (Act No. 64 of 2015).

2. The ratio of female employees in managerial positions is the ratio as of the end of March 2023 in comparison to all employees.

3. In accordance with the provisions of the “Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave” (Act No. 76 of 1991) the percentage of male employees taking childcare leave between April 1, 2022 and March 31, 2023 is calculated based on Article 71-4, Item 1 of the “Ordinance for Enforcement of the Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave” (Ordinance of the Ministry of Labor No. 25 of 1991) in comparison to all employees.

4. Temporary workers includes part-time and contract employees but excludes dispatch workers.

5. The ratio of part-time and temporary employees to all employees of Sun Frontier Hotel Management Co., Ltd. is 62.2%, of which 75.7% are female employees. As a result, there is a large difference in wages between men and women. However, the reason for the difference is that the working style has an upper income limit based on the employee's wishes.

For other indices related to diversity, please refer to “Sustainability” ESG data Social [S]-related data https://www.sunfrt.co.jp/sustainability/esg_library/esg_data/social.html (English website: <https://www.sunfrt.co.jp/en/sustainability/>) on the Company's website.

Item 2: Business Overview

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

The forward-looking statements in herein are based on the judgment of the Group as of the date of submission of the Annual Securities Report

(1) Management policies and strategies

(i) Basic policy of corporate management

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

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

(ii) Target management indicator

Aiming for stable growth over the medium to long term, the Group places importance on maintaining at least 20% Ordinary profit margin from the perspective of profitability and productivity, at least 50% Equity Ratio from the perspective of financial security, and at least 10% ROE, which indicates how effectively the Group managed Shareholders' equity.

(iii) Management environment

In the Japanese economy, the recovery of the accommodation and tourism industries has progressed as the restrictions on movement due to the pandemic of COVID-19 have been eased and economic activities have been normalized. In the global economy, risks have become apparent in various areas, including economic stagnation due to interest rate increases in Europe and the United States, bankruptcy of the European and North American financial institutions, and geopolitical risks. Therefore, we must pay close attention to fluctuations in the financial and capital markets.

(2) Priority business and financial issues to be addressed

The impact of the spread of COVID-19 infections since the beginning of 2020 has significantly changed the business environment surrounding the Group. Against the backdrop of these changes in the business environment and the shift to a new normal, the Group revised the medium-term management plan in May 2021 in order to reestablish a sustainable growth path. The end date of the plan was extended by two years to March 2025 without changing the quantitative target specified in the plan. Basic policy has been determined to provide “places where people gather and communicate with each other, and create social development and happiness for people.” We will redefine the value of places where people come together amid the major changes in values caused by the COVID-19 pandemic and work to solve new social issues through offices, hotels, and other facilities.

<Initiatives for Sustainability>

The Group has put into practice a philosophy management based on the spirit of altruism since our founding. Also, the Company has been promoting business activities that contribute to the sustainability of society by defining the Corporate Philosophy as “we reduce the waste of non-renewable resource on earth and contribute to the prosperity of the people, plants and animals.”

The spirit of altruism is the idea that we value others as much as we value ourselves. Our desire to make many people smile and to contribute to the prosperity of people, plants and animals on the earth is the foundation of our business philosophy. We also place

great importance on being close to clients while sharing the value that “the pleasure of others is one’s own”, with “rightness” and “consideration” based on right and wrong rather than gain and loss.

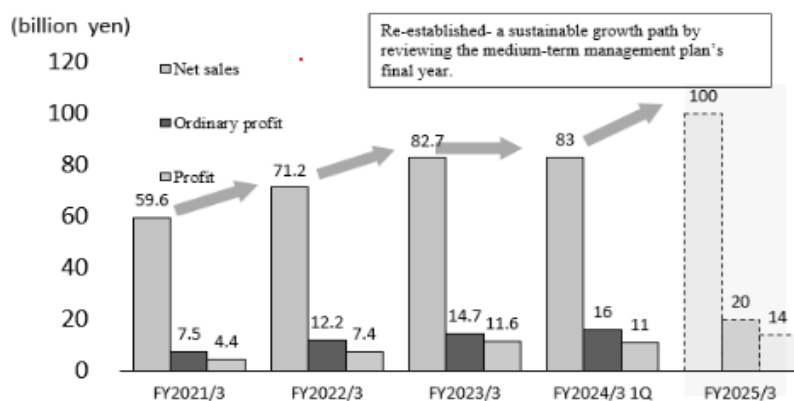
This concept of the Group was redefined as our Sustainability Vision. We have identified three important issues (materiality), namely environmental protection, regional revitalization, and human resource development, and are promoting sustainable management that integrates with the spirit of altruism. We will continue to increase our corporate value over the medium to long term by realizing this vision and implementing specific measures on important issues to contribute to the realization of a sustainable society through our operational activities.

<Initiatives towards Digital Transformation>

Digitalization is also our priority. Due to the COVID-19 pandemic, the digitalization of society has been rapidly and forcibly advanced. In addition, society is facing an era of labor shortages due to the decline in the working-age population caused by the declining birthrate. At the same time, improvements in labor productivity are required. Due to these changes in social conditions, digital transformation (DX) in companies has become an urgent task. In April 2022, the Company reorganized its existing division, the Digitalization Promotion Office, into the DX Business Division, which aims to speed up the use of digital technology and strengthen its expertise. The aim is to realize data driven management and to implement a digital transformation that integrates the Group’s expertise and digital technology.

FY ending March 31, 2025
(Quantitative target)

Net sales	100 billion yen
Ordinary profit	20 billion yen
Profit	14 billion yen
Ordinary profit margin	20% or more
Equity ratio	50% level
Return on Equity	10% or more



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 Group policy.

■ Three important sustainability issues (Materiality)

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

■ Specific measures and KPIs

Important issues	Social issues to be solved	Key Measures	Specific measures	Objectives (KPIs)	Fiscal 2022 results
Environmental protection	The demolition of small and medium-sized buildings that can still be used if their value is increased = Waste of resources	Extending the life and health of real estate	Extension of economic lives of buildings through Real Estate Revitalization Business	Estimated economic lives extended by more than 30%	43.3%
			Maintaining the health of buildings by improving the occupancy rate of older buildings through total support for real estate	Occupancy rate of buildings over 30 years old: 90% or more	90.2%
				Continue management after replanning properties sales: 90% or more	97.0%
		Energy conservation and reduction of environmental impact by Real Estate Revitalization Business	Reduction of CO2 emissions by promoting Real Estate Revitalization Business	Reduction of CO2 emissions by 12% or more compared to building reconstruction	12.6%
Implementation of credit-based offsetting of CO2 emissions from construction projects in Real Estate Revitalization Business	Carbon offset 100%		100.0%		
Regional Revitalization	Revitalization of the regional economy	Creating buildings, offices, and spaces that contribute to job satisfaction, creativity and economic growth	Promote the Real Estate Revitalization Business in consideration of Well-being	Establishment of in-house standards by the end of fiscal 2022	Formulation completed
				At least 30% of new replanning properties supplies in fiscal 2023 that exceed established in-house standards	Implemented in fiscal 2023
				Implement tenant satisfaction surveys (Company-owned properties)	Implemented in fiscal 2023

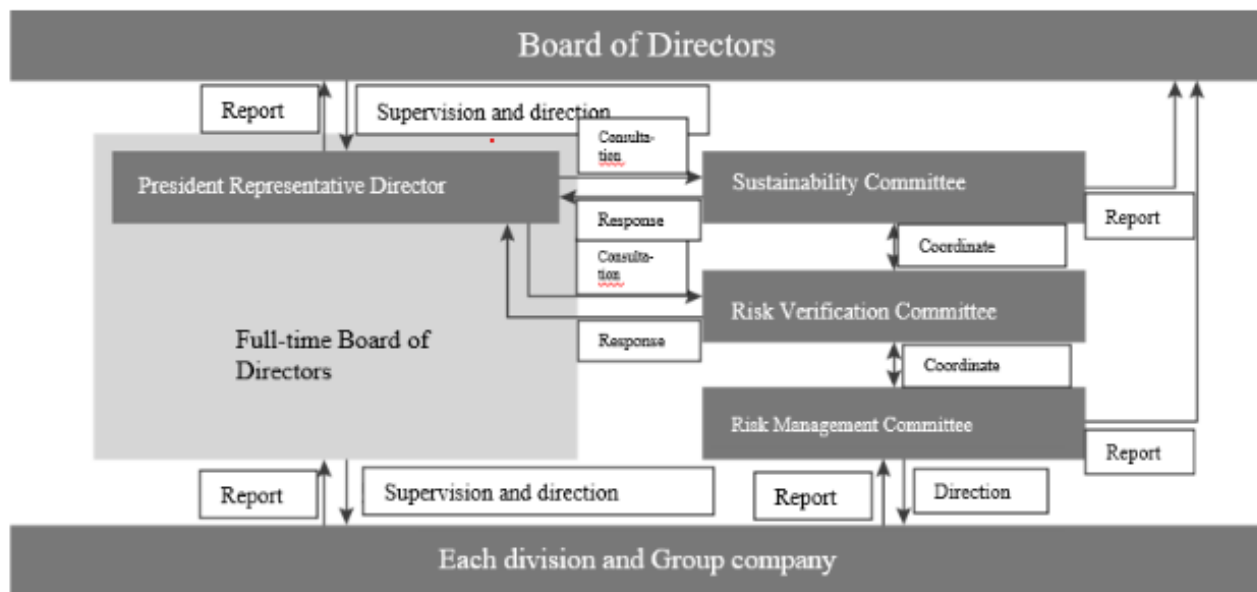
Important issues	Social issues to be solved	Key Measures	Specific measures	Objectives (KPIs)	Fiscal 2022 results
	Responding to increasingly severe natural disasters	Disaster prevention and mitigation by regional coordination	Provide setup offices with disaster prevention equipment and installation space	At least 5 lots by fiscal 2023	Implemented in fiscal 2023
			Provide information that contributes to raising tenants' awareness of disaster prevention	Disaster prevention information posting on dedicated website Fiscal 2023: 100% (Company-owned properties)	Implemented in fiscal 2023
3 Human Resource Development	Decrease in the working-age population (decrease in the real labor force) due to the declining birthrate and aging population, and elimination of the gender gap	Respect and utilize diversity	Improve work environment and provide flexible training opportunities in line with each employee's life stage	Ratio of female management: 12% or more by April 2025 (Sun Frontier Fudousan Co., Ltd.)	8.8% (April 1, 2023)
		Creating a workplace with job satisfaction, creativity, and growth opportunities	Establish programs to foster the next generation of leaders, support external training, etc.	Ratio of training hours to designated working hours: 10% or more (Sun Frontier Fudousan Co., Ltd.)	10.3%
			Utilize DX, improve business processes, improve individual abilities	Year-on-year increase in ordinary profit per hour (per Sun Frontier Fudousan Co., Ltd. regular employee)	Not achieved

■ Information Disclosure Based on the TCFD Recommendations

i. Governance

We recognize that addressing climate change and the environment is an important management issue. In coordination with the Risk Verification Committee, the Sustainability Committee compiles information on climate change-related risks and opportunities, examines response measures, and makes periodic reports to the Board of Directors. The Board of Directors oversees the progress of initiatives related to climate change issues that have been discussed and reported by the executive departments, and issues related to these initiatives are discussed at least once a year. The President Representative Director receives reports on the status of climate change-related initiatives from the advisory bodies: the Sustainability Committee and the Risk Verification Committee and assumes the highest responsibility for risk assessment and management, including climate change risks.

Sustainability Promotion System



Meetings and Roles in the Sustainability Promotion System

Organizations and committees	Roles
Board of Directors	Receives reports from the Sustainability Committee on the status of and measures to manage climate change-related risks and supervises the progress of measures.
President Representative Director	Receives reports on the status of overall sustainability activities, including climate change-related activities, from the Sustainability Committee, an advisory body. Has the highest responsibility for risk assessment and management, including climate change risks.
Risk Verification Committee	As an advisory body to the President Representative Director, discusses comprehensive risk assessment, including climate change. Examines the risks reported by the Risk Management Committee and instructs the business divisions to take measures through the Risk Management Committee.
Risk Management Committee	Discusses comprehensive management of and measures against risks in operations, including climate change. Meetings held once a month.
Sustainability Committee	As an advisory body to the President Representative Director, promotes sustainability activities, including climate change countermeasures. In coordination with the Risk Verification Committee and the Risk Management Committee, summarizes risks and opportunities related to climate change etc. for each division and Group company, considers measures to be taken, and makes periodic reports to the Board of Directors. Meetings held four times a year.

ii. Strategy

Based on the TCFD recommendations, we conducted scenario analysis to identify climate change-related risks and opportunities. Through scenario analysis, the 1.5°C and 4°C scenarios were defined based on scientific evidence from the International Energy Agency (IEA) and other sources, and the importance of climate-related risks and opportunities that could affect operations as of 2030 was assessed.

Defining 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. Abnormal weather 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 change-related transition and physical risks on our Real Estate Revitalization Business and Real Estate Service Business. A variety of items were considered, from policy and legal regulations to market changes for transition risks, and acute and chronic physical risks for physical risks. We will respond to risks and opportunities that we judge to have a particularly significant impact on our company.

Scope: Real Estate Revitalization Business and Real Estate Service Business

Degree of impact

High: Very significant impact (> 19% of net sales)

Medium: Significant (10-19% of net sales)

Small: Limited impact (<10% of net sales)

Term of risk occurrence:

Short term: Within one year

Medium term: within 1 to 5 years

Medium to long term: Within five to ten years

Long term: Over 10 years

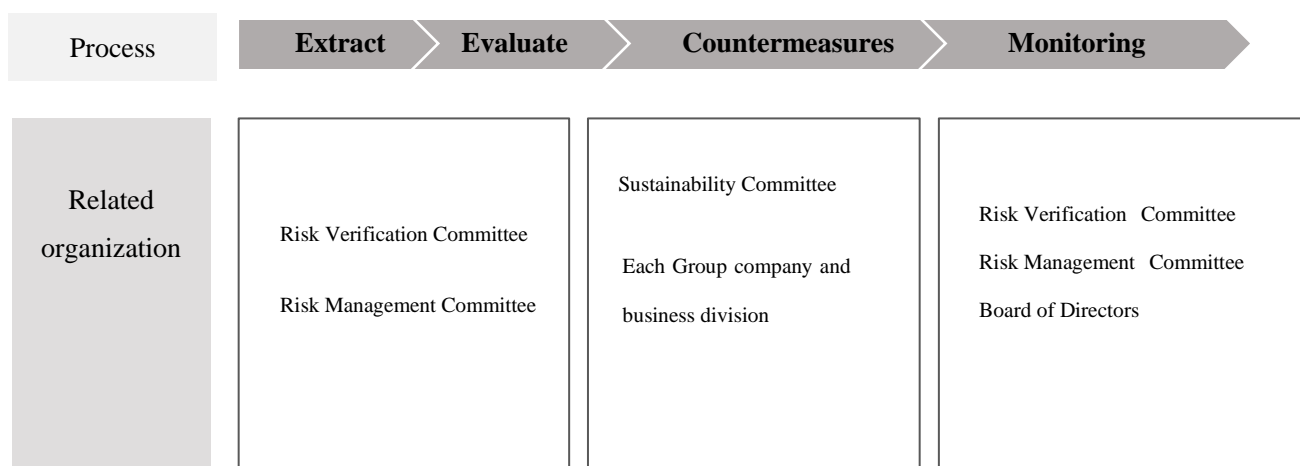
List of risks and opportunities

Of the risks and opportunities recognized by the Company, those with a “medium” or higher impact on the business are listed.

Types of risks and opportunities			Details of risks and opportunities	Impact on business and financial results		Term of risk occurrence
				1.5°C	4°C	
Risk	Transition risk	Policies, laws and regulations	Increased tax burden due to large increase in carbon tax.	Medium	-	Medium term
			Increased cost of raw materials, which have a high emission intensity (steel, cement, etc.), due to large increase in carbon tax.	Medium	-	Short term
			Additional capital investment costs due to increased energy efficiency standards to be met through renovations.	Medium	-	Short term
		Reputation	Stakeholder concerns about passive ESG responses.	Medium	-	Medium to long term
	Physical risk	Acute	Loss of sales and increase in restoration costs from the interruption of business activities caused by damage to business sites by natural disasters.	Small	Medium	Short term
		Acute	Occurrence of flood damage to Company-owned real estate due to high tides and heavy rains caused by rising sea levels.	Small	Medium	Short term
		Chronic	Increase in cost of air conditioning equipment and increase in energy costs in Company-owned real estate.	Small	Medium	Medium term
	Opportunity	Products and services	Increase in selling prices to asset holders and building owners by improving the environmental performance of properties through replanning.	Medium	Medium	Short term

iii. Risk management

To build a sustainable system, the Company has established regulations on company-wide risk management and established the “Sustainability Committee” to address overall sustainability issues, including climate change issues. For risks related to climate change, the Risk Verification Committee evaluates the risks reported by the Risk Management Committee. The risks that have been identified and evaluated are examined by the Sustainability Committee, and then each division or Group company responds to these risks. In addition, the Board of Directors receives a report from the Risk Management Committee on the status of and measures to comprehensively manage risks, including climate change risks.



iv. Metrics and Targets

The Company calculates greenhouse gas emissions as an indicator for evaluating climate change-related risks and opportunities. In fiscal 2021 and 2022, Scope1 “Fuel use (CO2)”, Scope2 “Use of electricity supplied by others (CO2)”, and Scope3 “Other indirect emissions (CO2)” were included in the calculation. We will continue to monitor our greenhouse gas emissions in the future and will establish a system and set targets so that we can expand the scope of monitoring and reduce CO2 emissions in our activities.

Greenhouse Gas Emissions

(Consolidated)

	Fiscal 2021 annual emissions (t-CO2)	Fiscal 2022 annual emissions (t-CO2)
Scope1 *1	4,088.5	3,237.9
Scope2 *2	6,692.5	7,633.7
Scope3 *3	195,123.0	152,939.0

(Non-consolidated)

	Fiscal 2021 annual emissions (t-CO2)	Fiscal 2022 annual emissions (t-CO2)
Scope1 *1	0.0	0.0
Scope2 *2	196.3	195.1
Scope3 *3	195,123.0	152,939.0

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

Calculation period: FY 2021 (April 2021 to March 2022), FY 2022 (April 2022 to March 2023)

To be disclosed: domestic and international consolidated subsidiaries (Scope1 and 2), Real Estate Revitalization Business (Scope3)

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.,

Emission factors used in Scope2: 2020 and 2021 emissions factor results for each electric utility

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.

■ 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.

Indicators and targets for human resource development

	Objectives (KPIs)	Fiscal 2021 Results	Fiscal 2022 Results
Ratio of female management	12% or more (April 2023)	8.5%	8.8%
Ratio of training hours to designated working hours	10% or more per year	-	10.3%
Ordinary profit per hour	Increase from the previous year	18,080 yen	14,390 yen

Internal Environment Development Policy

Creating a Workplace Environment with job satisfaction, creativity, and growth opportunities.

We aim to create a “co-creation” organization in which all employees set their own goals, work actively toward those goals, and continue to create new value based on mutual trust.

Job satisfaction

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

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

Creativity

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

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 value by leveraging diverse ideas.

Growth opportunities

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

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

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

3. Risk Factors

Among the matters related to the status of business and accounting described in 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 developing one stop real-estate services that include brokerage, management, guarantee, construction, leasing, and trading, centered on office buildings and commercial buildings in the central Tokyo, which are located in real estate revitalization and initiatives, and in the central Tokyo, which is influential in enhancing market competitiveness as a company. However, the Group's operating results and financial position may be affected by a downturn in the real estate market, such as a rise in vacancy rate or a decline in rent, due to worsening economic conditions.

(2) Response to COVID-19 and Major Impacts of Projects

(i) As a company-wide prevention of infection outbreak initiatives, we have introduced work styles suited to each business site, such as mobile work, satellite office use, and staggered commuting. We have also maintained the quality and quantity of communication among conferencing and chat tools while ensuring thorough avoidance of 3Cs.

(ii) In Office Building Business, some tenants using those buildings which the Company are entrusted to manage requested rent reductions, exemptions and cancellation. In particular, there were many requests from tenants, such as restaurants, whose businesses faced headwinds due to COVID-19 pandemic. On the other hand, the reduction and diversification of office space at large-scale offices have led to an increase in inquiries regarding the relocation of offices to small and medium-sized office buildings, where the Company is strong. In addition, IT-related companies, cosmetic surgery companies and other companies that are expanding their COVID-19 pandemic businesses have also increased their floor space and expanded their business. However, if the effects of COVID-19 persist and the real estate market stagnates, such as a rise in vacancy rate or a decline in rent, the Group's operating results and financial position may be affected.

(iii) In Hotel Operation Business, while the occupancy rate of hotels in areas with high business needs remained steady, the occupancy rate of hotels in urban areas remained low due to a sudden decrease in the entry of foreign visitors to Japan. If the COVID-19 pandemic is prolonged and the hotel occupancy rate slump continues, the Group's operating results and financial position may be further affected.

(3) Characteristics of Replanning Business

(i) Replanning Business is a revitalization business that mainly targets commercial real estate. It is a business that improves profits by regenerating commercial real estate that is inactive or has high vacancy rate and low profits. The buyer is an individual or corporation that invests mainly in real estate rent income.

In the event of turmoil in the financial markets due to worsening economic conditions or credit crunch, etc., the distribution market for real estate may be sluggish, and the inventories value of properties handled 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, but 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 sale and changes in amount.

(4) Status of competition

The Group's businesses are comprised of Replanning Business, Rental Building Business, brokerage and leasing, Property Management Business, Building Maintenance Business, Rent Guarantee Business, Conference Room Rental Business, Hotel Development Business, Hotel Operation Business, Overseas Development Business, and Construction Business. These businesses are characterized by the organic combination of these businesses to provide consistent services related to commercial real estate.

In addition, by linking the functions of each business unit, 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 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.

(5) Hotel development

The Group is responsible for everything from hotel planning, development, and management of hotels. However, 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 develops land from purchase and starts from scratch. 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 revenues, such as hotel room revenues, or by the fact that the Group's business period may be relatively longer making it more susceptible to economic fluctuations.

(6) Hotel operations

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

(7) Country risk

The Group's strategy is to expand its operations 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.

(8) 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.

(9) Risks such as lawsuits

There is a possibility that a lawsuit other may be filed by a client or customer 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.

(10) 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.

(11) 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 prolonged, or business costs may rise, adversely affecting the Group's 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 inventory assets are exposed to risks such as lengthening of the ownership period due to delays in commercialization, including the impact of the novel coronavirus, tenant leasing status, profitability due to the management status of hotel occupancy rate, etc., 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 the unrealized loss will be recognized. As a result, the Group's operating results and financial position may be affected.

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

The Group owns non-current assets (buildings, facilities attached to buildings, land, software, etc.) in the Hotel Development Business and Hotel Operation Business of the Hotel and Tourism Business segment. These non-current assets are exposed to risks such as changes in the real estate market in the future and a decline in the occupancy rate of hotel rooms. Due to the impact of the novel coronavirus, the occupancy rate of hotel rooms has declined and profitability has declined. As a result, signs of impairment have emerged, claiming that these areas represent a significant deterioration in the business environment. The determination of impairment loss recognition in non-current assets for an indication of impairment is based on a comparison of the estimated undiscounted future cash flows over the economic remaining useful lives of major hotel assets with the book value of the hotel's asset group, based on the hotel's business plan. In the future, if the estimated amount of undiscounted future cash flows decreases due to the expansion of the above risks, impairment loss in non-current assets may 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 and approvals under the Building Lots and Buildings Transaction Business Act Construction Business Law, the Law Concerning Real Estate Appraisal, the Real Estate Investment Advisory Business Registration Regulation, the Financial Instruments and Exchange Act, the Architect Law, the Security Business Law, the Law Concerning the Promotion of Proper Management of Condominiums, the residential management Leasing Business Registration Regulation, and the Law for Securing a sanitation Environment in Buildings.

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 occur 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) Validity Period: The main other periods for which are stipulated by laws, contracts, etc. are as follows.

License, permission, registration, etc.	Company Name	Effective period, registration date	Type	Relevant laws	Issuer of Registration, etc.
Residential land buildings business operator license	Sun Frontier Fudousan Co., Ltd	From December 29, 2019 December 28, 2024	—	The Building Lots and Buildings Transaction Business Act	Ministry of Land Infrastructure, Transport and Tourism
	Sun Frontier Hotel Management Inc.	From January 8, 2022 January 7, 2027			Governor of Tokyo
	SF Building Maintenance Inc.	From February 25, 2022 February 24, 2027			Governor of Tokyo
	Sun Frontier Okinawa Co., Ltd.	From January 9, 2019 January 8, 2024			Governor of Okinawa Prefecture
Specific construction business license	Sun Frontier Fudousan Co., Ltd	From July 20, 2017 July 19, 2027	Building construction, roof construction, steel structure construction, carpenter construction, tile, brick and block construction, interior finishing	Construction Business Law	Governor of Tokyo
General construction license	SF Engineering Inc.	From September 17, 2021 September 16, 2026	Construction work, interior finishing work		Governor of Tokyo
	SF Building Maintenance Inc.	From December 25, 2018 December 24, 2023	Waterproofing work, interior finishing work, construction work, carpentry work, plastering work, stone work, roof work, tile, brick and block work, sheet metal work, glass work, painting work, heat insulation work, fittings work, fire fighting facilities work		Governor of Tokyo
	SF Communication Inc.	From March 10, 2022 March 9, 2027	Electrical work, telecommunications work, interior finishing work		
Real estate appraiser registration	Sun Frontier Fudousan Co., Ltd.	From February 7, 2018 February 6, 2028	-	Act on Real Estate Appraisal	Governor of Tokyo
General real estate investment advisory business registration	Sun Frontier Fudousan Co., Ltd.	From November 3, 2019 November 2, 2024	-	Real Estate Investment Advisor Registration Regulations	Minister of Land, Infrastructure, Transport and Tourism
Type II Financial instruments business operator registration	Sun Frontier Fudousan Co., Ltd.	Registered on September 30, 2007	-	The Financial Instruments and Exchange Act	Director-General of Kanto
Specified joint real estate ventures permit	Sun Frontier Fudousan Co., Ltd.	Approved on October 29, 2018	-	Act on Specified Joint Real Estate Ventures	Minister of Land, Infrastructure, Transport and Tourism Commissioner of the Financial Services Agency
First class registered architect office	Sun Frontier Fudousan Co., Ltd.	From February 1, 2020 January 31, 2025	-	Architect Law	Governor of Tokyo
Security business certification	Sun Frontier Fudousan Co., Ltd.	From December 26, 2021 December 25, 2026	-	Security Business Law	Tokyo Metropolitan Public Safety Commission
	SF Building Maintenance Inc.	From April 5, 2019 April 4, 2024			
Antique dealer	Sun Frontier Fudousan Co., Ltd.	Registered on October 2, 2019	-	Antique Trade Law	Tokyo Metropolitan Public Safety Commission
	SF Communication Inc	Registered on June 23, 2010			

Licenses, permissions, registrations, etc.	Company Name	Effective period, registration date	Type	Relevant laws	Issuer of Registration, etc.
Condominium management business registration	SF Building Maintenance Inc.	From January 8, 2022 January 7, 2027	-	Act on Promotion of Proper Management of Condominiums	Minister of Land, Infrastructure, Transport and Tourism
Rental residential management business registration	Sun Frontier Fudousan Co., Ltd.	From October 20, 2021 October 19, 2026	-	Act on Proper Management of Rental Housing	Director of Kanto Regional Development Bureau
	SF Building Maintenance Inc.	From February 1, 2022 January 31, 2027	—		
Building environment sanitation comprehensive management business registration	SF Building Maintenance Inc.	From September 18, 2021 September 17, 2027	-	Act on Securing a Sanitation Environment in Buildings	Governor of Tokyo
Building drinking water storage tank cleaning business registration	SF Building Maintenance Inc.	From June 29, 2018 June 28, 2024	-	Act on Securing a Sanitation Environment in Buildings	Governor of Tokyo
Fire defense equipment business registration	SF Building Maintenance Inc.	Registered on July 3, 2018	-	Fire Defense Law	Chief of Honjo Fire Station
Outdoor advertising license	SF Building Maintenance Inc.	From December 6, 2018 December 5, 2023	-	Outdoor Advertising Law	Governor of Tokyo
Money lending business registration	SF Building Support Inc.	From July 1, 2020 June 30, 2023	-	Money Lending Business Law	Governor of Tokyo
General chartered passenger automobile transport business	Okesa Kanko Taxi Co., Ltd.	Registered on January 19, 1999	-	Road Transport Act	Director, Hokuriku Shinetsu Transport Bureau
General passenger automobile transport business	Okesa Kanko Taxi Co., Ltd.	Registered on May 6, 1955	-	Road Transport Act	Director, Hokuriku Shinetsu Transport Bureau
Registered electric construction business operator license	SF Communication Inc.	From October 3, 2020 October 2, 2025	-	Electrical Construction Business Law	Governor of Tokyo

(2) In conducting securitization of real estate 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 in 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 forecast 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

During the current consolidated fiscal year (hereinafter referred to as the current period), the Japanese economy continued to recover mainly in personal consumption and capital investment as restrictions on socio-economic activities further eased under coexisting with COVID-19. With regard to the global economy, there were concerns that the Ukraine problem was prolonged, inflation in various countries remained high, and interest rate hikes will lead to economic slowdown.

In the real estate market, the average rent in the Tokyo business district (5 Wards of the Central Tokyo: Chiyoda, Chuo, Minato, Shinjuku and Shibuya) in March was 19,991 yen (unit price per tsubo), down for the 32nd consecutive month (total 3,023 yen / 13.1%), and the average vacancy rate for the same month was almost unchanged at 6.41% (according to a private research institution). Overall office market conditions remained weak. At the same time, in the real estate investment market, although the willingness to invest in institutional investors was generally strong, the outlook remained unpredictable due to the global monetary tightening phase.

In the Real Estate Revitalization Business, the Group's core business, sales of high-profit and high-quality properties was steady in the current period. Profit margin continued to be higher than the previous year, and continued to be a strong driver of overall performance, despite a year-on-year decline in net sales and profits due to a concentration of sales of relatively large-scale properties in the previous fiscal year. The Real Estate Service Business continued to perform well. In the Hotel Development Business, sales and profit increased significantly year on year due to the completion of the sale of two hotels. In the Hotel Operation Business, which has been greatly affected by the pandemic of COVID-19, demand continued to increase due to the easing of restrictions on socioeconomic activities. In addition, sales recovered sharply due to the Nationwide Travel Subsidy Program, which was launched in October to promote domestic tourism, and the lifting of the ban on personal travel from abroad.

As a result, net sales amounted to 82,777 million yen (up 16.2% YoY), operating profit amounted to 14,905 million yen (up 22.9% YoY), ordinary profit amounted to 14,722 million yen (up 20.5% YoY), and profit attributable to owners of parent amounted to 11,612 million yen (up 56.6% YoY).

Moreover, as a result of the rapid recovery in Hotel and Tourism Business, the business' tax loss carryforwards reduced taxable income and deferred tax assets were recorded resulting in significant growth in profit attributable to owners of parent.

The results of each segment are as follows.

(Real Estate Revitalization Business)

In the Real Estate Revitalization Business, we are engaged in (1) Replanning Business and (2) Rental Building Business.

(1) In the Replanning Business, all processes from purchase of buildings to revitalization and usage planning and development, tenant placement, management, sales, and subsequent support with building management are offered as a one stop service. Sales continued to grow steadily in the current period as well due to strong

investor enthusiasm about purchasing. At the same time, we actively purchased properties while carefully selecting properties and assessing the real estate market conditions in macroeconomic fluctuations and the impact of monetary policies. In commercialization, we aim to create offices that can be chosen even in the new normal by catering to a hybrid working style while keeping a close eye on changes in the city, office and work style. During the fiscal year under review, we continued our commercialization, focusing on set-up offices, which interior construction was carried out in advance, and it was possible to significantly reduce expenses for tenants when moving in and out. In addition, through coordinating with the leasing brokerage division we promoted the attraction of tenants and made our real estate products high-occupancy and high-added value so that we could sell them with the expectations of a wide range of clients in Japan and overseas. For example, in December, working in close coordination with the leasing brokerage division we were able to sell five office buildings in Tokyo to an investor with almost full occupancy. These five properties, which we are entrusted to manage, acquired the Building-Housing Energy-efficiency Labeling System BELS certification in January 2023. The Group will promote initiatives toward further conversion to energy conservation and decarbonization. In the Real Estate Revitalization Business in New York City, U.S.A., the Company sold two properties that had been commercialized in order to meet the diversification needs of clients' asset portfolio. In addition, as small-lot owned products in specified joint real estate ventures, the Company sold out medical and educational malls (new construction) (third and fourth composition) and a licensed nursery school (new construction) (first and second composition). Although the number of sales in the Replanning Business was 24 cases, 2 cases more than the previous period, the customer base expanded, including sales in New York. Although net sales and profits decreased year on year due to a decrease in sales of relatively large properties compared to the previous fiscal year, net sales and profits in this segment were 47,995 million yen and 14,943 million yen respectively, the third highest level after the previous fiscal year.

(2) In the Rental Building Business, with the aim of building a stable revenue base as a stock business, the Company is working to increase rent income over the medium to long term while expanding the number of rental buildings properties in the Replanning Business and utilizing the operational capabilities accumulated in the Real Estate Service division. Compared with the previous year, the current period's net sales and profits decreased due to a decrease in rent income from properties held as inventories.

As a result, net sales amounted to 50,066 million yen (down 10.5% YoY) and segment profit amounted to 15,343 million yen (down 5.7% YoY) in total for the Real Estate Revitalization Business.

The Group is promoting initiatives to support start-ups with the idea of "making Tokyo the most friendly city for start-up in the world." As one such initiatives, in January 2023, we opened "A Shibuya," an office that supports the growth of startups in Jinnan, Shibuya-ku, Tokyo (on the 3rd floor of the Tokyu Shibuya Station Building). In the same facility, we opened "Hive Shibuya," a share office for startups, jointly operated by Z Venture Capital, a corporate venture capital of Z Holdings Corporation, and East Ventures (hereinafter "EV"), one of the largest seed-stage venture capital firms in Southeast Asia. Also, in April 2023, we concluded a business alliance with StartPass Co., Ltd., which provides "StartPass," a cloud service to accelerate startup management. In order to realize our mission of "accelerating the management of start-up companies", we will provide various services that combine online and offline, which are our mutual strengths through this business alliance.

(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.

Each of these divisions is developing its business in the medium-sized office sector in central Tokyo by bringing together the expertise that has cultivated in the field and coordinating and working with each other.

Also added value is created through a chain-reaction of expertise cultivated through originality and ingenuity in the field and this is the foundation for creating high profitability in the Replanning Business.

(1) In the Property Management Business, we are increasing the satisfaction of tenants through attentive property management and supporting owners also by realizing high-occupancy and high-profitability building management by working with the leasing brokerage division to attract tenants and revising the conditions for appropriate rent. Despite weak market conditions, the number of entrusted buildings increased by more than 8% from the previous fiscal year. As a result, both net sales and profits increased.

	End of March 2021	End of March 2022	End of March 2023
Number of Entrusted Buildings	397 buildings	421 buildings	457 buildings
Occupancy Rate	94.4%	91.5%	89.6%

(2) In the Building Maintenance Business, under the slogan “making Tokyo the most beautiful city in the world,” we are conducting total maintenance of buildings, including inspections to maintain and manage the building, cleaning to maintain beautiful and comfortable spaces, and renovation construction. We are promoting cooperation with the Property Management division, taking advantage of high-rise cleaning of exterior windows and walls using swings, as well as waterproofing construction and exterior wall renovation construction. Both net sales and profits increased compared to the previous fiscal year due to synergies resulting from M&A and an increase in the number of entrusted buildings.

(3) In the Sales Brokerage Business, as a part of real estate consulting, we are responding swiftly to inquiries from Property Management Business and the Leasing Brokerage Business and other divisions. Office division works together to support owners managing buildings and expand the customer base. Based on the trust we have built, we are able to close brokerage deals. In the fiscal year under review, both net sales and profits increased compared with the previous fiscal year due to the strong brokerage with investors in Japan and overseas.

(4) In the Leasing Brokerage Business, we provide a service network based in 10 sites, mainly in central Tokyo, and serve as a convenient consultation window that is close to local building owners. In addition, by utilizing the needs and changes of tenants quickly acquired at leasing sites in research and proposals for optimal use of office space, we are creating new value from the customer's point of view in product planning for the Replanning Business. Both net sales and profits increased from the previous fiscal year due to an increase in the number of contracts concluded.

(5) In the Rental Conference Room Business, we have provided services that capture the changing times and have responded flexibly to clients' needs through close contact with local communities and implemented flexible proposal-based marketing. Consequently, we were able to capture demand from new clients. During the current period, demand for corporate training, seminars and certification tests continued to recover amid further easing of restrictions on social and economic activities. Moreover, orders for large-scale projects in the two newly opened sites resulted in an increase in net sales compared to the previous fiscal year. Profits also increased despite a temporary increase in expenses associated with the opening of new sites and the expansion of existing site floors. In addition to the two sites newly established in September and November 2022, we expanded the floor space of several existing site and opened two new sites in February and April 2023 in order to meet increasing demand for rental conference rooms.

(6) In the Rent Guarantee Business, we provide services that are close to building owners, such as not only providing rent guarantees when tenants fall behind in their rent payments, but also providing support for tenants to vacate their property, thereby easing the burden on building management. “TRI-WINS,” a new brand launched in February, is a “win-win-win” service that resolves the risks and issues faced by both building owners and tenants and contributes to economic growth and social stability. Compared with general guarantee services, TRI-WINS has expanded the scope of its services to include investigation and screening, rent guarantee, handling of arrears and removal, etc. During the fiscal year under review, both net sales and profits grew compared with the previous fiscal year, due to an increase in the number of new guarantee contracts as a result of an rise in consultations with building owners caused by a higher number of vacant rooms and concerns over the creditworthiness of tenants.

As a result, net sales amounted to 8,843 million yen (up 23.6% YoY) and segment profit amounted to 4,890 million yen (up 28.6% YoY) in total for the Real Estate Service Business.

(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, both net sales and profits increased compared to the previous fiscal year, as two of the three hotels announced to be sold in August 2022 were handed over in October. One hotel that was announced to be sold at the same time as these two hotels was delivered in April 2023. Net sales and profits from this transaction are expected to be recorded in the 1st quarter for the fiscal year ending March 2024. The funds recovered from the sale of the hotel will be reinvested in hotel development, including M&A, centering on the "Tabi-no-Hotel" brand and commercial hotel condominiums, to expand the business.

(2) In the Hotel Operation Business, we opened “Shijo Kawaramachi Onsen Sora Niwa Terrace Kyoto” and “Shijo Kawaramachi Onsen Bettei Kamogawa” in June 2022. As of May 12, we operated a total of 21 hotels (2,477 rooms). During the current period, amid further recovery in domestic tourism demand due to the easing of restrictions on socio-economic activities, against the backdrop of the Nationwide Travel Subsidy Program, which was launched in October to promote domestic tourism, and the lifting of the ban on personal travel from abroad occupancy rates and room unit prices continued to rise based on the Group's high-value-added strategy. As a result, net sales increased, and profits were in the black compared with the previous fiscal year.

As a result, net sales amounted to 22,967 million yen (up 232.3% YoY) and segment profit amounted to 1,720 million yen compared with the previous fiscal year (segment loss was 1,950 million yen in the previous fiscal year) in total for the Hotel and Tourism Business.

(Other Business)

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

(1) In the Overseas Development Business, we have expanded into Southeast Asian countries where growth is expected and have developed real estate mainly for condominiums and houses using Japanese advanced construction technology. We are developing its business with a focus on providing an experience of Japanese quality to Asian people. Although net sales decreased compared with the previous fiscal year due to a decrease in revenue from property sales, revenue from the management of condominiums in Vietnam, which we are promoting as a stock business, increased. Profit for the fiscal year under review increased due to an increase in profit from the sale of properties in Vietnam, despite a write-down of inventories in Indonesia.

As for our business in Indonesia, we started the withdrawal process with the sale of all our properties in November.

(2) In the Construction Business, renovation planning, repair and reform of commercial buildings, interior finishing work, and telecommunications work were carried out. Both net sales and profits increased compared to the previous fiscal year due to sales from large-scale construction projects at group subsidiaries.

As a result of the above, net sales amounted to 1,788 million yen (up 5.5% YoY) and segment profit amounted to 283 million yen (up 177.8% YoY) in total for Other Business.

The Group's mission is "We will protect all employees, pursue both material and spiritual well-being, and realize a sustainable and affluent society with a spirit of co-creation." To promote this philosophy, we made initiatives in various projects during the fiscal year under review. In November, we agreed to a core business and capital alliance with CONNEXX SYSTEMS Corporation, which develops storage battery technology essential for the spread of renewable energy. In March, we signed an agreement with NOTUS SOLAR JAPAN CO., LTD. which has next-generation agricultural photovoltaic power generation technology, to form a financial and core business partnership. In the Group, we will continue to contribute to the realization of a sustainable society through our operations.

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 current consolidated fiscal year are as follows.

Segment Name	Amount (million yen)	YoY Change (%)
Real Estate Revitalization Business	50,066	△10.5
Real Estate Service Business	8,843	23.6
Hotel and Tourism Business	22,967	232.3
Other	1,788	5.5
Adjustment	△887	
Total	82,777	16.2

Notes: 1. Adjustment is intersegment eliminations.

2. Sales performance by major customers and the ratio of such sales performance to total sales performance

Other party	Previous fiscal year		Consolidated fiscal year under review	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
Hiroshige Special Purpose Company	17,220	24.2	—	—
Neptune Special Purpose Company	—	—	17,500	21.1
Nagomu Special Purpose Company	—	—	13,500	16.3

(2) Consolidated Financial Position

Total assets at the end of the current consolidated fiscal year amounted to 152,519 million yen (up 11.7% YoY), liability amounted to 68,553 million yen (up 10.5% YoY), and net assets amounted to 83,965 million yen (up 12.8% YoY.)

The increase in total assets was mainly due to an increase of 11,962 million yen in cash and time deposits, an increase of 5,558 million yen in real estate for sale and an increase of 1,651 million yen in property plant and equipment buildings (net amount), despite a decrease of 2,679 million yen in real estate for sale in process and a decrease of 1,515 million yen in guarantee deposits.

The main factors for the increase in liabilities were an increase of 760 million yen in accounts payable – trade, an increase of 1,104 million yen in advances received included in other in current liabilities, and an increase of 6,000 million yen in long-term borrowings, despite a decrease of 1,431 million yen in current portion of long-term borrowings and a decrease of 1,829 million yen in income taxes payable.

The increase in net assets was mainly due to the recording of 11,612 million yen in profit attributable to owners of parent, despite the payment of 1,121 million in year-end dividends and 1,118 million yen in interim dividends.

Equity ratio increased 0.7 percentage points to 52.9%.

(3) Consolidated Cash Flows

Cash and cash equivalents (hereinafter called, “funds”) at the end of the current period increased by 11,962 million yen from the beginning of the fiscal year to 41,914 million yen as a result of an increase of 16,544 million yen of funds provided by operating activities, a decrease of 6,681 million yen of funds provided by investing activities, and an increase of 2,039 million yen of funds provided by financing activities.

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

(Cash flows from operating activities)

Net cash provided by operating activities was 16,544 million yen compared with net cash provided by operating activities of 17,443 million yen in the previous fiscal year. This was mainly due to profit before income taxes of 14,745 million yen, depreciation of 1,968 million yen, income from a decrease in inventories of 1,854 million yen, and income from an increase in notes and accounts payable - trade of 1,155 million yen, despite corporate income taxes payments of 5,729 million yen and interest pain of 490 million.

(Cash flows from investing activities)

Net cash outflow used in investing activities was 6,681 million yen compared with net cash outflow used in investing activities of 9,386 million yen in the previous fiscal year. This was mainly due to outflow of 7,531 million yen in purchase of property, plant and equipment, and outflow of 692 million yen in payments of guarantee deposits, despite 2,337 million yen in proceeds from collection of guarantee deposits.

(Cash flows from financing activities)

Net cash provided by financing activities was 2,039 million yen compared with net cash provided by financing activities of 449 million yen in the previous fiscal year. This was mainly due to 23,261 million yen in proceeds from long-term borrowings despite 18,691 million yen in repayments of long-term borrowings and 2,239 million yen in dividends paid.

(Sources of capital and liquidity of funds)

The main demand for funds in our business activities is purchase in inventory assets, which is related to the Real Estate Revitalization Business. Purchase of inventory assets is provided by long-term borrowings from

financial institutions secured by individual inventory assets and funds acquired through operating activities. As a basic policy, the inventory asset is to be sold within one year, and a lump-sum repayment of borrowings is made at the time of sale of the inventory asset, while taking into account the monthly scheduled repayment and this ensures sufficient liquidity of funds.

(Financial measures)

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

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

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

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

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5. Material Agreements, etc.

Not applicable

6. Research and Development Activities

Not applicable.

Item. 3 Property, Plants and Equipment

1. Overview of Capital Investment

The Group's capital investment in current consolidated fiscal year was 7,844 million yen, mainly for the acquisition of office buildings (6,216 million yen) and hotel facilities (1,031 million yen).

2. Major Facilities

(1) Reporting company

As of March 31, 2023, the facilities, invested capital and employees at each business site were as follows.

Name and location	Segment name	Use	Book value (million yen)				Number of employees
			Buildings and Construct	Land (square meters)	Others	Total	
Head Office (Chiyoda-ku, Tokyo)	Real Estate Revitalization Business, Real Estate Service Business, Other, company-wide (common)	Supervisory business facility	71	— (—)	100	172	212
Branches, etc. (Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, Shinagawa-ku, Shibuya-ku, Tokyo, and Nishi-ku Yokohama)	Real Estate Service Business	Commercial facility	53	— (—)	7	61	186
Institute (Chosei-gun, Chiba)	Company-wide (common)	Training facility	35	74 (5, 323)	—	110	—
Real estate for rental business (Minato-ku, Tokyo, etc.)	Real Estate Revitalization Business	Buildings for rent, etc.	3, 387	4, 240 (1, 976)	1	7, 628	—
Hotel Operation Business real estate (Kyoto-shi, Kyoto)	Hotel Business Operation	Hotel operation	4, 180	5, 396 (887)	0	9, 577	—
Sub-leases Property (Chuo-ku, Tokyo, etc.)	Real Estate Service Business and others	Property management contract facilities, etc.	132	— (—)	0	133	—

(Notes: 1. Of the book value, "Other" consists of vehicles, tools, furniture and fixtures.

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

Name and location	Segment name	Use	Leased area (square meters)
Head Office (Chiyoda-ku, Tokyo)	Real Estate Revitalization Business, Real Estate Service Business, Other, company-wide (common)	Supervisory business facility	2, 145
Property Management Business Department (Chiyoda-ku, Tokyo)	Real Estate Service Business	Commercial facility	2, 029
Ginza branch and others (Chuo-ku, Tokyo, etc.)	Real Estate Service Business	Commercial facility	789
Sub-leases Property (Chuo-ku, Tokyo, etc.)	Real Estate Service Business and Others	Property management contract facilities, etc.	6, 314

(2) Domestic subsidiaries

Company Name	Name and location	Segment name	Use	Book value (million yen)				Number of employees
				Buildings and structures	Land (square meters)	Other	Total	
Sun Frontier Hotel Management Inc.	Head office and hotel facilities (Chiyoda-ku, Tokyo, etc.)	Hotel and Tourism Business	Headquarters and hotel operation	612	195 (18,550)	505	1,313	114 (199)
Sky Heart Hotel Inc.	Head office and hotel facilities (Chiyoda-ku, Tokyo, etc.)	Hotel and Tourism Business	Hotel operation	98	63 (—)	3	165	17 (46)
Sun Frontier Sado Co., Ltd.	Head office and hotel facilities (Sado-shi, Niigata)	Hotel and Tourism Business	Hotel operation	396	14 (—)	9	420	24 (74)
Hotel Osado Co., Ltd.	Head office and hotel facilities (Sado-shi, Niigata)	Hotel and Tourism Business	Hotel operation	264	91 (—)	25	381	17 (36)
Sun Frontier Space Management Inc.	Head office and rental conference room facilities (Minato-ku, Tokyo, etc.)	Real Estate Service Business	Conference Room Rental Business	269	— (—)	63	333	35 (56)

Notes: 1. Of the book value, “Other” consists of vehicles, tools, furniture and fixtures.

2. The number of “Number of employees” column (external writing) are the annual average number of temporary employees.

3. Temporary employees include part-time and contract employees and exclude temporary workers.

(3) Overseas subsidiaries

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

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

Not applicable.

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, 2022)	Number of shares issued as of filing date (June 22, 2022)	Name of Listed Financial Instruments Exchange or registered Authorized Financial Instruments Firms Association	Contents
Common shares	48,755,500	48,755,500	Tokyo Stock Exchange Prime Market	Share unit : 100 shares
Total	48,755,500	48,755,500	-	-

(2) Stock 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			Director of the Company (excluding outside directors) 6 persons
Number of Share Acquisition Rights*	524 units	740 units	1,112 units	2,155 units
Type, description and number of shares to be issued upon the Share Acquisition Rights*	Common shares 5,240 shares (Note 1)	Common shares 7,400 shares (Note 1)	Common shares 11,120 shares (Note 1)	Common shares 21,550 shares (Note 1)
Amount paid upon exercise of Share Acquisition Rights *	1 yen			
Period for exercising Share Acquisition Rights*	From August 1, 2018 to July 31, 2048	From August 1, 2019 to July 31, 2049	From August 1, 2020 to July 31, 2050	From July 31, 2021 to July 30, 2051
Issue price of shares and amount to be incorporated into capital when shares are issued upon exercise of Share Acquisition Rights*	Issue price: 1,020 yen Amount included in share capital: 510 yen (Note 2)	Issue price: 790 yen Amount included in share capital: 395 yen (Note 2)	Issue price: 439 yen Amount included in share capital: 220 yen (Note 2)	Issue price: 658 yen Amount included in share capital: 329 yen (Note 2)
Conditions for exercising Share Acquisition Rights*	Share Acquisition Rights 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 a Share Acquisition Rights by transfer requires approval of the Board of Directors.			
Matters concerning the issuance of a 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, 2023). There are no changes between the end of the fiscal year and the end of month previous to the filing month (May 31, 2023).

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 a 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 Acquisition Rights and share capital due to issuance of shares upon exercise of capital reserve

(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 Corporate Accounting Regulations, and any fraction less than one yen resulting from such calculation shall be rounded up.

(ii) The amount of increase in Share Acquisition Rights upon issuance of shares upon exercise of capital reserve shall be amount 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 Exercise of Share Acquisition Rights” or the provisions of the Share Acquisition Rights Allocation Application Form prior to exercising his/her right, the Company may acquire such Share Acquisition Rights without consideration on a date separately determined by the Company's Board of Directors.

(ii) In the event that a proposal for approval of a merger agreement under which the Company will be dissolved, an absorption-type company split agreement or an incorporation-type company split plan under which the Company will be split, or a share exchange agreement or share transfer plan under which the Company will become a wholly-owned subsidiary is approved at the General Meeting of Shareholders of the Company (or at the meeting of Board of Directors if a General Meeting of Shareholders is not required), the Share Acquisition Rights whose rights have not been exercised as of that date may be acquired without consideration on a date separately determined by the Board of Directors of the Company.

4. In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively “Restructuring Actions”), each person holding the remaining Share Acquisition Rights at the time the Restructuring Actions take 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) inclusive of the Companies Act of Japan (hereinafter “Reorganized Company”). 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 reorganized companies to be delivered

The same number of remaining Share Acquisition Rights held by the Share Acquisition Rights shall be issued.

(ii) Type and number of shares of the restructured company to be issued upon Share Acquisition Rights

The type of shares to be issued by Share Acquisition Rights shall be common shares, the Reorganized Company, and the number of common shares, 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 the exercise of the 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 reorganization to the expiration date of the exercise period of the Share Acquisition Rights set forth in the aforementioned “exercise period of the 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 Board of Directors of the Reorganized Company.
- (vii) Increase in Share Acquisition Rights and Share capital due to issuance of shares upon exercise of Capital reserve
Determined in accordance with (Note 2) above.

(ii) Rights plan

Not applicable.

(iii) Other Share Acquisition Rights, etc.

Not applicable.

(3) Exercises, etc., of moving strike convertible bonds, etc.

Not applicable.

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(4) Changes in the number of issued shares, share capital, etc.

Date	Changes in number of issued shares (shares)	Number of issued shares (shares)	Changes in share capital (million yen)	Balance of share capital (million yen)	Changes in capital reserve (million yen)	Balance of capital reserve (million yen)
January 24, 2018 (Note 1)	780,000	48,755,500	465	11,965	465	6,449

Note 1: Paid third party allotment (Third Party Allotment Related to Secondary Offering through Over-Allotment)

Issue price per share:	1,192.68 yen
Increase of share capital per share:	596.34 yen
Subject persons of allotment:	Daiwa Securities Co. Ltd

(5) Shareholdings by shareholder category

As of March 31, 2023

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	—	15	22	154	156	45	12,142	12,534	—
Number of shares held (Units)	—	66,503	16,301	200,132	78,282	451	125,672	487,341	21,400
Shareholding ratio (%)	—	13.65	3.34	41.07	16.06	0.09	25.79	100.00	—

Notes: 1. "Financial institutions" includes 1,280 units of the Company's shares accounted in trust by the employee stock ownership plan (J-ESOP).

2. 108,869 shares of treasury share held by the Company are included in "Individuals and others" and "Share less than one unit" in the table. These amounts are 1,088 unit and 69 shares, respectively.

(6) Major shareholders

As of March 31, 2023

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	17,957,500	36.91
The Master Trust Bank of Japan, Ltd. (Accounted in trust)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	4,115,100	8.46
Tomoaki Horiguchi	Urayasu-shi, Chiba	3,022,594	6.21
Custody Bank of Japan, Ltd. (Accounted in trust)	1-8-12 Harumi, Chuo-ku, Tokyo	1,708,000	3.51
SKAWAGOE Co., Ltd.	3-5-3 2902 Azabudai, Minato-ku, Tokyo	1,566,400	3.21
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)	745,800	1.53
Morgan Stanley MUFG Securities Co., Ltd.	1-9-7 Otemachi, Chiyoda-ku, Tokyo	590,866	1.21
JP Morgan Securities Co., Ltd.	2-7-3 Marunouchi, Chiyoda-ku, Tokyo	549,872	1.13
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, NA Tokyo Branch)	PALISADES WEST 6300, BEE CAVE ROAD BUILDING ONE AUSTIN TX 78746 US (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	422,998	0.87
Keiko Horiguchi	Urayasu-shi, Chiba	416,500	0.86
Total	-	31,095,630	63.92

Note: Of the number of shares held above, the number of shares held through trusts is as follows.

The Master Trust Bank of Japan, Ltd. 1,648,400 shares

Custody Bank of Japan, Ltd. 1,178,000 shares

(7) Voting rights

(i) Outstanding shares

As of March 31, 2023

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 ^{株式} 108,800	—	—
Shares with full voting rights (others)	Common shares 48,625,300	486,253	—
Shares less than one unit	Common shares 21,400	—	—
Number of issued shares	48,755,500	—	—
Total number of voting rights	—	486,253	—

Notes: 1. Shares less than one unit include 69 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).

② Treasury share, etc.

As of March 31, 2023

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	108,800	—	108,800	0.2
Total	-	108,800	—	108,800	0.2

Notes: 1. In addition to the above, there are 69 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 nonconsolidated 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 shared with shareholders to motivate employees to improve their stock price and performance.

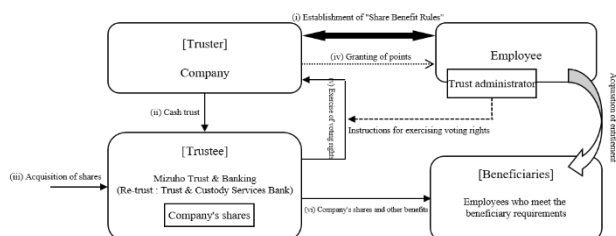
(i) Outline of the Plan

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

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

The introduction of this system 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 System



- A. Upon the introduction of the Plan, the Company shall establish “Share Benefit Regulations.”
- B. The Company entrusts cash (third party benefit trust) to Mizuho Trust & Banking Co., Ltd. (re-trustee: Custody Bank of Japan, Ltd.) in order to acquire in advance shares to be provided to employees in the future based on the “Share Benefit Regulations.”
- C. The Trust will acquire the Company's shares using cash entrusted in (ii) above through the stock exchange market or by accepting the Company’s treasury shares disposition.
- D. The Company will grant points to employees based on the “Share Benefit Regulations.”
- E. The Trust will exercise its voting rights based on instructions from the trust administrator.
- F. The Trust shall be deemed to be a beneficial interest of the Employee who satisfies the beneficiary requirements set forth in the “Share Benefit Regulations” (hereinafter referred to as the “Beneficiary”) and will provide the said Beneficiary with Company’s shares depending on the number of points they are provided. However, if the employees meets the requirements in the Share Benefit Regulations, they will be provided with Cash equivalent to the market value of Company's shares.

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

128, 300 shares

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

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

2. Acquisitions, etc. of Treasury Share

Classes of shares Companies Act of Japan Acquisition of common shares pursuant to Article 155, Item 3

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

Not applicable.

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

Category	Number of shares	Total value (million yen)
Resolution situation in Board of Directors (May 13, 2022) (Acquisition period : May 16, 2022 to June 20, 2022)	150,000	150
Treasury shares acquired prior to the beginning of the fiscal year under review	—	—
Treasury shares acquired during the fiscal year under review	143,800	149
Total number and total value of the remaining resolution shares	—	—
Unexercised ratio (%) as of the end of the fiscal year under review	—	—
Treasury shares acquired during the period	—	—
Unexercised ratio as of the filing date	—	—

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

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

Not applicable.

Category	Number of shares (shares)	Total value (thousand yen)
Treasury shares acquired during the fiscal year under review	389	60
Treasury shares acquired during the period	533	-

Note 1. Treasury shares acquired during the period under review do not include the number of shares acquired through the purchase of shares less than one unit from June 1, 2023 to the date of submission of the Annual Securities Report.

2. The 389 shares of treasury stock acquired during the fiscal year under review consisted of 340 shares acquired free of charge due to retirement during the term of office of the Restricted Shares Remuneration System and 49 shares requested for purchase of shares less than one unit.

3. The 533 shares of treasury stock acquired during the period under review were acquired free of charge upon retirement during the term of office of the Restricted Shares Remuneration System.

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

区分	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 (Granted of the Restricted Stock)	35, 124	36	-	-
Number of treasury shares held	108, 869	-	109, 402	-

Notes: 1. The number of treasury shares held during the current period does not include the number of shares acquired through the purchase of shares less than one unit during the period from June 1, 2023 to the filing date of this Annual Securities Report.
2. The number of treasury shares held by the employee stock ownership plan (J-ESOP) is not included in the number of shares held during the fiscal year under review and during the period.

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, to secure investment funds that will aggressively challenge Office Building Business and Overseas Business for future growth, and by taking into consideration the stability and enhancement of financial position.

The Company's policy is to continue to distribute dividends twice a year, with the record date set on March 31 and September 30 each year. The distribution of dividends is resolved by either the General Meeting of Shareholders or the Board of Directors.

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

Date of resolution	Total dividend amount (million yen)	Dividends per share (yen)
November 10, 2022 Resolution Board of Directors	1, 118	23. 00
May 16, 2023 Resolution Board of Directors	1, 216	25. 00

Note: The total amount of dividends 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. Based on this, 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;

At the 23rd Annual General Meeting of Shareholders held on June 21, 2022, the Company obtained approval for necessary amendments to the Company's Articles of Incorporation and made a transition from a Company with Audit & Supervisory Board to a Company with Audit & Supervisory Committee. By adopting this corporate governance system, Audit & Supervisory Committee members, who audit and supervise the execution of duties of the directors, will become members of the Board of Directors, thereby strengthening the supervisory function of the Board of Directors and further enhancing corporate governance. In addition, by enabling the Board of Directors to broadly delegate decisions on business execution to the directors, we aim for a swift decision-making on business execution. At the same time, we aim to achieve sustainable growth and increase corporate value in the medium to long term by having the Board of Directors focus on important management decisions such as management plans.

(a) Board of Directors

The Company's Board of Directors consists of 11 members from directors (including four outside directors) and is responsible for passing resolutions on matters stipulated in laws and regulations and the Articles of Incorporation, as well as making management decisions and supervising the execution of duties. Board of Directors meetings are held once a month, and extraordinary Board of Directors meetings are held as necessary to decide on matters stipulated by laws and regulations, important matters related to company management, and other matters stipulated by the Board of Directors Regulations. In addition, the Company supervises the execution of duties by directors and executive officers by receiving information on the status of execution of duties from directors and executive officers on a regular basis.

In fiscal 2022, the Company held 17 Board of Directors meetings, and the attendance of each Director is as follows.

Title	Surname	Number of meetings held	Attendance
Chairman Representative Director	Tomoaki Horiguchi	17 times	16 times
President Representative Director	Seiichi Saito	17 times	17 times
Vice President Director	Izumi Nakamura	17 times	17 times
Senior Managing Director	Yasushi Yamada	17 times	17 times
Director	Mitsuhiro Ninomiya	17 times	17 times
Director	Kenji Honda	17 times	17 times
Outside Director	Kazutaka Okubo	17 times	17 times
Outside Director	Keiichi Asai	14 times	14 times
Audit & Supervisory Board Member Director	Shinichi Tominaga	14 times	14 times
Audit & Supervisory Board Member Outside Director	Hidetaka Tanaka	14 times	14 times
Audit & Supervisory Board Member Outside Director	Tsuneko Murada	14 times	14 times

Outside Director Mr. Keiichi Asai, Audit & Supervisory Committee Member Director Mr. Shinichi Tominaga and Audit & Supervisory Committee Member Outside Directors Mr. Hidetaka Tanaka and Ms. Tsuneko Murata have attended all Board of Directors meetings held since their appointment in June 2022

(b) Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three Audit & Supervisory Committee members (including two outside directors), and each Audit & Supervisory Committee member shall conduct audit 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 (optional)

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 Chairman Representative Director, President Representative Director and two or more members of Outside Director, as the voluntary advisory body of Board of Directors. In Nomination and Compensation Committee, standards and processes related to the officer’s election, dismissal, and remuneration as well as the evaluation basic policy are examined and deliberated, and the Board of Directors will make decisions regarding officer’s election, dismissal, and remuneration as well as the evaluation basic policy with maximum respect for the deliberation contents.

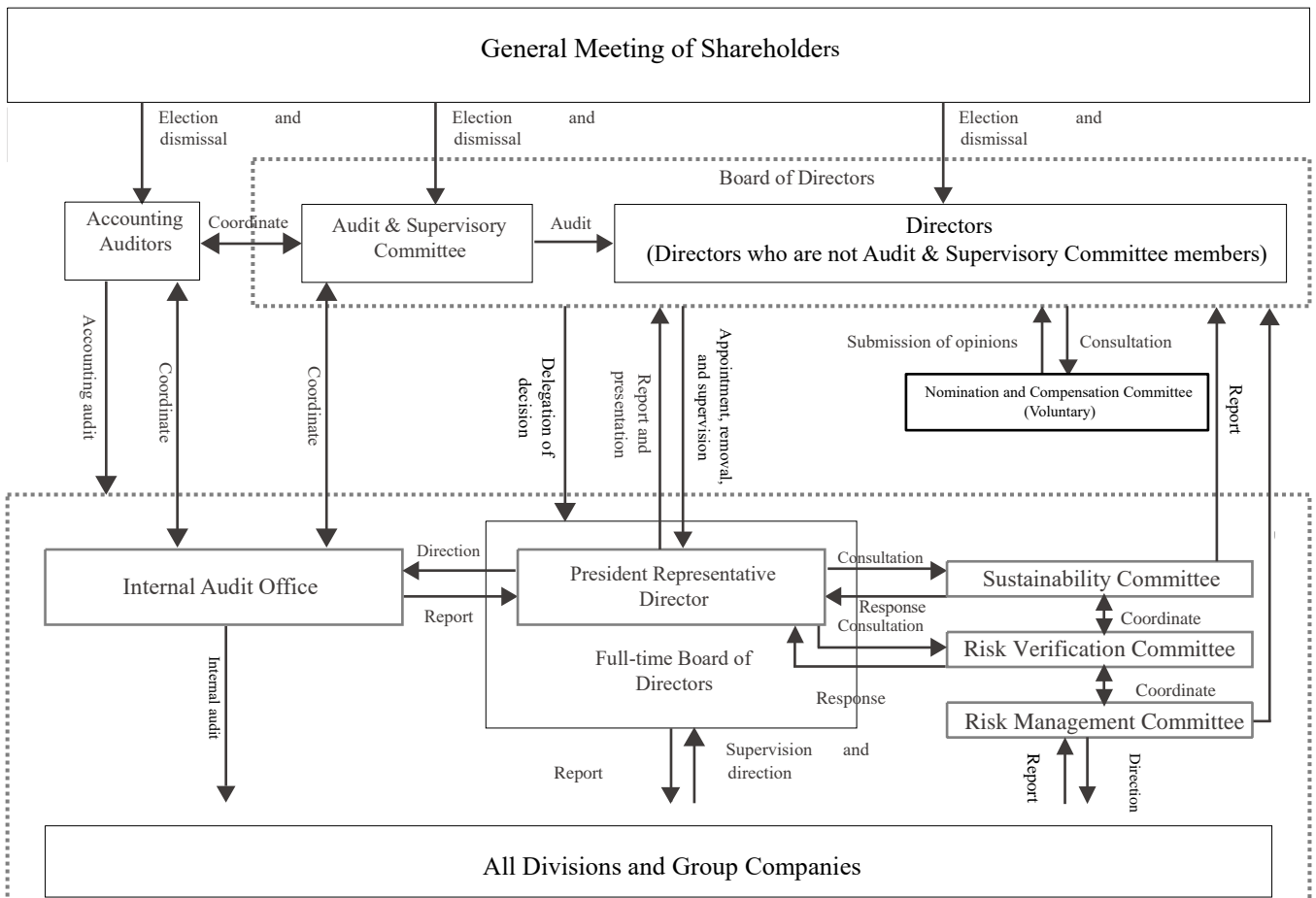
In fiscal 2022, Nomination and Compensation Committee meetings were held twice, and the attendance of individual directors is as follows

Title	Surname	Number of meetings held	Attendance
Chairman Representative Director	Tomoaki Horiguchi	2 times	2 times
President Representative Director	Seiichi Saito	2 times	2 times
Outside Director	Kazutaka Okubo	2 times	2 times
Audit & Supervisory Board Member Outside Director	Hidetaka Tanaka	2 times	2 times

The members of each organization are as follows. (◎ Represents the chairman.)

Title	Surname	Board of Directors	Audit & Supervisory Board	Nomination and remuneration Committee (optional)
Chairman Representative Director	Tomoaki Horiguchi	○		◎
President Representative Director	Seiichi Saito	◎		○
Vice President Director	Izumi Nakamura	○		
Senior Managing Director	Yasushi Yamada	○		
Director	Mitsuhiro Ninomiya	○		
Director	Kenji Honda	○		
Outside Director	Kazutaka Okubo	○		○
Outside Director	Keiichi Asai	○		
Audit & Supervisory Board Member Director	Shinichi Tominaga	○	◎	
Audit & Supervisory Board Member Outside Director	Hidetaka Tanaka	○	○	○
Audit & Supervisory Board Member Outside Director	Tsuneko Murada	○	○	

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



A. Reason for adoption of the said system

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

(iii) Other items on corporate governance

A. the Progress of the Internal Control System Development

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

B. Basic policy for building an 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 Audit and Supervisory Committee on a regular basis. Also the Company shall report to 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 and Audit & Supervisory Board Members as necessary. The General Manager of the Administration Department shall be responsible for supervising the storage and management of information.

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

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 the 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. In addition, the Corporate Planning Department shall require prior consultation or prior approval with the Company for important management matters of the 3 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 Board 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. President Representative Director shall prepare and report its 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 Board Members in performing their duties

In the event that Audit & Supervisory Board Members request that an employee be assigned to assist them in performing their duties, such employee shall be assigned as an Audit & Supervisory Board 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 Board Members. In addition, if an Audit & Supervisory Board has been established, it shall also serve as the secretariat of the Audit & Supervisory Board.

(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 Board Members in advance and their consent shall be obtained.

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

The auditor's assistant in Paragraph (f) will have the opportunity to accompany the Audit & Supervisory Board Members to Board of Directors meetings and other important meetings. They will also accompany the Audit & Supervisory Board Members and regularly exchange opinions with the President Representative Director and accounting auditors. Directors and other employees will cooperate with the Audit & Supervisory Board 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 Board Member and other Members by Directors and employees of the Company and group companies

All directors and department heads shall report on the status of the execution of their duties from time to time at meetings in the Board of Directors and other meetings attended by corporate auditors. Auditors shall be permitted to attend any Company meetings they request to attend. All directors and employees of the Company and its group companies shall report to the Audit & Supervisory Board Members as soon as they discover any matter that may or may not 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 outside Audit & Supervisory Board Members. 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 Audit & Supervisory Board Members.

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

The Company shall promptly respond to requests from Audit & Supervisory Board Members for advance payment of 4 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 Audit & Supervisory Board Members

President Representative Director will hold regular meetings with Audit & Supervisory Board 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 Audit & Supervisory Board Members and audits by the accounting auditor are conducted efficiently and effectively.

C. Outline of the operating status

- (a) Directors' execution of duties

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

- (b) Execution of duties by Audit & Supervisory Board

During the fiscal year under review, the Audit & Supervisory Board Members held 14 Audit & Supervisory Board Members meetings and implemented audits based on the audit plan. In addition, the Audit & Supervisory Board

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 acts are not treated unfavorably for the reason of the report. The Company ensures that employees who report compliance violations or questionable acts are not treated unfavorably for the reason of the report. 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, the director, division head, and chief grasp the status of important management matters (contracts, quality, intellectual property, etc.) in a cross-sectional manner. If necessary, the director, division head, and chief hold weekly meetings for report and review. In the event of an emergency, the Company has established a system to promptly hold a temporary Board of Directors' meeting to respond.

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 and Audit & Supervisory Board Members 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 or the Outside Audit & Supervisory Board Member 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 Board Member, 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 of the Company shall not exceed 10 and the number of Audit & Supervisory Board Members shall not exceed 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 General Meeting of Shareholders

A. General Meeting of Shareholders special resolution requirements

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 General Meeting of Shareholders by securing a quorum for special resolutions in General Meeting of Shareholders.

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

(a) Acquisition of own shares

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 and Audit & Supervisory Board Member

To ensure directors and Audit & Supervisory Board Members 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 or an Audit & Supervisory Board Member (including those who were Director and Audit & Supervisory Board Member) 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 Board Members

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

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

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Chairman Representative Director	Tomoaki Horiguchi	April 21, 1958	<p>March 1990 Sun Frontier Co., Ltd. (merged company) President Representative Director</p> <p>April 1999 Establishment of the Company President Representative Director</p> <p>August 2015 Representative Director of Sun Frontier Hotel Management Inc. (current position)</p> <p>November 2017 Representative Director of Sun Frontier Sado Co., Ltd. (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>	(Note 2.)	3, 023, 053
President Representative Director	Seiichi Saito	June 9, 1960	<p>September 2005 Joined the Company</p> <p>November 2005 General Manager of Administration Division</p> <p>June 2006 Director, General Manager of Management Division</p> <p>June 2008 Senior Managing Director, General Manager of Management Division</p> <p>June 2012 Executive Vice President, Vice President Executive Officer, General Manager of Administration Division</p> <p>June 2014 Representative Executive Vice President, Vice President Executive Officer, General Manager of Administration Division</p> <p>April 2015 Representative Executive Vice President, Vice President Executive Officer, General Manager 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>	(Note 2.)	74, 484
Vice President Director, General Manager 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, General Manager of Entrusted Asset Management Division of the Company</p> <p>June 2012 Representative Director SF Building Support Inc. (current position)</p> <p>June 2012 Managing Director, Managing Executive Officer, General Manager of Entrusted Asset Management Division of the Company</p> <p>November 2013 Representative Director of Yubi Co., Ltd. (present SF Building Maintenance Inc.) (current position)</p> <p>June 2016 Senior Managing Director, Senior Managing Executive Officer, General Manager of Entrusted Asset Management Division</p> <p>April 2019 Representative Director of Sun Frontier Space Management Inc. (current position)</p> <p>April 2020 Executive Vice President, Vice President Executive Officer, General Manager of Entrusted Asset Management Division (current position)</p>	(Note 2.)	56, 467

Senior Managing Director, General Manager of Business Promotion Division	Yasushi Yamada	December 23, 1965	<p>August 2010 Joined the Company, Manager of Corporate Planning Division</p> <p>June 2012 Executive Officer, Manager of Corporate Planning Division</p> <p>April 2015 Executive Officer, General Manager of Administration Division</p> <p>June 2015 Director, Executive Officer, General Manager of Administration Division</p> <p>June 2016 Managing Director, Managing Executive Officer, General Manager of Administration Division</p> <p>November 2017 Representative Director of PT.SUN FRONTIER PROTERTY ONE (current position)</p> <p>December 2017 Representative Director of PT.SUN FRONTIER INDONESIA (current position)</p> <p>April 2020 Senior Managing Director, Senior Managing Executive Officer, General Manager of Business Promotion Division (current position)</p> <p>June 2020 Chairman Representative Director of SUN FRONTIER VIETNAM CO., LTD. (current position)</p> <p>June 2020 Chairman Representative Director of SUN FRONTIER DANANG CO., LTD. (current position)</p>	(Note 2.)	18, 827
Director, General Manager of Administration Division	Mitsuhiro Ninomiya	March 1, 1969	<p>September 2003 Joined the Leasing Business Division of the Company</p> <p>March 2006 Manager of Property Management Business Division</p> <p>October 2010 Manager of Human Resources General Affairs Division</p> <p>June 2014 Executive Officer, Manager of Human Resources General Affairs Division</p> <p>April 2018 Executive Officer, Deputy General Manager of Administration Division, Manager of Corporate Planning Division</p> <p>April 2019 Executive Officer, Deputy General Manager of Administration Division, Manager of Corporate Planning Division, Manager of Information System Division</p> <p>July 2019 Executive Officer, Deputy General Manager of Administration Division, Manager of General Affairs Division, Manager of Information System Division</p> <p>April 2020 Executive Officer, General Manager of Administration Division, Manager of General Affairs Division of the Company</p> <p>June 2020 Director, Executive Officer, General Manager of Administration Division and Manager of General Affairs Division (current position)</p>	(Note 2)	34, 300
Director, General Manager of Asset Management Division	Kenji Honda	March 5, 1967	<p>April 2006 Joined the Company in Entrusted Asset Management Division Corporate Sales Section</p> <p>October 2010 Chief of Property Management Business Division and Manager of Quality Control Office</p> <p>June 2014 Executive Officer, Manager of Property Management Business Division (current position)</p> <p>March 2016 Representative Director of PT. SUN FRONTIER INDONESIA</p> <p>April 2018 Executive Officer, Deputy General Manager of Entrusted Asset Management Division and the 1st Manager of Property Management Business Division</p> <p>April 2020 Executive Officer, General Manager of Asset Management Division (current position)</p> <p>June 2020 Director, Executive Officer, General Manager of Asset Management Division (current position)</p>	(Note 2)	6, 200

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Director	Kazutaka Okubo	March 22, 1973	<p>November 1995 Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>April 1999 Registered as Certified Public Accountant</p> <p>June 2006 Partner of ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>July 2012 Senior Partner of ShinNihon LLC (currently Ernst & Young 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 Director of the Company (current position)</p> <p>September 2019 Outside Audit & Supervisory Board Member of BrainPad Inc. (current position)</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 Board Member of Musashi Seimitsu Industry Co., Ltd. (current position)</p> <p>November 2020 Representative Director of SS DNAFORM (current position)</p> <p>September 2021 Outside Director, Audit & Supervisory Committee Member of BrainPad Inc. (current position)</p>	(Note 2)	3,108
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 2)	—
Director, Audit & Supervisory Committee Member	Shinichi Tominaga	June 13, 1957	<p>April 1981 Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)</p> <p>September 2007 Compliance Manager of Kenedix Advisors, Inc.</p> <p>March 2009 Manager of Finance & Accounting Department of Kenedix, Inc.</p> <p>September 2010 Manager of Business Management Department of Kenedix, Inc.</p> <p>July 2017 Joined the Company, Deputy General Manager of Administration Division</p> <p>April 2018 Manager for Governance and Other Special Missions of the Company</p> <p>April 2019 Accounting Manager of the Company</p> <p>July 2020 Manager of Corporate Planning Division of the Company</p> <p>June 2022 Director, Audit & Supervisory Committee Member of the Company (current position)</p>	(Note 2)	681

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Director, Audit & Supervisory Committee Member	Hidetaka Tanaka	January 25, 1953	<p>April 1975 Joined The Industrial Bank of Japan, Limited</p> <p>May 1996 Deputy Branch Manager of Singapore Branch, President and CEO of IBJ Merchant Bank (Singapore) Limited</p> <p>June 1996 Chief of International Finance Division of the same bank</p> <p>May 2000 Manager of International Finance Division of the same bank</p> <p>March 2002 Joined Rating and Investment Information, Inc. as Deputy General Manager of Rating Division and General Manager of Structured Finance Division of the same company</p> <p>March 2004 Manager of Structured Finance Division of the same company</p> <p>March 2006 Director, General Manager of Structured Finance Division of the same company, President Representative Director of Financial Technology Research Institute</p> <p>March 2008 Managing Executive Director of the same company</p> <p>March 2013 Senior Managing Executive Officer of the same company</p> <p>March 2016 Director, Senior Managing Executive Officer of the same company</p> <p>June 2019 Audit & Supervisory Board Member of the Company</p> <p>June 2022 Outside Director, Audit & Supervisory Committee Member of the Company (current position)</p>	(Note 2)	—
Director, Audit & Supervisory Committee Member	Tsuneko Murata	September 27, 1958	<p>April 1981 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)</p> <p>May 2003 Legal Manager of Panasonic System Solutions Co., Ltd. of the same company</p> <p>April 2007 Director of the same company</p> <p>June 2008 Legal and CSR Manager of Home Appliances Company</p> <p>June 2008 Director of Matsushita Facilities Net Services Co., Ltd. (currently Panasonic Appliances Safety Service Co., Ltd.)</p> <p>February 2010 Director of the Lifelong Learning Division of the Lifelong Learning Policy Bureau, Ministry of Education, Culture, Sports, Science and Technology</p> <p>July 2013 Director for Special Missions of the Legal Division of Panasonic Corporation</p> <p>January 2014 Director of Japan Pension Service</p> <p>January 2016 Auditor of the same organization</p> <p>June 2018 Outside Audit of Japan Finance Corporation</p> <p>June 2018 Outside Director, Audit & Supervisory Committee Member of Advantest Corporation</p> <p>June 2019 Outside Director, Audit & Supervisory Committee Member of Fujikura Ltd.</p> <p>March 2021 Outside Director of Milbon Co., Ltd. (current position)</p> <p>June 2021 Outside Director of Kakuyasu Group, Co., Ltd. (current position)</p> <p>June 2022 Outside Director, Audit & Supervisory Committee Member of Tokyo Seimitsu Co., Ltd. (current position)</p> <p>June 2022 Outside Director, Audit & Supervisory Committee Member of the Company (current position)</p>	(Note 2)	—
Total					3,217,120

- Notes: 1. Director Mr. Keiichi Asai, Mr. Kazutaka Okubo, Mr. Hidetaka Tanaka and Ms. Tsuneko Murata are “Outside Directors.
2. For one year from the conclusion of Annual General Meeting of Shareholders on June 27, 2023
3. For two years from the conclusion of Annual General Meeting of Shareholders on June 21, 2022
4. The Company has appointed 1 substitute Audit & Supervisory Committee Member who is a director as stipulated in Article 329, Paragraph 3 of the Companies Act of Japan in preparation for the event that the number of Audit & Supervisory Committee Member who is a director falls short of the number stipulated by laws and regulations.

The career summary of alternate Audit & Supervisory Committee Member who is a director is as follows.

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

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 11 executive officers is as follows.

Name	Title	Position
※ Seiichi Saito	President Executive Officer	
※ Izumi Nakamura	Vice President Executive Officer	General Manager of Entrusted Asset Management Division
※ Yasushi Yamada	Senior Managing Executive Officer	General Manager of Business Promotion Division
※ Mitsuhiro Ninomiya	Executive Officer	General Manager of Administration Division and Manager of General Affairs Division
※ Kenji Honda	Executive Officer	General Manager of Asset Management Division
Shuhei Oda	Executive Officer	General Manager of Asset Management Division and Manager of Replanning Business Division
Kenji Wakao	Executive Officer	General Manager of Asset Management Division and Manager of Construction Division
Kentaro Kawanishi	Executive Officer	General Manager of Entrusted Asset Management Division and Property Management Business
Takeshi Hirahara	Executive Officer	General Manager of Administration Division and Manager of Corporate Planning Division
Midori Kaneko	Executive Officer	Group Marketing Manager
Hiroyuki Takekawa	Executive Officer	DX Project Manager
Keiichiro Nishimoto	Executive Officer	Entrusted Asset Management Division Leasing Management Manager

* Indicates Executive Officer concurrently serving as Director.

(ii) Outside Officers

Annual Securities Report As of the submission date, the relationship with the four Outside Director members is as follows.

Mr. Kazutaka Okubo Outside Director is well versed in corporate audit as a Certified Public Accountant. He has served as a manager of audit corporations, various expert committee members of government agencies and executive officers of business associations. He has a wealth of insight and experience in areas such as crisis management, compliance and CSR. The Company has appointed him as Outside Director because the Company has judged that it is possible for him to provide appropriate advice and proposals at an independent standpoint to the managers involved in business execution in the decision-making of the Board of Directors.

The Company has designated him as an independent officer under the provisions of the Tokyo Stock Exchange, Inc. and has notified the Tokyo Stock Exchange of the designation. Although he holds Company's shares (3,108 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 him.

Outside Director Mr. Keiichi Asai joined Mitsubishi Corporation and worked in various divisions of the petroleum business including sales, supply and marketing and refining of petroleum products. He was also stationed in the United States and India and has engaged in international business of the energy business group almost consistently.

He has a wealth of knowledge and experience as he assumed the positions of Vice President Director of Lithium Energy Japan in 2013 and President Representative Director of KH Neochem Co., Ltd. in 2014 and has been involved in overall corporate management.

The Company has appointed him as Outside Director because the Company has judged that he can be expected to supervise the management of the Company based on his wealth of knowledge and experience, and appropriately perform his duties.

The Company has designated him as an independent officer under the provisions of the Tokyo Stock Exchange, Inc. and has notified the Tokyo Stock Exchange of the designation.

There are no other personal relationships, capital relationships, significant business relationships, or any other interests between the Company and Mr. Asai.

Outside Director Mr. Hidetaka Tanaka, who is an Audit & Supervisory Committee Member, is a Certified Public Accountant in the United States of America and has served as an expert member of government agencies.

In addition, he has a wealth of business experience in foreign countries. Based on his specialized knowledge in the financial industry and his experience working abroad and as a corporate manager, the Company has judged that he will be able to utilize the Company's auditing system from an independent standpoint with regard to the Company's overall management, including overseas business development operations, and has therefore appointed him as Outside Director who is an Audit & Supervisory Committee Member.

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. Tanaka.

Outside Director Ms. Tsuneko Murata, who is an Audit & Supervisory Committee Member, has experience as the head of the legal department of Panasonic Group and as a director and auditor of Japan Pension Service, as well as an outside officer at listed companies. In addition to a wealth of knowledge related to legal affairs, management and audit, she has a broad knowledge on promotion of women's participation and advancement in the workplace.

Based on her insight, the Company has appointed her as Outside Director who is an Audit & Supervisory Committee Member because the Company judges that she will be able to provide the Company with constructive proposals mainly on strengthening corporate governance, deliberation on important management matters and management monitoring by the Board of Directors and promoting sustainability. 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 the designation. There are no other personal relationships, capital relationships, significant business relationships, or any other interests between the Company and Ms. Murata..

As described above, Outside Director and Outside Audit & Supervisory Board Member 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 Outside Directors and Outside Audit & Supervisory Board Members are sufficiently selected.

Although there are no specific standards or policies regarding the independency of the Outside Director and the Outside Audit & Supervisory Board Member, the Company considers that the Outside Director and the Outside Audit & Supervisory Board Member, which are unlikely to cause conflicts of interest with general shareholders, are selected to ensure the independency of management by referring to the standards for independency of the independent officers established by the Tokyo Stock Exchange, Inc.

- (iii) Coordination among supervisions or audits by Outside Directors or Outside Audit & Supervisory Board Members, internal audits, audits by Audit & Supervisory Board Members and accounting audits, and relations with the Internal Control Division
- With regard to the supervision by Outside Director or an outside Audit & Supervisory Board Member, or the relationship between audit and internal audit, Audit & Supervisory Board Member Audit and accounting audit, Internal Audit Office implements internal audit 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 Board Member including outside Audit & Supervisory Board Member, and Director including Outside Director, 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, Internal Audit Office, Audit & Supervisory Board, and accounting auditor work closely with each other, and Audit & Supervisory Board and accounting auditor has a system that allows them to grasp the situation of internal audit in a timely manner. Audit & Supervisory Board Member and accounting auditor also share information on Audit & Supervisory Board Member Audit and accounting audit and coordinate with each other.

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

(3) Conditions of Audit

(i) Audit & Supervisory Committee's Audit

We are a Company with Audit & Supervisory Committee. The Audit & Supervisory Committee consists of three Audit & Supervisory Committee Members (including two Independent Outside Directors).

The Rules of Audit & Supervisory Committee stipulates that, as a general rule, the Audit & Supervisory Committee meeting 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, receives reports and explanations on the audit conditions and results, and exchange opinions.

Each Audit & Supervisory Committee Member will perform one's duties based on the plan throughout the period in accordance with the audit policies, allocation, etc. determined by the Audit & Supervisory Committee. In order to audit the execution of duties by the Board of Directors, each Audit & Supervisory Committee Member will ask questions and express opinions as appropriate in Board of Directors meetings.

Throughout the year, the full-time (by selection) Audit & Supervisory Committee Member (1 person) will conduct on-site inspections at each division and subsidiary, attend major meetings such as the Management Committee, inspect various important documents, including significant meeting minutes and approval requests, and receive explanations on questions as appropriate from directors and employees, request reports, and state opinions. In addition, we 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 10 times, and the main activities in each Audit & Supervisory Committee meeting are as follows.

A. Accounting audit;

Audit & Supervisory Board Member monitors whether accounting auditor maintains an independent position, receives an explanation of the audit plan from accounting auditor, and verifies whether appropriate audit is being implemented. In addition, regarding the execution of duties, the Company receives non-consolidated and consolidated reviews and reviews report for each quarter, receives 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 Board Member coordinates with the Internal Audit Office and checks the audit situation. If necessary, audit is implemented as Audit & Supervisory Board Member, where important documents are inspected and visits to each department are conducted. Moreover, Audit & Supervisory Board Member attended 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. The attendance status of Board of Directors meeting by each Audit & Supervisory Board Member is as follows.

C. Exchanging of views with President Representative Director;

The Company holds regular meetings with 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 Board

Audit & Supervisory Board meetings, deliberations on the Audit & Supervisory Board Member audit policy and audit plan, evaluations of accounting auditor, etc., and the results of the Audit & Supervisory Board Member audit and internal audit, are held once a month, 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 Board Member at the Audit & Supervisory Board meeting is as follows.

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

Attendance at Audit & Supervisory Board meetings

Attendance of Audit & Supervisory Committee Meeting

Category	Name	Attendance
Full-time Audit & Supervisory Committee Member	Shinichi Tominaga	10 times/10 times
Outside Audit & Supervisory Committee Member	Hidetaka Tanaka	10 times/10 times
Outside Audit & Supervisory Committee Member	Tsunenko Murata	10 times/10 times

(ii) Internal audit

The Internal audit of the Company has established the Internal Audit Office (three persons) as a department under direct control of the President Representative Director. For the purpose of verifying the appropriateness and effectiveness of the internal control system for overall business operations, regular audit is conducted based on the internal audit plan based on the status of risk management in each department. In implementing internal audit, we have asked each department to improve and correct the matters pointed out by audit. For the audit results, we have prepared the internal audit report manual and report to President Representative Director. 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 chief 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 understanding 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/training in each department and status of effectiveness confirmation

(iii) Accounting audit

A. Name of the Audit Corporation

BDO Sanyu

As for accounting audit, we have asked BDO Sanyu to provide audit throughout the period without being biased towards the final audit. In addition to accounting audit, we receive advice on accounting issues and internal control issues as needed.

B. The number of consecutive years they have conducted audits

23 years from the year ended March 2001

C. Certified public accountants who performed the work

Hitoshi Torii, Engagement Partner, Designated Partner

Satoshi Morita, 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

Certified Public Accountant 6, Other 3 persons

Note: Other is those in charge of system audit

E. Selection policy and reasons for the Audit Corporation

The Company has received 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 accounting auditor based on the “Accounting Auditor Selection and Evaluation Criteria” established by Audit & Supervisory Board 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 project

(3) Quality of audit operations

(4) Results of audit operations

(5) Audit remuneration

F. Evaluations of Audit Corporations by Audit & Supervisory Board Member and Audit & Supervisory Board

As a result of evaluating each item in accordance with the “Selection policy and reasons for the Audit Corporation” established by Audit & Supervisory Board as described in “E” above, Audit & Supervisory Board Member and Audit & Supervisory Board have determined that none of the evaluation items poses any problem in terms of accounting audit eligibility, independency, reliability, etc.

(iv) Details of audit remuneration, etc.

A. Details of remuneration to auditors

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	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	37	—	38	—
Consolidated subsidiaries	—	—	—	—
Total	37	—	38	—

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

B. Details of remuneration to individual member firms affiliated with the same network, to which 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 audit of Certified Public Accountant, etc. has been determined at Board of Directors with the consent of Audit & Supervisory Board 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 Board giving consent to remuneration for the accounting auditors

The Audit & Supervisory Board, based upon the “Practical Guidelines for Cooperation with Financial Auditors,” etc. released by the Japan Audit & Supervisory Board Members Association, confirmed the actual number of audit hours and the amount of remuneration by audit category and hierarchy in the audit plan for the past years, as well as the status of the performance of duties by accounting auditor. As a result of examining the appropriateness of this fiscal year's audit plan and the amount of remuneration, 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. in Director were held in resolution at Board of Directors on May 12, 2023).

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

At the 23rd Annual General Meeting of Shareholders held on June 21, 2022, the Company resolved that the maximum amount of remuneration, etc. for directors of the Company to be no more than 360 million yen per year (including 36 million yen for outside directors, but excluding salaries for directors who concurrently serve as employees). (The number of directors at the conclusion of the said general meeting for shareholders was 8 (including 2 outside directors).

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

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

them. At the 23rd Annual General Meeting of Shareholders held on June 21, 2022, it was resolved that the total number of the Company's common shares to be issued to the Eligible Directors or disposed of shall be no more than 50,000 shares per year and the total amount of such remuneration shall be no more than 36 million yen per year (the number of Eligible Directors at the conclusion of the said general meeting of shareholders was 6).

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 2 or more outside directors in order to ensure the objectivity and transparency of the procedures for determining remuneration for directors. The Chairman-Representative Director Tomoaki Horiguchi has the authority to prepare a draft of the calculation method and the basic policy for the amount of remuneration, etc., of the Company's directors. Based on the draft, the Nomination and Compensation Committee deliberates on the composition of remuneration, etc., the ratio thereof, the method for calculating the setting of indicators, etc. The Board of Directors has the authority to determine the policy regarding the determination of the amount of remuneration, etc., of the Company's directors or the method of calculating such amount. However, the Board of Directors determines the amount of remuneration, etc., of the Company's directors or the method of calculating such amount, while respecting the contents of discussions by the Nomination and Compensation Committee to the maximum extent possible.

The Company has held 11 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 director 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. in director 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 Board Member or the method of calculating such amount, Audit & Supervisory Board Member has the authority to make decisions on policies regarding the amount of remuneration, etc. of each Audit & Supervisory Board Member.

Moreover, the consolidated ordinary profit, the target indicator for performance-linked remuneration this fiscal year, was 12,800 million yen with a total of 14,722 million yen. Board of Directors received 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 Chairman Representative Director Tomoaki Horiguchi, are in line with the above decision policy.

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

Classification	Total Amount of Remuneration, etc. Paid (million yen)	Total Amount by Type of Remuneration, etc. (million yen)			Number of Persons Paid
		Fixed Remuneration	Performance-linked remuneration	Stock Option	
Director (excluding Audit & Supervisory Committee Member and Outside Director)	243	158	65	20	6
Audit & Supervisory Committee Member (excluding Outside Director)	9	9	—	—	1
Audit & Supervisory Board Member (excluding outside Audit & Supervisory Board Member)	2	2	—	—	1
Outside Officers	25	25	—	—	6

(iii) Total amount of consolidated remuneration by officers

Not listed because there are no consolidated remuneration whose total amount 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 serves as employee.

(5) Status of shareholdings

(i) Classification of investment shares

Not applicable because the Company does not hold investment shares for purposes other than pure investment and investment shares for purposes other than pure investment.

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

Not applicable.

Item. 5 Financial Information

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

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

(2) The financial statements of the Company are described in 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, 2022 to March 31, 2023 and the non-consolidated financial statements for the business year (from April 1, 2022 to March 31, 2023) were audited by BDO Sanyu.

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

The Company carries out special measures for ensuring the appropriateness of consolidated financial statements, etc. Specifically, for the purpose of both ensuring that the Company has an appropriate grasp of the contents of Accounting Standards and related regulations, and properly preparing consolidated financial statements, etc., the Company became a member of the Financial Accounting Standards Foundation, and is kept informed of changes in Accounting Standards and other events by participating in seminars and other events hosted by the foundation.

1.Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheet

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and time deposits	30,053	42,016
Notes, accounts receivable, and contract assets	*1 945	*1 1,625
Real estate for sale	*2 14,222	*2 19,781
Real estate for sale in process	*2 62,934	*2 60,254
Costs of uncompleted construction contracts	100	57
Supplies	83	87
Other	2,603	2,080
Allowance for doubtful accounts	-21	-18
Total current assets	110,920	125,886
Non-current assets		
Property, plant and equipment		
Buildings	11,489	*5 13,416
Accumulated depreciation	-3,609	-3,878
Accumulated impairment	-3	-8
Buildings (net amount)	*2 7,876	*2 9,528
Land	*2 10,046	*2, *5 10,117
Other	1,800	1,767
Accumulated depreciation	-921	-995
Accumulated impairment	-6	-6
Other (net amount)	*2 872	764
Total property, plant and equipment	18,796	20,410
Intangible assets		
Goodwill	408	343
Other	164	472
Total intangible assets	572	815
Investments and other assets		
Guarantee deposits	4,726	3,210
Deferred tax assets	1,036	2,033
Other	*3 460	*3 173
Allowance for doubtful accounts	-0	-11
Total investments and other assets	6,222	5,406
Total non-current assets	25,591	26,633
Total assets	136,512	152,519

(Unit: million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,345	2,106
Short-term borrowings	30	50
Current portion of long-term borrowings	*2 6,874	*2 5,442
Income taxes payable	3,528	1,699
Provision for bonuses	191	237
Provision for bonuses for directors (and other officers)	73	73
Provision for fulfillment of guarantees	*4 39	*4 22
Other	4,126	6,731
Total current liabilities	16,210	16,363
Non-current liabilities		
Long-term borrowings	*2 44,169	*2 50,170
Retirement benefit liability	6	5
Provision for share-based remuneration	68	83
Other	1,605	1,930
Total non-current liabilities	45,849	52,190
Total liabilities	62,060	68,553
Net Assets		
Shareholders' equity		
Share capital	11,965	11,965
Capital surplus	6,445	6,445
Retained earnings	52,917	62,289
Treasury shares	-67	-270
Total shareholders' equity	71,260	80,430
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	2
Foreign currency translation adjustment	19	269
Total accumulated other comprehensive income	22	271
Share acquisition rights	30	30
Non-controlling interests	3,139	3,233
Total net assets	74,452	83,965
Total liabilities and net assets	136,512	152,519

(ii) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Unit: million yen)

	For the year ended March 31,2022	For the year ended March 31,2023
Net sales	*1 71,251	*1 82,777
Cost of sales	*2 51,907	*2 59,971
Gross profit	19,344	22,805
Selling, general and administrative expenses	*3 7,216	*3 7,900
Operating profit	12,127	14,905
Non-operating income		
Interest and dividend income	35	55
Penalty income	200	133
Foreign exchange gains	86	83
Subsidy income	215	62
Other	77	72
Total non-operating income	614	406
Non-operating expenses		
Interest expenses	446	477
Loss on investments based on equity method	23	71
Other	56	41
Total non-operating expenses	526	589
Ordinary profit	12,215	14,722
Extraordinary income		
Government subsidy	-	232
Gain on sale of shares of subsidiaries and associates	-	101
Gain on liquidation of subsidiaries and associates	-	*4 64
Settlement money	144	-
Gain on bargain purchase	115	-
Other	0	1
Total extraordinary income	260	400
Extraordinary loss		
Loss on reduction of fixed assets	-	232
Loss on devaluation of investment securities	-	104
Impairment loss	*5 65	*5 27
Loss on sales of non-current assets	0	-
Settlement money	254	-
Other	20	12
Total extraordinary losses	340	377
Profit before income taxes	12,135	14,745
Income taxes - current	4,812	3,876
Income taxes - deferred	-85	-852
Total income taxes	4,726	3,024
Profit	7,408	11,721
Profit (loss) attributable to non-controlling interests	-6	108
Profit attributable to owners of parent	7,415	11,612

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	For the year ended March 31,2022	For the year ended March 31,2023
Profit	7,408	11,721
Other comprehensive income		
Valuation difference on available-for-sale securities	0	-1
Foreign currency translation adjustment	329	259
Total other comprehensive income	* 330	* 258
Comprehensive income	7,738	11,980
Comprehensive income attributable to		
Owners of parent	7,727	11,861
Non-controlling interests	11	118

(iii) Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2022

(Unit: million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	11,965	6,445	48,573	-67	66,916
Changes during period					
Dividends of surplus			-3,071		-3,071
Profit attributable to owners of parent			7,415		7,415
Acquisition of treasury shares					-
Disposal of treasury shares					-
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	4,343	-	4,343
Balance at end of the period	11,965	6,445	52,917	-67	71,260

	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	-292	-289	16	3,129	69,773
Changes during period						
Dividends of surplus						-3,071
Profit attributable to owners of parent						7,415
Acquisition of treasury shares						-
Disposal of treasury shares						-
Change in ownership interest of parent due to transactions with non-controlling interests						-
Net changes in items other than shareholders' equity	0	311	312	14	9	335
Total changes during period	0	311	312	14	9	4,679
Balance at end of the period	3	19	22	30	3,139	74,452

For the fiscal year ended March 31, 2023

(Unit: million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	11,965	6,445	52,917	-67	71,260
Changes during period					
Dividends of surplus			-2,240		-2,240
Profit attributable to owners of parent			11,612		11,612
Acquisition of treasury shares				-239	-239
Disposal of treasury shares		-0		36	36
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes in items other than shareholders' equity					
Total changes during period	-	0	9,372	-202	9,169
Balance at end of the period	11,965	6,445	62,289	-270	80,430

	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	3	19	22	30	3,139	74,452
Changes during period						
Dividends of surplus						-2,240
Profit attributable to owners of parent						11,612
Acquisition of treasury shares						-239
Disposal of treasury shares						36
Change in ownership interest of parent due to transactions with non-controlling interests						0
Net changes in items other than shareholders' equity	-1	250	249	-	94	343
Total changes during period	-1	250	249	-	94	9,513
Balance at end of the period	2	269	271	30	3,233	83,965

(iv) Consolidated Statement of Cash Flows

(Unit: million yen)

	For the year ended March 31,2022	For the year ended March 31,2023
Cash flows from operating activities		
Profit before income taxes	12,135	14,745
Depreciation	*2 1,632	*2 1,968
Impairment loss	65	27
Amortization of goodwill	78	64
Loss (gain) on liquidation of subsidiaries and associates	-	-64
Loss on reduction of fixed assets	-	232
Government subsidy	-	-232
Increase (decrease) in allowance for doubtful accounts	-14	6
Increase (decrease) in provision for bonuses	-8	-87
Increase (decrease) in provision for bonuses for directors (and other officers)	21	-0
Increase (decrease) in provision for fulfillment of guarantees	-13	-17
Increase (decrease) in provision for share-based remuneration	11	15
Interest and dividend income	-35	-55
Subsidy income	-215	-62
Interest expenses	446	477
Loss (gain) on investments based on equity method	23	71
Loss on retirement of non-current assets	20	12
Gain on bargain purchase	-115	-
Decrease (increase) in trade receivables	496	409
Decrease (increase) in inventories	7,874	1,854
Increase (decrease) in trade payables	-776	1,155
Other	-1,271	1,751
Subtotal	20,354	22,274
Interest and dividends received	35	55
Interest paid	-447	-490
Income taxes (paid) refund	-2,460	-5,729
Proceeds from subsidy income	215	62
Proceeds from Government subsidy	-	232
Settlement money paid	-254	-
Proceeds from settlement	-	150
Other	-	-10
Net cash provided by (used in) operating activities	17,443	16,544
Cash flows from investing activities		
Proceeds from sales of shares of subsidiaries and associates	-	125
Payments into time deposits	-183	-100
Proceeds from withdrawal of time deposits	271	100
Purchase of property, plant and equipment	-8,484	-7,531
Proceeds from sales of property, plant and equipment	5	27
Purchase of intangible assets	-48	-312
Payments of guarantee deposits	-822	-692
Proceeds from collection of lease and guarantee deposits	44	2,337
Other	-168	-634
Net cash provided by (used in) investing activities	-9,386	-6,681
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	30	20
Proceeds from long-term borrowings	24,183	23,261
Repayments of long-term borrowings	-20,661	-18,691
Dividends paid	-3,070	-2,239

	For the year ended March 31,2022	For the year ended March 31,2023
Purchase of treasury shares	-	-239
Proceeds from share issuance to non-controlling shareholders	6	1
Payments for refunds to non-controlling shareholders	-	-69
Proceeds from sales of shares in subsidiaries not resulting in change in scope of consolidation	-	4
Other	-39	-5
Net cash provided by (used in) financing activities	449	2,039
Effect of exchange rate change on cash and cash equivalents	125	59
Increase (decrease) in cash and cash equivalents	8,632	11,962
Cash and cash equivalents at beginning of period	21,319	29,951
Cash and cash equivalents at end of period	*1 29,951	*1 41,914

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

23 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.

Four companies newly established in the consolidated fiscal year under review are included in the scope of consolidation. Three companies that were consolidated subsidiaries are excluded from the scope of consolidation since they decreased due to liquidation, etc.

(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 “Notes on special purpose company subject to disclosure.”

2. Application of Equity Method

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

One company

Name of equity-method affiliate

Power Consulting Networks Co., Ltd.

One affiliate accounted for by the equity method was sold during the consolidated fiscal year under review and has been excluded from the scope of consolidation.

(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 other eight 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. Securities other than shares without a market price

Stated at market based on the market price, etc., on the balance sheet date (Valuation difference is reported as a component of net assets. The cost of sale is calculated using the moving-average method.)

B. Shares without a market price, etc.

Stated at cost determined by moving-average method.

(ii) Inventories

A. Real estate for sale and real estate for sale in process

Stated at cost determined by specific identification method (Balance Sheet values are calculated by the book value devaluation method based on decline in profitability).

Property under lease is amortized in accordance with property, plant and equipment.

B. Costs of uncompleted construction contracts

Stated at cost determined by the specific identification method (Balance Sheet values are calculated by the book value devaluation method based on decline in profitability).

C. Supplies

Stated at most recent purchase cost method (Balance Sheet values are calculated by the book value devaluation method based on decline in profitability).

(2) Depreciation or amortization method for significant depreciable assets

(i) Property, plant and equipment

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 29 years

Other 2 to 15 years

Small-amount depreciable assets with an acquisition cost of 100,000 yen or more but less than 200,000 yen are depreciated over three years on a straight-line basis.

(ii) 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) Significant provisions

(i) 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.

(ii) Provision for bonuses

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 (and other officers)

Provision for directors' bonuses is provided based on the estimated amount incurred at the end of the consolidated fiscal year under review.

(iv) Provision for fulfillment of guarantees

In order to prepare for losses related to Rent Guarantee Business operations, costs for which the amount incurred can be estimated individually are recorded in the amount of such costs, and for others, the estimated losses 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 provision of the Company's shares to employees based on the Share Benefit Regulations, the provision for the Company's shares is recorded based on the estimated amount of the share benefit obligation at the end of the consolidated fiscal year under review.

(4) Accounting treatment for retirement benefits

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

(5) Standards for recording significant revenues and expenses

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

(i) Real Estate Revitalization Business

Replanning Business

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

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

(ii) Real Estate Service Business

(a) Property Management Business

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

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

(b) Building Maintenance Business

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

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

(c) Sales Brokerage Business

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

(d) Leasing Brokerage Business

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

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

(iii) Hotel and Tourism Business

(a) Hotel Operation Business

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

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

(b) Hotel Development Business

Hotel Development Business is engaged in the business of selling hotels that have been completed from the purchase of land to the construction of buildings to customers and is obligated to deliver such properties based on real estate sales contracts with customers.

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

(iv) Others

(a) Overseas Development Business

Overseas Business is engaged in real estate development centered on condominiums and houses in Southeast Asian countries and sells them to customers in Japan and overseas. It 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.

(b) Construction Business

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

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

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

(6) Standards for translation of foreign currency-denominated assets and liabilities into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates on the consolidated balance sheet date, and translation differences are charged or credited to income. Assets, liabilities and income and expenses of foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at the respective balance sheet dates of the foreign subsidiaries. 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 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 insignificant risk of changes in value and that mature or become due within three months of the date of acquisition.

(9) Other significant matters for the preparation of consolidated financial statements

(i) Accounting for non-deductible consumption tax related to assets

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

(ii) Application of Group Tax Sharing System

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

(Significant Accounting Estimates)

1. Assessment of real estate for sale, etc.

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

	Previous fiscal year	Current fiscal year
Real estate for sale	14,222 million yen	19,781 million yen
Real estate for sale in process	62,934 million yen	60,254 million yen

(2) Information on significant accounting estimates pertaining 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 estimated based on the business plan.

The expected future revenue in the business plan that forms the basis for the value of the return to profits includes the expected future tenant rent and average unit price and occupancy rate of hotel rooms and is based on important assumptions such as the assumed market conditions in the future.

In the following fiscal year, the net selling price may change due to changes in assumptions used in formulating business plans in the event of events that were not anticipated at the time of formulating business plans. 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 fiscal year
Non-current assets related to Hotel Development Business and Hotel Operation Business	12,080 million yen	11,648 million yen

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

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

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

In the following fiscal year and thereafter, the net selling price may change due to changes in assumptions used in formulating business plans in the events that were not anticipated at the time of formulating business plans. 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.

(Change of Presentation Method)

(Consolidated Statement of Income)

"Dividend income" (0 million yen in the previous fiscal year) in "Non-operating income", which was presented separately in the previous fiscal year, is included in "Interest and dividend income" from the current consolidated fiscal year because its amount has become insignificant.

"Loss on retirement of non-current assets" (20 million yen in the previous fiscal year) in "Extraordinary loss", which was presented separately in the previous fiscal year, is included in "Other" from the current consolidated fiscal year due to a decrease in its financial significance.

(Consolidated Statement of Cash Flows)

"Proceeds from collection of lease and guarantee deposits," which was included in "Other" of "Cash flows from investing activities" in the previous fiscal year, is presented separately from the current consolidated fiscal year due to an increase in its financial significance. To reflect this change in presentation method, Consolidated Financial Statements has been reclassified for the previous fiscal year.

As a result, "Other" of -123 million yen in "Cash flows from investing activities" in the consolidated statement of cash flows for the previous fiscal year, have been reclassified as "Proceeds from collection of lease and guarantee deposits" of 44 million yen and "Other" of -168 million yen.

(Additional Information)

Change in holding purpose of assets

As a result of changing the holding purpose, property, plant and equipment ("Buildings" 1,431 million yen and "Land" 3,075 million yen) were transferred to 481 million yen in "Real estate for sale" and 4,026 million yen in "Real estate for sale in process" in current assets.

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

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

(i) Overview of transaction

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

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

(ii) Own shares remaining in the trust

The book value of the Company's shares remaining in the trust (excluding the amount of incidental expenses) is included in net assets as treasury shares. The book value and number of shares of the treasury shares at the end of the previous fiscal year were 67 million yen and 56,500 shares and at the end of the current fiscal year were 157 million yen and 128,300 shares.

(Related to Consolidated Balance Sheet)

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

* 2 Collateralized assets and liabilities

(1) Assets pledged as collateral are as follows.

	For the year ended March 31, 2022		For the year ended March 31, 2023	
Real estate for sale	8,963	million yen	18,060	million yen
Real estate for sale in process	59,769		55,880	
Buildings	4,040		7,998	
Land	9,700		9,772	
Other	1,374		-	
Total	83,848	million yen	91,712	million yen

(2) Collateralized obligations are as follows.

	For the year ended March 31, 2022		For the year ended March 31, 2023	
Long-term borrowings (including current portion of long-term borrowings)	47,724	million yen	52,333	million yen
Total	47,724	million yen	52,333	million yen

* 3 Items relating to affiliated companies are as follows.

	For the year ended March 31, 2022		For the year ended March 31, 2023	
Other (shares of subsidiaries and affiliates)	126	million yen	30	million yen

* 4 Contingent liabilities

Liability guarantee by rent guarantee

	For the year ended March 31, 2022		For the year ended March 31, 2023	
(Guarantee)				
Customers pertaining to Rent Guarantee Business (amount equivalent to the guarantee limit)	43,143	million yen	47,416	million yen
Provision for fulfillment of guarantees	-39		-22	
Total	43,103	million yen	47,393	million yen

* 5 Reduction entry amount

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

	For the year ended March 31, 2022		For the year ended March 31, 2023	
Buildings	-	million yen	200	million yen
Land	-		32	
Total	-	million yen	232	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 Ending inventory is the amount after write-down of book value by decline in profitability. The following loss on revaluation of inventories is included in cost of sales.

For the year ended March 31, 2022	For the year ended March 31, 2023
307 million yen	14 million yen

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

	For the year ended March 31, 2022	For the year ended March 31, 2023
Sales commission	614 million yen	451 million yen
Salaries and allowances	2,403	2,560
Retirement benefit costs	69	74
Provision for bonuses provision	155	186
Provision for bonuses for directors (and other officers) provision	73	73
Provision for share-based remuneration provision	11	14
Allowance for doubtful accounts provision	13	13
Commission paid	918	1,076

* 4 The breakdown of gain on liquidation of subsidiaries and associates.

	For the year ended March 31, 2022	For the year ended March 31, 2023
Gain on liquidation of subsidiaries and associates	- million yen	64 million yen
Total	- million yen	64 million yen

The gain on liquidation of subsidiaries and associates is due to the liquidation of one U.S. subsidiary (RIVERSIDE STUDIOS LLC).

* 5 Impairment loss

The Company recorded impairment loss for the following asset groups.

For the year ended March 31, 2022

Location	Use	Type	Impairment loss (million yen)
Chuo-ku, Tokyo	Business assets	Goodwill	65

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

As a result of a review of the company's future revenue outlook for business assets, etc. held by some consolidated subsidiaries, the recoverable amount of the cash-generating unit (asset group) fell below the book value. Therefore, the book value was reduced to the recoverable amount and the decrease was recorded in extraordinary loss. The breakdown is 65 million yen for goodwill.

The recoverable amount of the asset or asset group is measured by the net selling price or the value in use. The net selling price is calculated based on the non-current assets tax valuation, and the value in use is zero because future cash flows are not expected.

For the year ended March 31, 2023

Location	Use	Type	Impairment loss (million yen)
Matsudo, Chiba	Common assets	Land, buildings, etc.	22
Narita, Chiba	Business assets	Buildings	5

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

As a result of a review of the present value of common assets held by some consolidated subsidiaries in conjunction with the sale, the recoverable amount fell below the book value. Therefore, the book value was reduced to the recoverable amount, and the decrease was recorded in extraordinary loss. The sale of the common assets was completed during the fiscal year under review.

In addition, as a result of a review of the company's future revenue outlook for business assets, etc. held by some consolidated subsidiaries, the recoverable amount of the cash-generating unit (asset group) fell below the book value. Therefore, the book value was reduced to the recoverable amount and the decrease was recorded in extraordinary loss.

The recoverable amount of the asset or asset group is measured by the net selling price or the value in use. The net selling price is calculated based on the non-current assets tax valuation, and the value in use is zero because future cash flows are not expected.

(Consolidated Statement of Comprehensive Income)

* Reclassification adjustment and tax effect related to other comprehensive income

	For the year ended March 31, 2022	For the year ended March 31, 2023
Valuation difference on available-for-sale securities		
Current amount incurred	0 million yen	-1 million yen
Reclassification adjustment	-	-
Before tax effect adjustment	0	-1
Tax effect	-0	0
Valuation difference on available-for-sale securities	0	-1
Foreign currency translation adjustment		
Current amount incurred	329	366
Reclassification adjustment	-	-106
Total other comprehensive income	330	258

(Notes to Consolidated Statement of Changes in Equity)

For the year ended March 31, 2022

1. Matters concerning issued shares

Type of shares	Beginning of the previous consolidated fiscal year	Increase	Decrease	End of the previous 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 previous consolidated fiscal year	Increase	Decrease	End of the previous consolidated fiscal year
Common shares	56,644 shares	-	-	56,644 shares

Note: The number of treasury shares in common shares, includes the Company's share of 56,500 held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

(Summary of Reasons for Change)

Not applicable.

3. Matters related to share acquisition rights

Company Name	Breakdown	Type of shares to be issued	Number of shares to be issued (shares)				Balance at the end of the previous consolidated fiscal year (million yen)
			Beginning of the previous consolidated fiscal year	Increase	Decrease	End of the previous 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
Total			-	-	-	-	30

4. Matters concerning dividends

(1) Cash dividends paid

Resolution	Type of shares	Total dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders, June 22, 2021	Common shares	2,047	42.00	March 31, 2021	June 23, 2021
Board of Directors, November 9, 2021	Common shares	1,023	21.00	September 30, 2021	December 7, 2021

Note: The total amount of dividends decided at the Annual General Meeting of Shareholders on June 22, 2021 includes dividends of 2 million yen for the Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

The total amount of dividends decided at the Board of Directors on November 9, 2021 includes dividends of 1 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 previous consolidated fiscal year and whose effective date is in the following consolidated fiscal year

Resolution	Type of shares	Source of dividends	Total dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders, June 21, 2022	Common shares	Retained earnings	1,121	23.00	March 31, 2022	June 22, 2022

Note: The total amount of dividends decided at the Annual General Meeting of Shareholders held on June 21, 2022, includes dividends of 1 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, 2023

1. Matters concerning 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	56,644 shares	215,989	35,464	237,169 shares

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

(Summary of Reasons for Change)

The main changes of treasury shares of common shares was due to an increase of 143,800 shares due to the acquisition of treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the same Act, an increase of 71,800 shares due to the additional acquisition to the Employee Stock Ownership Plan (J-ESOP), and an increase of 49 shares due to the purchase of fractional shares. This was despite a decrease of 35,124 shares due to the disposal of treasury shares through the restricted shares remuneration system.

3. Matters related to share acquisition rights

Company Name	Breakdown	Type of shares to be issued	Number of shares to be issued (shares)				Balance at the end of the current consolidated fiscal year (million yen)
			Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year	
Submitting company	2018 Share Acquisition Rights as Stock Option	-	-	-	-	-	5
Submitting company	2019 Share Acquisition Rights as Stock Option	-	-	-	-	-	5
Submitting company	2020 Share Acquisition Rights as Stock Option	-	-	-	-	-	4
Submitting company	2021 Share Acquisition Rights as Stock Option	-	-	-	-	-	14
Total			-	-	-	-	30

4. Matters concerning dividends

(1) Cash dividends paid

Resolution	Type of shares	Total dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders, June 21, 2022	Common shares	1,121	23.00	March 31, 2022	June 22, 2022
Board of Directors, November 10, 2022	Common shares	1,118	23.00	September 30, 2022	December 6, 2022

Note: The total amount of dividends decided at the Annual General Meeting of Shareholders on June 21, 2022 includes dividends of 1 million yen for the Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

The total amount of dividends decided by the Board of Directors on November 10, 2022 includes dividends of 1 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 current consolidated fiscal year and whose effective date is in the following fiscal year

Resolution	Type of shares	Source of dividends	Total dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors, May 16, 2023	Common shares	Retained earnings	1,216	25.00	March 31, 2023	June 28, 2023

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

(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, 2022	For the year ended March 31, 2023
Cash and deposits account	30,053 million yen	42,016 million yen
Time deposits with a deposit period of more than three months	-101	-101
Cash and cash equivalents	29,951 million yen	41,914 million yen

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

	For the year ended March 31, 2022	For the year ended March 31, 2023
	1,136 million yen	1,107 million yen

(Lease Transactions)

Operating lease transactions

(Lessee)

Future minimum lease payments for non-cancelable operating lease transactions

	For the year ended March 31, 2022	For the year ended March 31, 2023
Within one year	1,470 million yen	1,479 million yen
Over one year	17,030	10,564
Total	18,500 million yen	12,043 million yen

(Financial Instruments)

1. Items relating to financial instruments

(1) Policy on financial instruments

The Company limits its fund management to short-term deposits, etc. With regard to fund procurement, the Company's policy is to procure funds through indirect financing through bank loans and direct financing through issuance of bonds and shares, etc., taking into comprehensive consideration the characteristics of necessary fund demand, financial market environment, long and short-term redemption periods. Derivative transactions are used to avoid interest rate fluctuation risks borrowings or to limit them to a certain range, 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, is exposed to liquidity risks that restrict fund procurement due to changes in the stance of transactions with the Group.

(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 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 investment 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

The fair values of financial instruments include values based on market prices and reasonably calculated values if there is no market price. 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 year ended March 31, 2022

	Consolidated Balance Sheet amount (million yen)	Market value (million yen)	Difference (million yen)
Long-term borrowings (including current portion of long-term borrowings)	51,043	50,275	-768
Total liabilities	51,043	50,275	-768

For the year ended March 31, 2023

	Consolidated Balance Sheet amount (million yen)	Market value (million yen)	Difference (million yen)
Long-term borrowings (including current portion of long-term borrowings)	55,613	54,240	-1,373
Total liabilities	55,613	54,240	-1,373

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

Asset

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

Long-term borrowings

The market value of long-term borrowings is calculated by discounting the total amount of the long-term borrowings divided by a certain period by the interest rate assumed for similar new loans.

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, 2022	For the year ended March 31, 2023
Shares of subsidiaries and affiliates	126	30
Shares of unlisted companies	107	158

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.

3. Redemption schedule of cash receivables after consolidated close date

For the year ended March 31, 2022

	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	30,053	-	-	-
Total	30,053	-	-	-

For the year ended March 31, 2023

	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	42,016	-	-	-
Total	42,016	-	-	-

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

For the year ended March 31, 2022

	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	30	-	-	-	-	-
Long-term borrowings	6,874	8,320	23,071	2,826	3,106	6,844
Total	6,904	8,320	23,071	2,826	3,106	6,844

For the year ended March 31, 2023

	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	50	-	-	-	-	-
Long-term borrowings	5,442	17,585	12,421	3,665	6,473	10,023
Total	5,492	17,585	12,421	3,665	6,473	10,023

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 on the Consolidated Balance Sheet at market value

Previous consolidated fiscal year (March 31, 2022)

There are no applicable matters.

Current consolidated fiscal year (March 31, 2023)

There are no applicable matters.

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

Previous consolidated fiscal year (March 31, 2022)

Category	Market Value (million yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans	-	50,275	-	50,275

Current consolidated fiscal year (March 31, 2023)

Category	Market Value (million yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans	-	54,240	-	54,240

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

Long-term loans

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 of the credit risk. They are classified as Level 2 market value.

(Securities)

Other securities

For the year ended March 31, 2022

Omitted due to lack of importance.

For the year ended March 31, 2023

Omitted due to lack of importance.

(Derivative Transactions)

1. Derivative transactions for which hedge accounting is not applied

Not applicable.

2. Derivative transactions for which hedge accounting is applied

Interest rate related

For the year ended March 31, 2022

Omitted due to lack of importance.

For the year ended March 31, 2023

There are no applicable matters.

(Retirement Benefits)

1. Overview of stated retirement benefit plans

The Company and certain 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, 2022	For the year ended March 31, 2023
Beginning balance of retirement benefit liability	11 million yen	6 million yen
Payments for retirement benefits	4	1
Ending balance of retirement benefit liability	6	5

(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, 2022	For the year ended March 31, 2023
Unfunded retirement benefit obligation	6 million yen	5 million yen
Net of liabilities and assets recorded in Consolidated Balance Sheet	6	5
Retirement benefit liability	6	5
Net of liabilities and assets recorded in Consolidated Balance Sheet	6	5

3. Defined Contribution Plan

The amount required to be contributed by the Company and its consolidated subsidiaries to the defined contribution plan was 69 million yen for the year ended March 31, 2022 and 74 million yen for the year ended March 31, 2023.

(Stock Options, etc.)

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

	For the year ended March 31, 2022	For the year ended March 31, 2023
Stock remuneration expenses of selling, general and administrative expenses	14 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 current consolidated fiscal year (for the year ended March 31, 2023), the number of stock options is converted into the number of shares.

(i) Number of stock options

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

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

(ii) Unit price information

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

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

3 Method of estimating the number of stock options vested

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, 2022	For the year ended March 31, 2023
Deferred tax assets		
Inventories	1,019 million yen	1,102 million yen
Taxes and duties	51	62
Accounts payable	9	59
Accrued enterprise tax	187	104
Accrued expenses	88	77
Provision for bonuses	100	75
Long-term accounts payable	17	17
Loss carried forward (Note: 2.)	1,847	1,244
Other	774	742
Subtotal deferred tax assets	4,096 million yen	3,484 million yen
Valuation allowance for loss carryforwards for tax purposes (Note: 2.)	-1,844	-496
Valuation allowance for future deductible temporary differences, etc.	-1,165	-940
Valuation allowance subtotal (Note: 1.)	-3,010	-1,437
Deferred tax assets total	1,085 million yen	2,047 million yen
Deferred tax liabilities		
Land valuation difference	29 million yen	19 million yen
Uncompleted construction expense	25	9
Other	13	8
Deferred tax liabilities total	68 million yen	37 million yen
Deferred tax assets net	1,016 million yen	2,010 million yen

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

(Change in presentation method)

“Proceeds from uncompleted work” in “Deferred tax assets”, which was presented separately in the previous fiscal year, is included in “Other” from the current consolidated fiscal year due to a decrease in its financial significance. To reflect this change in presentation method, the notes have been reclassified for the previous fiscal year.

As a result, 12 million yen in “Proceeds from uncompleted work” and 761 million yen in “Other” presented in “Deferred tax assets” in the previous fiscal year have been reclassified to 774 million yen in “Other”.

Notes: 1. Valuation allowance decreased by 1,573 million yen. The main components of this decrease were a decrease of 1,126 million yen in valuation allowance for loss carried forward for tax purposes and a decrease of 125 million yen in valuation allowance for the total of deductible temporary differences in consolidated subsidiary Sun Frontier Hotel Management Inc. and a decrease of 129 million yen in valuation allowance for loss carried forward for tax purposes and a decrease of 178 million yen in valuation allowance for the total of deductible temporary differences in consolidated subsidiary Hotel Osado Co., Ltd.

2. Tax loss carryforwards and its deferred tax asset amounts by carryforward period

For the year ended March 31, 2022

(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)	140	5	14	0	19	1,666	1,847
Valuation allowance	-140	-5	-14	-0	-19	-1,664	-1,844
Deferred tax assets (b)	-	-	-	-	-	2	2

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

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

For the year ended March 31, 2023

(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)	5	-	-	1	10	1,226	1,244
Valuation allowance	-	-	-	-1	-5	-490	-496
Deferred tax assets (b)	5	-	-	0	5	736	747

(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 year ended March 31, 2022	For the year ended March 31, 2023
Statutory effective tax rate	30.6 %	30.6 %
(Adjustments)		
Permanently non-deductible expenses such as entertainment expenses	0.3 %	0.2 %
Per capita inhabitant tax	0.2 %	0.2 %
Change in valuation allowance	12.5 %	-9.7 %
Effect of change in scope of consolidation	-5.2 %	- %
Difference in applicable tax rate from consolidated subsidiaries	-0.7 %	0.2 %
Tax credit	-0.2 %	-0.4 %
Effect of liquidation of overseas subsidiaries	- %	-1.7 %
Effect of group tax sharing system adoption	- %	1.0 %
Other	1.3 %	0.1 %
Corporate income tax rate after applying tax effect accounting	39.0 %	20.5 %

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 from the consolidated fiscal year under review. 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).

(Asset Retirement Obligations)

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

In addition, the amount which belongs to the burden of current consolidated fiscal year is calculated based on the expected occupancy period.

(Rental and other real estate)

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

For the year ended March 31, 2022, net rental income from such rental properties was 159 million yen (rental income is recorded in net sales and rental expenses are recorded in cost of sales).

For the year ended March 31, 2023, net rental income from such rental properties was 184 million yen (rental income 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, 2022	For the year ended March 31, 2023
Consolidated Balance Sheet value	Beginning balance	2,183	6,659
	Increase/decrease during the period	4,475	1,565
	Year-end balance	6,659	8,225
Year-end market value		9,255	10,918

- Notes:
1. The amount recorded in Consolidated Balance Sheet is acquisition cost less accumulated depreciation.
 2. In increase/decrease during the previous fiscal year, the major increase was due to equipment upgrades (4,567 million yen) and the decrease was due to depreciation (91 million yen).
For the year ended March 31, 2023, the increase was mainly due to acquisition of property (6,217 million yen) and the decrease was due to the transfer from a change in the purpose of holding assets (4,507 million yen) and depreciation (143 million yen).
 3. Fair values at the end of the fiscal period are amount based on real estate appraisal reports by external real estate appraisers or amount adjusted using certain appraisal values or indicators.

(Revenue Recognition)

1. Breakdown of revenue from contracts with customers

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

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

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

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

For the fiscal year ended March 31, 2022

(1) Balance of contract assets and contract liabilities

The contract balances of the Group are as follows.

	(million yen)
	For the year ended March 31, 2022
Claims arising from contracts with customers (beginning of the fiscal year)	1,482
Claims arising from contracts with customers (end of the fiscal year)	854
Contract assets (beginning of the fiscal year)	25
Contract assets (end of the fiscal year)	18
Contract liabilities (beginning of the fiscal year)	758
Contract liabilities (end of the fiscal year)	561

Notes: 1. Claims arising from contracts with customers

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

2. Contract assets

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

3. Contract liabilities

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

In the contract liabilities at the beginning of the prior consolidated fiscal year, 758 million yen was recognized as the revenue for the prior consolidated fiscal year. The decrease in contract assets for the prior consolidated fiscal year was mainly due to a decrease in construction orders, and the decrease in contract liabilities was mainly due to a decrease in the balance of the earnest money in Replanning Business.

(2) Transaction price allocated to remaining performance obligations

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

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

For the fiscal year ended March 31, 2023

(1) Balance of contract assets and contract liabilities

The contract balances of the Group are as follows.

	(million yen)
	For the year ended March 31, 2023
Claims arising from contracts with customers (beginning of the fiscal year)	854
Claims arising from contracts with customers (end of the fiscal year)	1,560
Contract assets (beginning of the fiscal year)	18
Contract assets (end of the fiscal year)	35
Contract liabilities (beginning of the fiscal year)	561
Contract liabilities (end of the fiscal year)	1,649

Notes: 1. Claims arising from contracts with customers

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

2. Contract assets

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

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

3. Contract liabilities

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

In the contract liabilities at the beginning of the current consolidated fiscal year, 535 million yen was recognized as the revenue for the current consolidated fiscal year. The decrease in contract assets for the current consolidated fiscal year was mainly due to a decrease in construction orders, and the decrease in contract liabilities was mainly due to a decrease in the balance of the earnest money in Replanning Business.

(2) Transaction price allocated to remaining performance obligations

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

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

(Segment Information, etc.)

Segment Information

1. Overview of reportable segments

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

The head office formulates comprehensive strategies for each type of product and service and conducts business activities. Accordingly, the Company consists of three reportable segments: “Real Estate Revitalization Business”, “Real Estate Service Business”, and “Hotel and Tourism Business”, which are defined by the product and service segments established by the head office.

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

2. Method for calculating the amount of net sales, profit or loss, assets, liabilities and other items for each reportable segment
The method of accounting for the reportable segments is the same as that described in “Significant basis for preparation of consolidated financial statements” in the Annual Securities Report. Reportable segment profits are based on ordinary profit.

3. Information on net sales, profit or loss, assets, liabilities and other items and disaggregation of revenue for each reportable segment

For the year ended March 31, 2022

(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	51,644	5,447	6,797	63,889	1,690	65,580	-	65,580
Other income	4,301	1,255	114	5,671	-	5,671	-	5,671
Net sales to external customers	55,946	6,703	6,911	69,561	1,690	71,251	-	71,251
Internal sales or transfers	12	450	-	462	5	467	-467	-
Subtotal	55,958	7,154	6,911	70,023	1,695	71,719	-467	71,251
Segment profit or loss	16,262	3,803	-1,950	18,115	101	18,217	-6,001	12,215
Segment assets	70,812	1,941	29,809	102,563	1,029	103,592	32,919	136,512
Segment liabilities	37,388	3,049	13,789	54,226	192	54,419	7,640	62,060
Other								
Depreciation	829	40	657	1,527	11	1,539	93	1,632
Amortization of goodwill	-	17	-	17	61	78	-	78
Interest expenses	283	1	119	404	-	404	41	446
Income or loss on investments based on equity method	-	-	-	-	-	-	-23	-23
Increase in property, plant and equipment and intangible assets	4,568	107	3,842	8,517	1	8,518	14	8,533

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

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

- (1) Adjustment in segment profit of negative 6,001 million yen includes elimination of intersegment transactions of negative 2 million yen and company-wide expenses of negative 5,999 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 32,919 million yen includes eliminations of intersegment transactions of negative 19,189 million yen and company-wide assets of 52,109 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 7,640 million yen includes elimination of intersegment transactions of negative 97 million yen and company-wide liabilities of 7,737 million yen that are not allocated to each reportable segment.
- (4) Adjustment of depreciation under “Other” of 93 million yen includes depreciation of company-wide assets not allocated to each reportable segment of 93 million yen.
- (5) Adjustment of income or loss on investments based on equity method under “Other” of negative 23 million yen includes income or loss on investments based on equity method of negative 23 million yen related to company-wide assets not allocated to each reportable segment.
- (6) Adjustment of increase in property, plant and equipment and intangible assets under “Other” of 14 million yen includes the 14 million yen increase in property, plant and equipment and intangible assets related to company-wide assets not allocated to each reportable segment.

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

For the year ended March 31, 2023

(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	45,687	6,714	22,808	75,211	1,774	76,985	-	76,985
Other income	4,362	1,299	129	5,792	-	5,792	-	5,792
Net sales to external customers	50,050	8,014	22,938	81,003	1,774	82,777	-	82,777
Internal sales or transfers	16	828	28	874	13	887	-887	-
Subtotal	50,066	8,843	22,967	81,877	1,788	83,665	-887	82,777
Segment profit or loss	15,343	4,890	1,720	21,954	283	22,237	-7,514	14,722
Segment assets	78,440	2,950	24,442	105,832	676	106,509	46,010	152,519
Segment liabilities	46,560	3,709	11,467	61,737	194	61,932	6,621	68,553
Other								
Depreciation	872	45	889	1,807	4	1,811	151	1,963
Amortization of goodwill	-	4	-	4	47	51	12	64
Interest expenses	332	3	113	450	-	450	26	477
Income or loss on investments based on equity method	-	-	-	-	-	-	-71	-71
Increase in property, plant and equipment and intangible assets	6,216	163	1,031	7,411	1	7,412	431	7,844

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

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

- (1) Adjustment in segment profit of negative 7,514 million yen includes elimination of intersegment transactions of 3 million yen and company-wide expenses of negative 7,517 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 46,010 million yen includes eliminations of intersegment transactions of negative 17,749 million yen and company-wide assets of 63,759 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 6,621 million yen includes elimination of intersegment transactions of negative 264 million yen and company-wide liabilities of 6,885 million yen that are not allocated to each reportable segment.
- (4) Adjustment of depreciation under “Other” of 151 million yen includes depreciation of company-wide assets not allocated to each reportable segment of 151 million yen.
- (5) Adjustment of income or loss on investments based on equity method under “Other” of negative 71 million yen includes income or loss on investments based on equity method of negative 71 million yen related to company-wide assets not allocated to each reportable segment.
- (6) Adjustment of increase in property, plant and equipment and intangible assets under “Other” of 431 million yen includes the 431 million yen increase in property, plant and equipment and intangible assets related to company-wide assets not allocated to each reportable segment.

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

Related Information

For the fiscal year ended March 31, 2022

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

(Unit: million yen)

Name of the customer	Net sales	Associated segment name
Hiroshige Special Purpose Company	17,220	Real Estate Revitalization Business

For the fiscal year ended March 31, 2023

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

(Unit: million yen)

Name of the customer	Net sales	Associated segment name
Neptune Special Purpose Company	17,500	Real Estate Revitalization Business
Nagomi Special Purpose Company	13,500	Hotel and Tourism Business

Information on non-current assets impairment loss by reportable segment

For the fiscal year ended March 31, 2022

(Unit: million yen)

	Reportable segments				Other	Corporate and elimination	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total			
Impairment loss	-	-	-	-	65	-	65

(Note) The amount in “Other” is related to the Construction Business.

For the fiscal year ended March 31, 2023

(Unit: million yen)

	Reportable segments				Other	Corporate and elimination	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total			
Impairment loss	-	-	5	5	22	-	27

(Note) The amount in “Other” is related to the Construction Business.

Information on goodwill amortization and unamortized balance by reportable segment

For the fiscal year ended March 31, 2022

(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	-	82	-	82	325	-	408

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

For the fiscal year ended March 31, 2023

(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	-	65	-	65	277	-	343

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

Information on negative goodwill gain by reportable segment

For the fiscal year ended March 31, 2022

In Hotel and Tourism Business, we acquired shares of Hotel Osado Co., Ltd. effective from April 2021. As a result, negative goodwill gain of 115 million yen was recorded in the consolidated fiscal year.

For the fiscal year ended March 31, 2023

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, 2022

There are no important matters to be stated.

For the fiscal year ended March 31, 2023

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, 2022

There are no important matters to be stated.

For the fiscal year ended March 31, 2023

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, 2022

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	SS Dnaform Co., Ltd.	Yokohama, Kanagawa	25	Clinical Testing	None	None	Leasing of real estate, etc.	43	-	-

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

For the fiscal year ended March 31, 2023

There are no important matters to be stated.

2. Notes on parent company and significant affiliated companies

Not applicable.

(Special Purpose Companies Subject to Disclosure)

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

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

In this business, sub-divided real estate investment product purchasers (hereinafter referred to as investors) will enter into an agreement with voluntary partnership to participate in the real estate specified business and make cash contribution or contribution in kind. Voluntary partnership is structured to receive distributions of profits and losses arising from the real estate purchased by investors in kind or cash. Profits and losses on leasing and sales of the 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, 2022	For the fiscal year ended March 31, 2023
Number of Special Purpose Companies	5 partnerships	9 partnerships
Total assets as of the latest balance sheet date (simple sum)	4,062 million yen	6,140 million yen
Total liabilities (simple sum)	126 million yen	183 million yen

For both the previous fiscal year and the fiscal year under review, the total assets and total liabilities of one partnership 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, 2022

As the transaction amount and transaction balance are immaterial, the description is omitted.

For the fiscal year ended March 31, 2023

	Amounts of major transactions	Major profit and loss	
		Item	Amount
Transfer of real estate (Note 1)	2,354 million yen	Net sales	2,354 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, 2022	For the year ended March 31, 2023
Net assets per share (yen)	1,463.74	1,663.33
Earnings per share (yen)	152.26	238.98
Fully diluted earnings per share (yen)	152.12	238.76

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, 2022	For the year ended March 31, 2023
Earnings per share		
Profit attributable to owners of parent company (million yen)	7,415	11,612
Amount not attributable to common shareholders (million yen)	-	-
Profit attributable to owners of parent company for common shares (million yen)	7,415	11,612
Average number of common shares (shares)	48,698,856	48,592,065
Fully diluted earnings per share		
Adjustment of profit attributable to owners of parent company (million yen)	-	-
Common shares increase (shares)	45,267	45,270
(including share acquisition rights (million yen))	-30	-30
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, 2022	For the year ended March 31, 2023
Total net assets (million yen)	74,452	83,965
Amount of deduction from total net assets (million yen)	3,169	3,263
(including share acquisition rights (million yen))	-30	-30
(including non-controlling interests (million yen))	-3,139	-3,233
Net assets at year-end available to common shares (million yen)	71,282	80,702
Number of common shares at year-end used for the calculation of net assets per share (shares)	48,698,856	48,518,331

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 56,500 shares for the previous fiscal year and 62,921 shares for the current fiscal year. The number of shares at the end of the fiscal year is 56,500 shares for the previous fiscal year and 128,300 shares for the current fiscal year.

(Significant Subsequent Events)

Not applicable.

(v) Consolidated supplementary schedule

Schedule of corporate bonds

Not applicable.

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	30	50	0.85	-
Long-term borrowings due within one year	6,874	5,442	1.03	-
Long-term borrowings	44,169	50,170	0.93	2024-2047
Total	51,073	55,663	-	-

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	17,585	12,421	3,665	6,473

Asset retirement obligations

There are no applicable items regarding asset retirement obligations because, in lieu of recording asset retirement obligations as liabilities, security deposits and guarantee deposits related to real estate lease agreements are recorded as expenses for the amount that is to be borne by unlikely to be recovered (restoration costs for the leased buildings) by reasonably estimating the amount to which the current consolidated fiscal year bears.

(2) Other

Quarterly information of current consolidated fiscal year

(Cumulative period)	1st Quarter	2nd Quarter	3rd Quarter	Current consolidated fiscal year
Net sales (million yen)	22,903	35,333	75,328	82,777
Quarterly profit before income taxes (million yen)	6,792	8,114	14,475	14,745
Quarterly profit attributable to owners of parent company (million yen)	4,690	5,368	10,354	11,612
Quarterly earnings per share (yen)	96.45	110.44	213.05	238.98

(Accounting Period)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Quarterly earnings per share (yen)	96.45	13.95	102.61	25.90

2. Non-Consolidated Financial Statements, etc.

(1) Non-Consolidated Financial Statements

(i) Non-Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	23,403	27,469
Account receivable - trade	* 2 279	* 2 397
Real estate for sale	* 1 13,289	* 1 16,301
Real estate for sale in process	* 1 48,674	* 1 52,019
Short-term loans to affiliates	490	680
Current portion of long-term loans receivable from subsidiaries and associates	104	2,000
Other	* 2 2,045	* 2 1,111
Allowance for doubtful accounts	-4	-7
Total current assets	88,282	99,971
Non-current assets		
Property, plant and equipment		
Buildings	* 1 6,503	* 1 7,849
Land	* 1 9,639	* 1 9,711
Other	* 1 61	121
Total property, plant and equipment	16,203	17,683
Intangible assets		
Other	124	395
Total intangible assets	124	395
Investments and other assets		
Shares of subsidiaries and affiliates	14,586	15,268
Long-term loans to affiliates	3,114	1,181
Deferred tax assets	1,033	1,032
Other	1,577	1,781
Allowance for doubtful accounts	-121	-101
Total investments and other assets	20,190	19,162
Total non-current assets	36,518	37,241
Total assets	124,800	137,212

(Unit: million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	* 2 665	* 2 1,097
Current portion of long-term borrowings	* 1 5,763	* 1 3,531
Income taxes payable	3,465	1,441
Deposits payable	* 2 1,388	* 2 1,703
Provision for bonuses	120	138
Provision for bonuses for directors (and other officers)	70	65
Other	* 2 1,225	* 2 2,665
Total current liabilities	12,700	10,643
Non-current liabilities		
Long-term borrowings	* 1 36,273	* 1 44,982
Long-term deposits received	1,279	1,591
Provision for share-based remuneration	57	77
Other	56	56
Total non-current liabilities	37,667	46,709
Total liabilities	50,367	57,353
Net assets		
Shareholders' equity		
Share capital	11,965	11,965
Capital surplus		
Capital reserve	6,449	6,449
Total capital surplus	6,449	6,449
Retained earnings		
Legal reserve	13	13
Other retained earnings		
Retained earnings brought forward	56,039	61,669
Total retained earnings	56,052	61,682
Treasury shares	-67	-270
Total shareholders' equity	74,399	79,827
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3	1
Total valuation and translation adjustments	3	1
Share acquisition rights	30	30
Total net assets	74,432	79,859
Total liabilities and net assets	124,800	137,212

(ii) Non-consolidated Statement of Income

(Unit: million yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Net sales	* 159,563	* 152,097
Cost of sales	* 139,856	* 133,793
Gross profit	19,706	18,303
Selling, general and administrative expenses	* 1, * 25,406	* 1, * 26,353
Operating profit	14,300	11,949
Non-operating income		
Interest and dividend income	* 1158	* 187
Foreign exchange gains	89	93
Penalty income	200	-
Reversal of allowance for doubtful accounts	0	30
Other	5	4
Total non-operating income	453	215
Non-operating expenses		
Interest expenses	339	395
Allowance for doubtful accounts provision	39	-
Other	18	* 115
Total non-operating expenses	396	411
Ordinary profit	14,356	11,753
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	-	* 311
Settlement money	144	-
Total extraordinary income	144	11
Extraordinary loss		
Loss on devaluation of shares of subsidiaries and affiliates	542	* 4110
Settlement money	254	-
Loss on valuation of investment securities	-	104
Other	24	4
Total extraordinary loss	821	220
Profit before income taxes	13,679	11,545
Income taxes - current	4,464	3,531
Income taxes - deferred	-68	142
Total income taxes	4,395	3,673
Profit	9,284	7,871

Cost of sales specification

Classification	Note Number	For the year ended March 31, 2022		For the year ended March 31, 2023	
		Amount (million yen)	Composition ratio (%)	Amount (million yen)	Composition ratio (%)
Real Estate Revitalization Business cost					
Buildings and Land		37,316	93.6	30,894	91.4
Outsourcing costs		193	0.4	184	0.5
Expense		1,238	3.1	1,316	3.9
(including taxes and duties)		-262		-273	
(including depreciation)		-790		-826	
Real Estate Revitalization Business cost total		38,748	97.2	32,395	95.9
Real Estate Service Business cost					
Outsourcing costs		452	1.1	583	1.7
Expense		286	0.7	321	1.0
(including rent)		-235		-275	
Real Estate Service Business cost total		738	1.9	904	2.7
Hotel and Tourism Business cost					
Buildings and Land		104	0.2	-	0.0
Expense		111	0.2	337	0.9
(including rent)		110		110	
(including depreciation)		-		220	
Hotel and Tourism Business cost total		216	0.5	337	0.9
Other Business cost					
Outsourcing costs		127	0.3	106	0.3
Labor costs		9	0.0	8	0.0
Expense		15	0.0	40	0.1
Other Business cost total		153	0.4	155	0.5
Cost of sales		39,856	100.0	33,793	100.0

Note: Cost accounting is based on individual cost accounting.

(iii) Non-Consolidated Statement of Changes in Equity

For the year ended March 31, 2022

(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	-	6,449	13	49,825	49,838	-67
Changes during period								
Dividends of surplus						-3,071	-3,071	
Profit						9,284	9,284	
Purchase of treasury shares								
Disposal of treasury shares								
Transfer from retained earnings to capital surplus								
Net changes in items other than shareholders' equity								
Total changes during period	-	-	-	-	-	6,213	6,213	-
Balance at end of the period	11,965	6,449	-	6,449	13	56,039	56,052	-67

	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	68,186	2	2	16	68,204
Changes during period					
Dividends of surplus	-3,071				-3,071
Profit	9,284				9,284
Purchase of treasury shares	-				-
Disposal of treasury shares	-				-
Transfer from retained earnings to capital surplus	-				-
Net changes in items other than shareholders' equity		0	0	14	14
Total changes during period	6,213	0	0	14	6,227
Balance at end of the period	74,399	3	3	30	74,432

For the year ended March 31, 2023

(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	-	6,449	13	56,039	56,052	-67
Changes during period								
Dividends of surplus						-2,240	-2,240	
Profit						7,871	7,871	
Purchase of treasury shares								-239
Disposal of treasury shares			-0	-0				36
Transfer from retained earnings to capital surplus			0	0		-0	-0	
Net changes in items other than shareholders' equity								
Total changes during period	-	-	-	-	-	5,630	5,630	-202
Balance at end of the period	11,965	6,449	-	6,449	13	61,669	61,682	-270

	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	74,399	3	3	30	74,432
Changes during period					
Dividends of surplus	-2,240				-2,240
Profit	7,871				7,871
Purchase of treasury shares	-239				-239
Disposal of treasury shares	36				36
Transfer from retained earnings to capital surplus	-				-
Net changes in items other than shareholders' equity		-1	-1	-	-1
Total changes during period	5,427	-1	-1	-	5,426
Balance at end of the period	79,827	1	1	30	79,859

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) Assessment criteria and assessment methods of inventories

Real estate for sale and real estate for sale in process

Stated at cost determined by the specific identification method (The figures shown in the balance sheet have been calculated by writing them down based on decline in profitability.)

Leased assets are amortized 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 29 years

Other 2 to 15 years

Small-amount depreciable assets with an acquisition cost of 100,000 yen or more but less than 200,000 yen are depreciated over three years on a straight-line basis.

(2) Intangible assets

The straight-line method is used

Software for internal use is amortized on a straight-line basis over the estimated internal useful life (5 years).

3. Standards for provisions

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables, the estimated amount of irrecoverable debt based on recoverability of individual cases for specified receivables such as doubtful accounts.

(2) Provision for bonuses

To prepare for the payment of bonuses to employees, the Company records the portion of the estimated bonuses to be paid during the fiscal year under review.

(3) Provision for bonuses for directors (and other officers)

Provision for directors' bonuses is provided based on the estimated amount incurred at the end of the fiscal year under review.

(4) Provision for share-based remuneration

In order to prepare for the provision of the Company's shares to employees based on the Share Benefit Regulations, the provision for the Company's shares 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 point in time when such performance obligations are satisfied (normal time to recognize revenue) are as follows.

(a) Real Estate Revitalization Business

Replanning Business

In 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 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 for 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, 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. The Company records the revenue at the time of this delivery.

(3) Leasing Brokerage Business

In 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 mediation agreement with the customer, the Company has obligations related to a series of services, such as negotiation and adjustment of transaction terms, delivery and explanation of important facts, preparation and delivery of contracts, and involvement in procedures for contract agreements.

The performance obligation is satisfied at a point the customer agrees to the real estate lease contract for the property rented by the mediation agreement. The Company records the revenue after the conclusion of this agreement.

(c) Hotel and Tourism Business

Hotel Development Business

In 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 of commercial buildings, telecommunications work, 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 real estate for sale, etc.

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

	For the year ended March 31, 2022	For the year ended March 31, 2023
Real estate for sale	13,289 million yen	16,301 million yen
Real estate for sale in process	48,674 million yen	52,019 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 return value estimated based on the business plan.

The business plan that forms the basis for the return value includes the expected tenant rent etc. and is formulated based on important assumptions such as the assumed market conditions in the future.

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

2. Non-current assets impairment

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

	For the year ended March 31, 2022	For the year ended March 31, 2023
Non-current assets related to Hotel Development Business	9,787 million yen	9,577 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” (104 million yen in the previous fiscal year), which was included in “Current assets, Other” in the previous fiscal year, is presented separately in the fiscal year under review due to an increase in its financial significance.

(Related to Non-consolidated Statement of Income)

“Dividend income” in “Non-operating income” (0 million yen in the previous fiscal year), which was separately presented in the previous fiscal year, is included in “Interest and dividend income” from the fiscal year under review as its amount has become insignificant.

(Additional Information)

Change in asset holding purpose

As a result of the change in the holding purpose, property, plant and equipment (“Buildings” 1,431 million yen and “Land” 3,075 million yen) were transferred to 481 million yen in “Real estate for sale” and 4,026 million yen in “Real estate for sale in process” in current assets.

Transactions of delivering the company’s own shares to employees etc. through trusts

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

(i) Overview of transaction

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

The Company will grant points to employees who satisfy certain conditions at the end of the fiscal year, and when they acquire the right to receive benefits, the Company shares corresponding to the granted points will be delivered. The shares to be granted to employees are acquired in the future with the money set in trust in advance and managed separately as trust assets.

The total amount method is applied to the Employee Stock Ownership Plan (J-ESOP) in accordance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015).

(ii) Own shares remaining in the trust

The book value of the Company’s shares remaining in the trust (excluding the amount of incidental expenses) is included in net assets as treasury shares. The book value and number of shares of the treasury shares at the end of the previous fiscal year were 67 million yen and 56,500 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, 2022	As of March 31, 2023
Real estate for sale	8,963 million yen	15,104 million yen
Real estate for sale in process	46,962	50,275
Buildings	3,631	7,556
Land	9,564	9,637
Other	1,374	-
Total	70,496 million yen	82,573 million yen

(2) Liabilities for the above

	As of March 31, 2022	As of March 31, 2023
Long-term borrowings (including current portion of long-term borrowings)	40,631 million yen	47,504 million yen
Total	40,631 million yen	47,504 million yen

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

	As of March 31, 2022	As of March 31, 2023
Short-term monetary claim	330 million yen	130 million yen
Short-term monetary obligations	115	217

3. Debt Guarantees

Guarantees for affiliated companies' borrowings from financial institutions

	As of March 31, 2022	As of March 31, 2023
Sun Frontier Hotel Management Inc.	7,882 million yen	5,355 million yen
Sun Frontier Sado Inc.	121	172
SF Communication Inc.	74	85
Hotel Osado Co., Ltd.	-	192

(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, 2022	For the year ended March 31, 2023
Operating transactions (revenue)	187 million yen	447 million yen
Operating transactions (expenses)	339	746
Non-operating transactions (revenue)	160	87
Non-operating transactions (expenses)	-	6

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

	For the year ended March 31, 2022	For the year ended March 31, 2023
Sales commission	495 million yen	368 million yen
Commission paid	764	1,161
Salaries and allowances	1,813	1,887
Transfer to provision for bonuses	120	138
Transfer to provision for bonuses for directors (and other officers)	70	65
Transfer to provision for share-based remuneration	9	13
Provision of allowance for doubtful accounts	12	13
Depreciation	66	119
Approximate percentage		
Selling costs	9.2%	5.8%
General and administrative expenses	90.8%	94.2%

* 3 Gain on sale of shares of subsidiaries and affiliates

The gain on sale of shares of subsidiaries and affiliates is the result of the sale of shares of SYK ESTATE Co., Ltd.

* 4 Loss on devaluation of shares of subsidiaries and affiliates

The loss on devaluation of shares of subsidiaries and affiliates is related to Power Consulting Networks Co., Ltd.

(Securities)

For the year ended March 31, 2022

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, 2022 (million yen)
Shares of subsidiaries	14,361
Shares of affiliates	224
Total	14,586

For the year ended March 31, 2023

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, 2023 (million yen)
Shares of subsidiaries	15,268
Shares of affiliates	0
Total	15,268

(Tax Effect Accounting)

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

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Inventories	494 million yen	520 million yen
Denial of loss on devaluation of shares of subsidiaries and affiliates	661	727
Accrued enterprise tax	175	86
Allowance for doubtful accounts	39	29
Taxes and duties	47	58
Accounts payable	4	53
Accrued expenses	43	31
Provision for bonuses	77	42
Long-term accounts payable	17	17
Denial of loss on devaluation of non-current assets	9	8
Excess depreciation	36	64
Other	81	113
Subtotal deferred tax assets	1,690 million yen	1,753 million yen
Valuation allowance	-656	-714
Deferred tax assets total	1,034 million yen	1,039 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale securities	1 million yen	0 million yen
Other	-	6
Deferred tax liabilities total	1 million yen	7 million yen
Net deferred tax assets	1,033 million yen	1,032 million yen

2. Reconciliation between the statutory effective tax rate and the corporate income 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 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 from fiscal year under review. 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).

(Revenue Recognition)

Information that serves as the basis for understanding the revenue arising from contracts with customers is omitted because the same contents are stated in “Notes (Revenue Recognition)” of the consolidated financial statements.

(Significant Subsequent Events)

Not applicable.

(iv) Non-Consolidated Supplementary Schedule

Detailed statement of property, plant and equipment, etc.

(Unit: million yen)

Category	Type of asset	Balance at beginning of the fiscal year	Increase during the fiscal year ended March 31, 2023	Decrease during the fiscal year ended March 31, 2023	Current depreciation /amortization	Balance at end of the fiscal year	Accumulated depreciation /amortization
Property, plant and equipment	Buildings	6,503	3,199	1,452	400	7,849	795
	Land	9,639	3,148	3,075	-	9,711	-
	Other	61	102	3	39	121	115
	Total	16,203	6,451	4,531	440	17,683	910
Intangible assets	Other	124	296	-	25	395	90
	Total	124	296	-	25	395	90

Notes: 1. Of the increase during the current period, the main items are as follows.

Buildings	Real estate revitalization	Increase due to acquisition of Rental Building Business assets (office buildings)	3,067 million yen
Land	Real estate revitalization	Increase due to acquisition of Rental Building Business assets (office buildings)	3,148 million yen

2. Of the decrease during the current period, the main items are as follows.

Buildings	Real estate revitalization	Decrease due to change of holding purpose of Rental Building Business assets (office buildings)	1,431 million yen
Land	Real estate revitalization	Decrease due to change of holding purpose of Rental Building Business assets (office buildings)	3,075 million yen

Schedule of allowances

(Unit: million yen)

Item	Balance at beginning of the fiscal year	Increase during the fiscal year ended March 31, 2023	Decrease during the fiscal year ended March 31, 2023	Balance at end of the fiscal year
Allowance for doubtful accounts	125	13	30	108
Provision for bonuses	120	138	120	138
Provision for bonuses for directors (and other officers)	70	65	70	65
Provision for share-based remuneration	57	20	-	77

(2) Description of major assets and liabilities

This information is omitted because consolidated financial statements are prepared.

(3) Other

Not applicable.

Item. 6 Outline of the stock operations of the Company

Fiscal year	April 1 to March 31									
Annual General Meeting of Shareholders	During the month of June									
Record date	March 31									
Record date for dividends of surplus	September 30, March 31									
Number of shares per unit	100 shares									
Purchase of shares less than one unit	(Special Account) 1-3-3 Marunouchi, Chiyoda-ku, Tokyo, Mizuho Trust & Banking Co., Ltd., Securities Agency (Special Account) 1-3-3 Marunouchi, Chiyoda-ku, Tokyo, Mizuho Trust & Banking Co., Ltd. - Amount to be separately determined as the amount equivalent to the commission for the entrustment of the purchase and sale of shares									
Handling office										
Administrator of the register of shareholders										
Forward office										
Purchase and sales fee										
Publication method	The Company's method of public notice is electronic public notice. However, if it is not possible to make an electronic public notice due to an accident or other unavoidable circumstances, it will be published in the Nihon Keizai Shimbun. The URL for public notice of the Company is as follows. https://www.sunftr.co.jp/									
Special benefits to shareholders	<p>The Company presents "Complimentary Coupon" of hotels operated by the Group according to the number of shares held to shareholders listed on the shareholders' register as of the end of March 2023 as follows.</p> <p>1. Details of complimentary coupon</p> <table border="1"> <thead> <tr> <th colspan="2">Type</th> <th>Applicable hotels</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Complimentary coupon 1,000 yen</td> <td> <ul style="list-style-type: none"> • HIYORI Ocean Resort Okinawa • HIYORI Hotel Maihama • HIYORI Hotel Osaka Namba Station • Tabino Hotel Hida-Takayama • Tabino Hotel Sado • Tabino Hotel Kurashiki Mizushima </td> </tr> <tr> <td>(ii)</td> <td>Complimentary coupon 5,000 yen</td> <td> <ul style="list-style-type: none"> • Tabino Hotel Kashima • Tabino Hotel lit Miyakojima • Tabino Hotel lit Matsumoto • Tabino Hotel Villa Miyakojima • Spring Sunny Hotel Nagoya Tokoname Station • Shijo Kawaramachi Onsen Sora Niwa Terrace Kyoto • Shijo Kawaramachi Onsen Bettei Kamogawa • Sado Resort Hotel Azuma • Kasugazaki Onsen Hotel Oosado • DONDEN HIGHLAND LODGE </td> </tr> </tbody> </table> <p>* At HIYORI Ocean Resort Okinawa, the coupons can be used at the restaurant and dining facilities in the building.</p>	Type		Applicable hotels	(i)	Complimentary coupon 1,000 yen	<ul style="list-style-type: none"> • HIYORI Ocean Resort Okinawa • HIYORI Hotel Maihama • HIYORI Hotel Osaka Namba Station • Tabino Hotel Hida-Takayama • Tabino Hotel Sado • Tabino Hotel Kurashiki Mizushima 	(ii)	Complimentary coupon 5,000 yen	<ul style="list-style-type: none"> • Tabino Hotel Kashima • Tabino Hotel lit Miyakojima • Tabino Hotel lit Matsumoto • Tabino Hotel Villa Miyakojima • Spring Sunny Hotel Nagoya Tokoname Station • Shijo Kawaramachi Onsen Sora Niwa Terrace Kyoto • Shijo Kawaramachi Onsen Bettei Kamogawa • Sado Resort Hotel Azuma • Kasugazaki Onsen Hotel Oosado • DONDEN HIGHLAND LODGE
Type		Applicable hotels								
(i)	Complimentary coupon 1,000 yen	<ul style="list-style-type: none"> • HIYORI Ocean Resort Okinawa • HIYORI Hotel Maihama • HIYORI Hotel Osaka Namba Station • Tabino Hotel Hida-Takayama • Tabino Hotel Sado • Tabino Hotel Kurashiki Mizushima 								
(ii)	Complimentary coupon 5,000 yen	<ul style="list-style-type: none"> • Tabino Hotel Kashima • Tabino Hotel lit Miyakojima • Tabino Hotel lit Matsumoto • Tabino Hotel Villa Miyakojima • Spring Sunny Hotel Nagoya Tokoname Station • Shijo Kawaramachi Onsen Sora Niwa Terrace Kyoto • Shijo Kawaramachi Onsen Bettei Kamogawa • Sado Resort Hotel Azuma • Kasugazaki Onsen Hotel Oosado • DONDEN HIGHLAND LODGE 								

2. Number of shares held and ranking by holding period

Number of shares held	Holding period	Number of gifts	
		(i) Complimentary coupon 1,000 yen	(ii) Complimentary coupon 5,000 yen
100 shares or more and less than 300 shares	-	1 sheet	-
300 shares or more and less than 500 shares	-	-	1 sheet
500 shares or more and less than 1,000 shares	-	-	2 sheets
1,000 shares or more	-	-	4 sheets
500 shares or more and less than 1,000 shares	3 years or more *1	-	4 sheets
1,000 shares or more		-	8 sheets

*1 Shareholders listed (or recorded) with the same shareholder number for three consecutive years or more on the shareholder register as of the end of March 2023.

Note: Shareholders of the Company are not entitled to exercise their rights pertaining to shares constituting less than one unit of shares held by them, except for the following rights:

The rights provided for in each item of Article 189, Paragraph 2 of the Companies Act of Japan

The right to make a request provided for in the provisions of Article 166, Paragraph 1 of the Companies Act of Japan

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 demand the sale of the number of shares that will constitute one share unit together with the number of shares less than one unit held by shareholders

Item. 7 Reference Information on the Company

1. Information on the Parent Company

The Company has no parent companies, etc. 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, 2023 to the filing date of Annual Securities Report.

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

The 24th fiscal year (from April 1, 2022 to March 31, 2023)

Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2023

(2) Internal Control Report and Documents Attached

Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2023

(3) Quarterly Report and Confirmation Letter

First quarter for the 24th fiscal year (from April 1, 2022 to June 30, 2022)

Submitted to the Director-General of the Kanto Local Finance Bureau on August 12, 2022

Second quarter for the 24th fiscal year (from July 1, 2022 to September 30, 2022)

Submitted to the Director-General of Kanto Local Finance Bureau on November 11, 2022

Third quarter for the 24th fiscal year (from October 1, 2022 to December 31, 2022)

Submitted to the Director-General of the Kanto Local Finance Bureau on February 13, 2023

(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 28, 2023

Part II Information on Guarantors, etc., for the Company

Not applicable.

[English Translation of the Independent Auditor's Report Originally Issued in the Japanese Language]

**Independent Auditor's Report on the Financial Statements and Internal Control Over
Financial Reporting**

June 28, 2023

To the Board of Directors of Sun Frontier Fudousan Co., Ltd.

BDO Sanyu
Tokyo Office, Japan

Hitoshi Torii
Designated Partner
Engagement Partner
Certified Public Accountant

Satoshi Morita
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 provided in the "Financial Information" section in the Sun Frontier Fudousan's Annual Securities Report, which comprise the consolidated balance sheet from April 1, 2022 to March 31, 2023, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended, 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, 2023, and its consolidated financial performance and its consolidated cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that we have obtained sufficient and appropriate audit evidence to serve as the basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. The key audit matters are those addressed in the audit implementation process for the consolidated financial statements as a whole and in the formulation of the opinion, on which our audit corporation does not express an opinion separately.

Assessment of real estate for sale	
Key Audit Matters and Reasons for Decisions	Audit Response
<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 19,781 million yen in real estate for sale and 60,254 million yen in real estate for sale in process, accounting for 52.4% of total assets.</p> <p>Real estate for sale, etc. is exposed to the risk of future changes in the real estate market due to the deterioration of economic conditions caused by the progression of inflation, etc. and fluctuations in financial markets, etc. There is a possibility that 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 expected future revenue in the business plan, which serves as the basis for the calculation of the capitalization value, includes estimates of future tenant rents, average unit prices and occupancy rates of hotel rooms, 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, 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 are 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 other matters to be reported by the audit corporation.

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 such internal control as management determines is necessary to enable the preparation 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.

Audit & Supervisory Committee are responsible for overseeing the Directors' performance of their duties with regard to the design, implementation and maintenance 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 an 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 accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a modified opinion on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our opinion.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

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, 2023, 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, 2023, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit & Supervisory Committee for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting

generally accepted in Japan. Audit & Supervisory Committee are 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 based on our audit of the internal control report and to issue an auditor's report that expresses our opinion on the internal control report based on our audit from an independent point of view.

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.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated, and other matters required by internal control auditing standards.

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, related safeguards in order to eliminate or reduce obstruction factors.

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.

[English Translation of the Independent Auditor's Report Originally Issued in the Japanese Language]

Independent Auditor's Report on the Financial Statements

June 28, 2023

To the Board of Directors of Sun Frontier Fudousan Co., Ltd.

BDO Sanyu
Tokyo Office, Japan

Hitoshi Torii
Designated Partner
Engagement Partner
Certified Public Accountant

Satoshi Morita
Designated Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the non-consolidated financial statements of Sun Frontier Fudousan Co., Ltd. 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 of Sun Frontier Fudousan Co., Ltd. as at March 31, 2023 and for the 24th fiscal year from April 1, 2022 to March 31, 2023, 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, 2023, and its financial performance for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the non-consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of real estate for sale	
Key Audit Matters and Reasons for Decisions	Audit Response
<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 16,301 million yen in real estate for sale and 52,019 million yen in real estate for sale in process, accounting for 49.7% of total assets.</p> <p>Real estate for sale, etc. is exposed to the risk of future changes in the real estate market due to the deterioration of economic conditions caused by the progression of inflation, etc. and fluctuations in financial markets, etc. There is a possibility that 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 expected future revenue in the business plan, which serves as the basis for the calculation of the capitalization value, includes estimates of future tenant rents, 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, 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 are 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 such internal control as management determines is necessary to enable the preparation 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 the accounting principles generally accepted in Japan, the Company is responsible for disclosing such matters.

Audit & Supervisory Committee are responsible for overseeing the Directors' performance of their duties with regard to the design, implementation and maintenance 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 based on our audit from an independent point of view. 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.
- When auditing the non-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 accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- 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, related safeguards in order to eliminate or reduce obstruction factors.

From the matters communicated with the Audit & Supervisory Committee, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current business year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

There are no interests between the Company 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.