

**Information Disclosure on the Internet Regarding
The Notice of the 22nd Annual General Meeting of Shareholders**

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Sun Frontier Fudousan Co., Ltd.

This document is provided on the website (<https://www.sunfrt.co.jp>) of Sun Frontier Fudousan Co., Ltd. (the “Company”) on the internet to shareholders in accordance with laws and regulations and Article 16 of the Articles of Incorporation.

■ System for Ensuring Proper Business Operations and Overview of Operation Status

(1) Systems to ensure proper business operations

System to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation. The outline of the system to ensure the appropriateness of the business of other companies is as follows.

(i) 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 and 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 and Representative Director. 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.

(ii) 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.

(iii) 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 and Representative Director (including a team of external experts such as corporate lawyers) in the event of an unforeseen event.

(iv) 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 and 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.

(v) 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

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 and 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 and Representative Director. President and 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.

(vi) 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.

(vii) 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.

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

The auditor's assistant in Paragraph 6 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 and 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.

(ix) 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.

(x) 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

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.

(xi) Systems to ensure effective audits by Audit & Supervisory Board Members

President and 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.

(2) Outline of the operating status of the system for ensuring the appropriateness of operations

(i) Directors' execution of duties

We have established internal rules to ensure that directors act in compliance with laws and regulations and the Articles of Incorporation. During the fiscal year under review, the Company held 19 Board of Directors meetings to discuss each proposal, supervise the status of business execution, and actively exchange opinions.

(ii) Execution of duties by Audit & Supervisory Board

During the fiscal year under review, the Audit & Supervisory Board Members held 13 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 and 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.

(iii) 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.

(iv) 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.

Consolidated Statement of Changes in Equity

(From April 1, 2020 to March 31, 2021)

(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	46,347	(67)	64,690
Changes during period					
Dividends of surplus			(2,047)		(2,047)
Profit attributable to owners of parent			4,274		4,274
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)	2,226	-	2,226
Balance at end of the period	11,965	6,445	48,573	(67)	66,916

	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	(73)	(69)	11	177	64,809
Changes during period						
Dividends of surplus						(2,047)
Profit attributable to owners of parent						4,274
Change in ownership interest of parent due to transactions with non-controlling interests						(0)
Net changes in items other than shareholders' equity	(0)	(219)	(219)	4	2,952	2,737
Total changes during period	(0)	(219)	(219)	4	2,952	4,963
Balance at end of the period	2	(292)	(289)	16	3,129	69,773

Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

1. Scope of Consolidation

(1) Number of consolidated subsidiaries and names of principal subsidiaries

Number of consolidated subsidiaries	21 companies
Names of consolidated subsidiaries	SF Building Support Inc. SF Building Maintenance Inc. Sun Frontier Space Management Inc. SF Engineering Inc. Sun Frontier Sado Co., Ltd. Okesa Kanko Taxi Co., Ltd. Sun Frontier Community Arrangement Co., Ltd. Sun Frontier Okinawa Co., Ltd. Sun Frontier Hotel Management Inc. Sky Heart Hotel Inc. Japan System Service Inc. Communication Development Inc. Sun Frontier Fudousan Taiwan Co., Ltd. SUN FRONTIER VIETNAM CO., LTD. SUN FRONTIER DANANG CO., LTD. PT. SUN FRONTIER INDONESIA PT. SUN FRONTIER PROPERTY ONE Sun Frontier NY Co.,Ltd. 340 West 48 SG LLC 439 West 46 SG LLC RIVERSIDE STUDIOS LLC

In the consolidated fiscal year under review, the newly acquired Japan System Service Inc. and Communication Development Inc. are included in the scope of consolidation.

Kouwa Corporation changed its company name to SF Engineering Inc. on April 1, 2020.

Inlite Co., Ltd., a subsidiary of the said company, ceased to exist as a result of an absorption-type merger with SF Engineering Inc. as the surviving company.

Sun Frontier Fudousan Investment Advisory Co., Ltd., was excluded from the scope of consolidation because it was dissolved as a result of an absorption-type merger with the Company as the surviving company.

(2) Name of the company that did not hold the majority voting rights on its own account as a subsidiary

Not applicable.

(3) Assets, profit or loss of subsidiaries excluded from the scope of consolidation since control is deemed to be temporary

Not applicable.

(4) 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 affiliated companies accounted for by the equity method and names of major companies

Number of equity-method affiliates	2 companies
Names of equity-method affiliates	Power Consulting Networks Co., Ltd. SKY ESTATE Inc.

(2) Name of the company which holds not less than 20% and not more than 50% of the voting rights on its own account and

which has not been an affiliated company
Not applicable.

(3) Special note regarding application of the equity method
Not applicable.

3. Matters concerning Accounting Policies

(1) Valuation standards and methods for significant assets

(i) Other securities (available-for-sale securities)

Securities with market quotations	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.)
Securities without market quotations	Stated at cost using the moving-average method.

(ii) Inventories

1. 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. Costs of uncompleted construction contracts	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.)
3. Supplies	The most recent purchase cost method (The figures shown in the balance sheet have been calculated by writing them down 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 amortized 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 to be paid during the current consolidated fiscal year.

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

Provision for directors' bonuses is provided based on the estimated amount to be paid during the current consolidated fiscal year.

(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 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 current consolidated fiscal year.

(4) Other significant matters for preparation of consolidated financial statements

(i) Fiscal year of consolidated subsidiaries

Consolidated domestic subsidiaries and Sun Frontier Fudousan Taiwan Co., Ltd. close their books on March 31, and SUN FRONTIER VIETNAM CO., LTD., PT. SUN FRONTIER INDONESIA, PT. SUN FRONTIER PROPERTY ONE, SUN

FRONTIER DANANG CO., LTD., Sun Frontier NY Co., Ltd., 340 West 48 SG LLC, 439 West 46 SG LLC and RIVERSIDE STUDIOS LLC 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.

(ii) Standards for recording significant revenues and expenses

- | | |
|---|---|
| Standards for recording completed construction and completed construction costs | <ul style="list-style-type: none">• Construction work for which the outcome of the construction activity is deemed certain at the end of the current consolidated fiscal year
The percentage of completion method is applied (the percentage of completion of construction activity is estimated by the incurred cost).• Other construction
Construction completion method is applied. |
|---|---|

(iii) Accounting treatment for retirement benefits

In calculating the retirement benefit liability and retirement benefit expenses, certain of the Company's 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.

(iv) 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.

(v) Accounting for consumption taxes

The tax exclusion method is applied.
Non-deductible consumption taxes are included in expenses for the current fiscal year.

(vi) Amortization methods and periods for Goodwill

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

(vii) Application of consolidated tax payment system

Consolidated taxation system is applied.

(viii) Application of Tax Effect Accounting for transition from consolidated taxation system to consolidated group system

The Company and certain domestic consolidated subsidiaries have adopted the "Application of Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), without applying provisions of section 44, in accordance with paragraph 3 of the "Treatment of Application of Tax Effect Accounting for Transition from Consolidated Tax Payment System to Consolidated Tax Payment System for Group" (ASBJ PITF No. 39, March 31, 2020), with respect to the items for which the Company's consolidated tax payment system and the non-consolidated tax payment system have been revised in line with the transition to the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020). Moreover, deferred tax assets and deferred tax liabilities are based on the provisions of the pre-amendment tax laws.

(Change of Presentation Method)

Consolidated Balance Sheet

"Construction warrantee reserve" (0 million yen in the fiscal year under review) which was included in "Current liabilities" in the previous fiscal year has been included in "Other" in the current fiscal year due to their decreasing materiality.

Consolidated Statement of Income

"Borrowing related expenses" (56 million yen in the fiscal year under review) which was included in "Non-operating expenses" in the previous fiscal year has been included in "Other" in the current fiscal year due to their decreasing materiality.

Changes accompanying the application of "Accounting Standard for Disclosure of Accounting Estimates"

“Accounting Standard for Disclosure of Accounting Estimates” (Accounting Standards Board of Japan (ASBJ) Statement No. 31, March 31, 2020) has been applied from the current fiscal year. Accordingly, the “Notes to Accounting Estimates” are stated in the Notes to Consolidated Financial Statements.

(Notes on Accounting Estimates)

1. Assessment of the real estate for sale

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

Real estate for sale	13,601 million yen
Real estate for sale in process	72,282 million yen

(2) Other information

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 business plan that forms the basis for the value of the return to profits includes the expected tenant rent and the occupancy rate of hotel rooms, and is based on important assumptions such as the assumed market conditions in the future and the forecast of the convergence time of the COVID-19.

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

Non-current assets related to hotel development business and Hotel Operation Business 8,541 million yen

(2) Other information

Due to the impact of the spread of COVID-19, the occupancy rate of hotel rooms has decreased and profitability has declined. As a result, signs of impairment have emerged as a significant deterioration in the business environment. Impairment losses are losses based on 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 occupancy rate of hotel rooms, etc., as well as the assumption of future market conditions and the forecast of the convergence time of the COVID-19.

In the following fiscal year, the assumptions used in formulating business plans may change in the event of a situation that was not anticipated when the business plan was formulated. This may have a material impact on the non-current asset amounts recognized in the consolidated financial statements for the following fiscal year and thereafter.

(Additional Information)

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

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

(i) Overview of transaction

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

The Company will grant points to employees who satisfy certain conditions at the end of the consolidated fiscal year, and when they acquire the right to receive benefits, the Company shares corresponding to the granted points will be delivered.

The shares to be granted to employees are acquired 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 Shares to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015).

(ii) Own shares remaining in the trust

The book value of the Company's shares remaining in the trust (excluding the amount of incidental expenses) is included in net assets. The book value and number of shares of the treasury shares were 67 million yen and 56,500 shares.

(Notes to Consolidated Balance Sheet)

(1) Assets pledged as collateral and obligations secured by collateral

(i) Assets pledged as collateral are as follows:

Real estate for sale	9,180 million yen
Real estate for sale in process	69,524 million yen
Buildings	849 million yen
Land	6,533 million yen
Other	1,568 million yen
<u>Total</u>	<u>87,656 million yen</u>

(ii) Secured obligations are as follows:

Current portion of Long-term borrowings	5,010 million yen
Long-term borrowings	39,496 million yen
<u>Total</u>	<u>44,507 million yen</u>

(2) Accumulated depreciation of Property, plant and equipment 1,160 million yen

Note. The above amounts include accumulated impairment losses.

(3) Contingent liabilities

Debt guarantee

Liability guarantee by rent guarantee	
Customers pertaining to Rent Guarantee Business (amount equivalent to the guarantee limit)	40,048 million yen
Provision for fulfillment of guarantees	-53 million yen
<u>Total</u>	<u>39,994 million yen</u>

(Notes to Consolidated Statement of Income)

Not applicable.

(Notes to Consolidated Statement of Changes in Equity)

(1) Total number of issued shares

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

(2) Matters concerning Treasury shares

Type of shares	Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year
Common shares	56,644 shares	- shares	- 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 concerning dividends of surplus

(i) Cash dividends paid

Resolution	Type of shares	Total dividends (million yen)	Dividends per share (yen)	Base date	Effective date
June 23, 2020 Annual general meeting of shareholders	Common shares	2,047	42.00	March 31, 2020	June 24, 2020

Note. The total amount of dividends decided at the Annual General Meeting of Shareholders on June 23, 2020 includes dividends of 2 million yen for the Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

(ii) Dividends whose record date falls in the current consolidated fiscal year and whose effective date falls in the following consolidated fiscal year

The following resolution is scheduled.

Resolution	Type of shares	Source of dividends	Total dividends (million yen)	Dividends per share (yen)	Base date	Effective date
June 22, 2021 Annual general meeting of shareholders	Common shares	Retained earnings	2,047	42.00	March 31, 2021	June 23, 2021

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

(4) Share acquisition rights as of the end of the current consolidated fiscal year

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	
2018 Share acquisition rights as Stock Option	-	-	-	-	-	5
2019 Share acquisition rights as Stock Option	-	-	-	-	-	5
2020 Share acquisition rights as Stock Option	-	-	-	-	-	4
Total		-	-	-	-	16

(Notes on Financial Instruments)

(1) Items relating to financial instruments

(i) Policy on financial instruments

The group 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.

(ii) Content as well as 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.

(iii) Risk management system for the financial instruments

A. 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.

B. Management of market risks (risks related to market price fluctuations)

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

C. 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.

(iv) 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

At March 31, 2021, the book values of the Consolidated Balance Sheet, fair values and differences between them are as follows.

(Unit: million yen)

	Consolidated Balance Sheet amount	Market value	Difference
Cash and deposits	21,508	21,508	-
Total assets	21,508	21,508	-
Long-term borrowings (including current portion)	47,521	47,027	(494)
Total liabilities	47,521	47,027	(494)
Derivative transaction	-	-	-

Note. Methods for calculating the market values of financial instruments and derivative transactions

Assets

Cash and deposits

Since the settlement periods for the foregoing are short, the market values thereof are essentially equal to the book values. Therefore, the corresponding book value is used as the market value.

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.

(*) For long-term borrowings that were subject to interest rate caps in accordance with the special treatment of interest rate swaps, the total amount of principal and interest accounted for as an integral part of the interest rate caps

Derivative transaction

(i) Items for which hedge accounting is not applied

Not applicable.

(ii) Hedge accounting is applied

Since interest rate caps, which are subject to the special treatment of interest rate swaps, are treated as an integral part of the hedged long-term borrowings, their fair values are included in the fair values of the long-term borrowings.

(Notes on Lease and Real Estate)

The Company operates rental office buildings (including land) as well as hotel facilities (including land) in Tokyo and other areas. For the fiscal year ended March 31, 2021, net rental income from such rental properties was 171 million yen (rent revenue is recorded in net sales and rental expenses are recorded in cost of sales).

In addition, the amount recorded in the Consolidated Balance Sheet, increase/decrease for the current consolidated fiscal year and market value at the end of the current consolidated fiscal year for the said lease and real estate are as follows.

(Unit: million yen)

Consolidated Balance Sheet amount			Market value at the end of the current consolidated fiscal year
Balance at the beginning of the current consolidated fiscal year	Fiscal year under review Increase/Decrease	Balance at the end of the current consolidated fiscal year	
2,174	9	2,183	4,447

Note 1. The amount recorded in the Consolidated Balance Sheet is the acquisition cost excluding the accumulated depreciation.

Note 2. The major increase in increase/decrease during the fiscal year under review was due to renewal of facility (65 million yen) and decrease was due to depreciation (56 million yen)

Note 3. The fair value at the end of the current consolidated fiscal year is the amount based on the real estate appraisal report by an external real estate appraiser.

(Notes on Per Share Information)

(1) Net assets per share	1,368.14 yen
(2) Earnings per share	87.77 yen
(3) Fully diluted earnings per share	87.73 yen

Note. 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 the Company's shares for the period and year-end held by the trust account is 56,500 shares.

(Notes on 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 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 contributions in kind. Voluntary partnership is structured to receive distributions of profits and losses arising from real estate investments in kind by investors. 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 voluntary partnership for entrusting building management in a lump sum.

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

	Fiscal year under review (March 31, 2021)
Number of Special Purpose Companies	2 union
Total assets as of the latest balance sheet date (simple sum)	2,048 million yen
Total liabilities (simple sum)	85 million yen

(2) Transaction amount with the special purpose company subject to disclosure for the current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(Unit: million yen)

	Transaction amount	Item	Amount
Chairman's Compensation (Note 1)	4	Net sales	4
Management Commission Income (Note 1)	2	Net sales	2

Note. The amount of chairman's compensation and management commission income is calculated from the relevant real estate at a fixed rate. Chairman's compensation and management commission income are recorded in net sales in Consolidated Statement of Income.

(Note on Significant Subsequent Events)

Not applicable.

(Other Note)

Not applicable.

Non-consolidated Statement of Changes in Equity

(From April 1, 2020 to March 31, 2021)

(Unit: million yen)

	Shareholder's equity							Treasury shares	Total shareholders' equity
	Share capital	Capital surplus		Legal reserve	Retained earnings		Total retained earnings		
		Capital reserve	Total capital surplus		Other retained earnings	Retained earnings brought forward			
Balance at beginning of the period	11,965	6,449	6,449	13	46,559	46,572	(67)	64,919	
Changes during period									
Dividends of surplus					(2,047)	(2,047)		(2,047)	
Profit					5,314	5,314		5,314	
Net changes in items other than shareholders' equity									
Total changes during period	-	-	-	-	3,266	3,266	-	3,266	
Balance at end of the period	11,965	6,449	6,449	13	49,825	49,838	(67)	68,186	

	Valuation and translation difference		Share acquisition rights	Net assets total
	Valuation difference on available-for-sale securities	Total valuation and translation difference		
Balance at beginning of the period	3	3	11	64,934
Changes during period				
Dividends of surplus				(2,047)
Profit				5,314
Net changes in items other than shareholders' equity	(0)	(0)	4	4
Total changes during period	(0)	(0)	4	3,270
Balance at end of the period	2	2	16	68,204

Notes to Non-consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Matters concerning 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 with market quotations

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.)

Securities without market quotations

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 amortized 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 current fiscal year. |
| (3) Provision for bonuses for directors (and other officers) | Provision for directors' bonuses is provided based on the estimated amount to be paid during the current fiscal year. |
| (4) 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 rate. |
| (5) 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 current fiscal year. |

4. Method of recording revenue and expenses

Standards for recording completed construction and completed construction costs

- Construction work for which the outcome of the construction activity is deemed certain at the end of the current consolidated fiscal year
The percentage of completion method is applied (the percentage of completion of construction activity is estimated by the incurred cost).
- Other construction
Construction completion method is applied.

5. Basis for preparation of other 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 consumption taxes | Consumption tax and local consumption tax are accounted for by the tax exclusion method, and non-deductible consumption tax and local consumption tax are accounted for as expenses for the current fiscal year. |
| (3) Application of consolidated tax payment system | Consolidated taxation system is applied. |
| (4) Application of Tax Effect Accounting for transition from consolidated taxation system to consolidated group system | The Company has adopted the "Application of Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), without applying provisions of section 44, in accordance with paragraph 3 of the "Treatment of Application of Tax Effect Accounting for Transition from Consolidated Tax Payment System to Consolidated Tax Payment System for Group" (ASBJ PITF No. 39, March 31, 2020), with respect to the items for which the Company's consolidated tax payment system and the non-consolidated tax payment system have been revised in line with the transition to the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020). Moreover, deferred tax assets and deferred tax liabilities are based on the provisions of the pre-amendment tax laws. |

(Change of Presentation Method)

Consolidated Balance Sheet

"Construction warrantee reserve" (0 million yen in the fiscal year under review) which was included in "Current liabilities" in the previous fiscal year has been included in "Other" in the current fiscal year due to their decreasing materiality.

Consolidated Income Statement

"Borrowing related expenses" (8 million yen in the fiscal year under review) which was included in "Non-operating expenses" in the previous fiscal year has been included in "Other" in the current fiscal year due to their decreasing materiality.

Changes accompanying the application of "Accounting Standard for Disclosure of Accounting Estimates"

Accounting Standard for Disclosure of Accounting Estimates" (Accounting Standards Board of Japan (ASBJ) Statement No. 31, March 31, 2020) has been applied from the current fiscal year. Accordingly, the "Notes to Accounting Estimates" are stated in the Notes to Non-consolidated Financial Statements.

(Notes on Accounting Estimates)

1. Assessment of the real estate for sale

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

Real estate for sale	11,534 million yen
Real estate for sale in process	58,646 million yen

(2) Other information

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 value of the return to profits includes the expected tenant rent and the occupancy rate of hotel rooms, and is based on important assumptions such as the assumed market conditions in the future and the forecast of the convergence time of the COVID-19.

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 financial statements for the following fiscal year and thereafter.

2. Non-current assets impairment

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

Non-current assets related to hotel development business 6,874 million yen

(2) Other information

Due to the impact of the spread of COVID-19, the occupancy rate of hotel rooms has decreased and profitability has declined. As a result, signs of impairment have emerged as a significant deterioration in the business environment. Impairment losses are losses based on 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 occupancy rate of hotel rooms, etc., as well as the assumption of future market conditions and the forecast of the convergence time of the COVID-19.

In the following fiscal year, the assumptions used in formulating business plans may change in the event of a situation that was not anticipated when the business plan was formulated. This may have a material impact on the non-current asset amounts recognized in the financial statements for the following fiscal year and thereafter.

(Additional Information)

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 Shares to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015).

(ii) Own shares remaining in the trust

The book value of the Company's shares remaining in the trust (excluding the amount of incidental expenses) is included in net assets. The book value and number of shares of the treasury shares were 67 million yen and 56,500 shares.

(Notes to Balance Sheet)

(1) Assets pledged as collateral and obligations secured by collateral

(i) Assets pledged as collateral are as follows:

Real estate for sale	9,180 million yen
Real estate for sale in process	58,203 million yen
Buildings	412 million yen
Land	6,398 million yen
Other	1,568 million yen
<u>Total</u>	<u>75,763 million yen</u>

(ii) Secured liabilities are as follows:

Current portion of Long-term borrowings	2,862 million yen
Long-term borrowings	35,223 million yen
<u>Total</u>	<u>38,086 million yen</u>

(2) Accumulated depreciation of Property, plant and equipment 530 million yen

(3) Monetary claims and monetary obligations to subsidiaries and affiliates (excluding those classified)

Short-term monetary receivables	302 million yen
Short-term monetary debt	165 million yen
Long-term monetary receivables	7 million yen

(4) Monetary obligations to directors 56 million yen

(5) Guarantee obligations

Guarantees for borrowings loans by financial institutions of affiliated companies

Sun Frontier Hotel Management Inc.	6,721 million yen
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(Notes to Statement of Income)

Transactions with affiliated companies

Transaction volume from operating transactions	
Net sales	382 million yen
Cost of sales and Selling, general and administrative expenses	372 million yen
Non-operating transactions	69 million yen

(Notes to Statement of Changes in Equity)

Matters concerning the Treasury shares

Type of shares	Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year
Common shares	56,644 shares	- shares	- 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.

(Notes on Tax Effect Accounting)

Breakdown of Deferred tax assets and deferred tax liabilities by major cause

(Unit: million yen)

Deferred tax assets	
Inventory Assets	594
Unrealized loss repudiation of shares of affiliates	469
Accrued enterprise tax	39
Allowance for doubtful accounts	67
Taxes and duties	62
Accounts payable	13
Accrued expenses	41
Provision for bonuses	73
Long-term accounts payable	17
Unrealized loss Non-current assets denied	8
Excess depreciation	2
Other	83
Subtotal	1,474
Valuation allowance	(509)
Deferred tax assets total	965
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(1)
Deferred tax liabilities total	(1)
Deferred tax assets net	964

(Notes on Transactions with Related Parties)

1. Subsidiaries and affiliates

(Unit: million yen)

Type	Company name	Percentage of voting rights held	Relationship with related parties	Contents of the transaction	Transaction amount	Subject	Year-end balance
Subsidiary	Sun Frontier Hotel Management Inc.	Possession Direct 100% Indirect -	Lease transaction Management	Receipt of building rent (Note 2 (i))	296	Advances received	10
						Deposits received	31
			Concurrent appointment posts	Receipt of administrative service expenses (Note 2 (ii))	10	Advance payment	0
			Loan of funds	Receipt of interest (Note 2 (iii))	17	-	-
			Debt guarantee	Debt Guarantee (Note 2 (iv))	6,721	-	-

Note 1. Of the above amounts, the transaction amount does not include consumption taxes, etc. and the balance at the end of the period includes consumption taxes, etc.

Note 2. Transaction Terms and Policy for Determining Transaction Terms

- (i) The Company receives building rent under general terms and conditions similar to those for independent third party transactions.
- (ii) With regard to administrative service costs, the price is reasonably determined in consideration of costs for providing services, etc.
- (iii) The interest rate for loans is determined by taking the market interest rate into account.
- (iv) The Company provides guarantees for loans from banks. No debt guarantee fee has been received for this.

2. Officers and individual major shareholders, etc.

There are no significant transactions that should be noted.

(Notes on Per Share Information)

(1) Net assets per share	1,400.21 yen
(2) Earnings per share	109.12 yen
(3) Fully diluted earnings per share	109.07 yen

Note. 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 the Company's shares for the period and year-end held by the trust account is 56,500 shares.

(Notes on Significant Subsequent Events)

Not applicable.