

# Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2023

February 10, 2023 released

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 Stock listing: Tokyo Stock Exchange Prime Section  
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Supplemental materials for the financial results: Yes

Presentation to explain for the financial results: Yes (For institutional investors and analysts)

\*Amounts are rounded down to millions of yen.

## 1. Consolidated Performance in the Third Quarter of the Fiscal Year Ending March 31, 2023

### (1) Consolidated Operating Results (April 1, 2022 to December 31, 2022)

(“¥” indicates millions of yen, percentage figures indicate year-on-year changes.)

	Net Sales		Operating Profit		Ordinary Profit		Net Income	
FY2023/3 3Q	¥75,328	22.3%	¥14,696	20.9%	¥14,401	20.2%	¥10,354	37.7%
FY2022/3 3Q	¥61,618	32.7%	¥12,151	72.8%	¥11,983	82.6%	¥7,519	85.3%

(Note) Comprehensive income: 3rd Quarter of FY ending March 31, 2023: 11,187 millions of yen (43.7%)

3rd Quarter of FY ended March 31, 2022 : 7,786 millions of yen (100.2 %)

	Net Income per Share (yen)	Fully Diluted Net income per Share (yen)
FY2023/3 3Q	213.05	212.85
FY2022/3 3Q	154.40	154.26

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
FY2023/3 3Q	¥145,954	¥83,287	54.8%
FY2022/3	¥136,512	¥74,452	52.2%

(Reference) Total Equity: 3rd Quarter of FY ending March 31, 2023 : 79,971 millions of yen

FY ended March 31, 2022 : 71,282 millions of yen

### 2. Cash Dividends

	Cash Dividends per Share (yen)				
	1 <sup>st</sup> quarter end	2 <sup>nd</sup> quarter end	3 <sup>rd</sup> quarter end	Year end	Annual Total
FY2022/3	-	21.00	-	23.00	44.00
FY2023/3	-	23.00	-	-	-
FY2023/3 (Forecast)	-	-	-	25.00	48.00

(Note) Changes from the latest released dividend forecast: Yes

### 3. Forecast for Consolidated Financial Results for FY2023 (April 1, 2022 to March 31, 2023)

(“¥” indicates millions of yen, percentage figures indicate year-on-year changes.)

	Net Sales		Operating income		Ordinary income		Profit Attributable to Owners of Parent		EPS (yen)
Full year	¥82,000	15.1%	¥14,800	22.0%	¥14,500	18.7%	¥10,400	40.3%	213.99

(Note) Changes from the latest released performance: Yes

※ Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changing scope of consolidation): None

New companies: -

Excluded companies: -

(2) Adaption of special accounting practices in the preparation of quarterly consolidated financial statements  
None

(3) Changes in accounting policies, estimates and retrospective restatement

- |  |      |
|--|------|
| 1) Changes in accounting policies due to changes in accounting standard: | Yes  |
| 2) Changes in accounting policies other than 1) above:                   | None |
| 3) Changes in accounting estimates:                                      | None |
| 4) Retrospective restatement:  | None |

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares at the end of the period (including treasury stock):	FY2023/3 3Q	48,755,500 shares	FY2022/3	48,755,500 shares
2) Number of shares of treasury stock at the end of the period:	FY2023/3 3Q	165,320 shares	FY2022/3	56,644 shares
3) Average number of shares for the period (April 1, 2022 to December 31, 2022):	FY2023/3 3Q	48,601,210 shares	FY2022/3 3Q	48,698,856 shares

(Note) The number of treasury shares at the end of the third quarter of the fiscal year ending March 31, 2023 includes the 143,800 treasury shares acquired based on the resolution of the Board of Directors held on May 13, 2022, after deducting the 35,124 treasury shares disposed of as remuneration of restricted stock.

※This Summary of Consolidated Financial Results is not subject to review processes under the Financial Instruments and Exchange Act.

※Explanation for appropriate use of forecast and other special matters

Earnings per share in the Forecast for Consolidated Financial Results for FY2023 is calculated based on the average number of shares for the period 48,601,210 shares and excluded the effect regarding acquiring treasury stock due to “Notice of Additional Contribution to Employee Stock Ownership Plan (J-ESOP)” released today.

Forward-looking statements, such as forecast of consolidated financial performance, stated in this document are based on information currently possessed by the Company as well as certain assumptions deemed rational. It does not mean that the Company assures that the contents mentioned in these forward-looking statements will ever materialize. Actual financial performance may be significantly different from such expectations due to various factors. For further information on assumptions used in forecasts, please see Page 4, 1. (3) Forward Looking Statements such as Consolidated Earnings Forecasts.

## Accompanying Materials

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## 1. Qualitative information regarding consolidated performance for the first nine months

### (1) Business Performance

Matters concerning the future in this document are judged by Sun Frontier Group as of the end of the third quarter of the fiscal year ending March 31, 2023.

During the nine months ended December 31, 2022, the Japanese economy continued to recover, particularly in personal consumption and capital investment, as easing of restrictions on economic and social activities further advanced amid the transition to coexist with COVID-19. There are concerns that the global economy will slow down due to prospect for the prolonged Ukraine issue and inflation and interest rate hikes in other countries.

In the real estate market, the average rent in the Tokyo Business District (5 districts of the Central Tokyo: Chiyoda, Chuo, Minato, Shinjuku, and Shibuya) in December was 20,059 yen per tsubo, down for the 29th consecutive month (total down 2,955 yen/ 12.8%). And the average vacancy rate for the month was almost flat at 6.47% (according to a survey by a private research institution). Overall office market conditions remain weak. On the other hand, in the real estate investment market, although institutional investors' willingness to invest is generally strong, the outlook remains unpredictable due to the global monetary tightening phase.

During the nine months ended December 31, 2022, Real Estate Revitalization Business, which is the core business of the Group, saw an increase in the number of units sold despite net sales remained flat. And profits were at the same level as the same period of the previous year due to the contribution of transactions with high profit margin. Real Estate Service Business continued to show stable performance. In Hotel Development Business, sales and profit increased significantly year on year due to the completion of the sale of two hotels. Hotel Operation Business, which has been greatly affected by the COVID-19 pandemic, saw a rapid recovery in sales. In addition to the continued increase in demand associated with easing of restrictions on economic and social activities, the Nationwide Travel Subsidy Program, a campaign to promote domestic tourism started in October, and the lifting of the ban on personal travel from abroad also contributed to the recovery.

As a result, net sales amounted to 75,328 million yen (up 22.3% YoY), operating profit amounted to 14,696 million yen (up 20.9% YoY), ordinary profit amounted to 14,401 million yen (up 20.2% YoY) and profit attributable to owners of parent amounted to 10,354 million yen (up 37.7% YoY).

The results of each segment are as follows.

#### (Real Estate Revitalization Business)

In Real Estate Revitalization Business, we are engaged in (i) Replanning Business and (ii) Rental Building Business.

(i) In Replanning Business, we provide a one stop service that provides an integrated real estate service from building purchasing to planning for renovation and utilization, construction work, leasing, management, sales, and building management. Sales in this quarter are progressing smoothly due to the strong investment appetite from investors. At the same time, we are actively promoting property purchase while monitoring the real estate market in macroeconomic fluctuations and the impact of monetary policies, and carefully selecting properties. In commercialization, while anticipating changes in town, office and working style, we are aiming to create an office that meets the needs of hybrid work styles and is the choice of office in the new normal. Through coordination with the leasing brokerage division, the Company advanced attraction of tenants during the COVID-19 pandemic as well and finished real estate products with high utilization and high added value, thereby selling products that meet the expectations of a wide range of clients in Japan and overseas. For example, in December, we worked in close coordination with our

leasing brokerage division and sold five office buildings in Tokyo to an investor with almost full occupancy. In January 2023, these five properties, which we continue to manage entrusted after being sold, acquired BELS certification, the Building-Housing Energy-efficiency Labeling System. The Group will promote initiatives toward further conversion to energy conservation and decarbonization. In Real Estate Revitalization Business in New York City, U.S.A., the Company sold two properties in commercialization in order to meet the diversification needs of a client's asset portfolio. In addition, as small-lot products in specified joint real estate ventures, the Company sold medical and educational malls (new construction, third and fourth composition) and a licensed nursery school (new construction, first composition). Although sales of relatively large-scale properties decreased compared to the same period of the previous fiscal year, the number of properties sold in the first nine months in Replanning Business increased by 4 compared to the same period of the previous fiscal year to 22, while expanding the customer base including properties sold in New York City. Accordingly, although net sales decreased compared to the same period of the previous year, profits increased due to the contribution of transactions with high profit margin.

(ii) In Rental Building Business, with the aim of building a stable revenue base as a stock business, the Group is working to increase rent income over the medium to long term while expanding the number of rental building properties in Replanning Business and utilizing the operational capabilities accumulated in real estate service division. Compared to the same period of the previous year, in the first nine months' net sales and profits decreased due to a decrease in rent income from properties held as inventories.

As a result, net sales in Real Estate Revitalization Business amounted to 47,550 million yen (down 4.3% YoY) and segment profit amounted to 14,638 million yen (down 0.6% YoY).

(Real Estate Service Business)

In Real Estate Service Business, we are engaged in (i) Property Management Business, (ii) Building Maintenance Business, (iii) Sales Brokerage Business, (iv) Leasing Brokerage Business, (v) Conference Room Rental Business, and (vi) Rent Guarantee Business. Each of these operating divisions is developing its businesses in medium-sized office buildings in central Tokyo by gathering their expertise and working together. This is also the foundation for generating high profitability in the Replanning Business by creating added value through a chain reaction of expertise cultivated through originality and ingenuity in the field.

(i) In Property Management Business, the Company supports owners to achieve high-occupancy and high-profitability building management by raising the satisfaction of tenants through attentive property management and by working to attract tenants in cooperation with the leasing brokerage division and revising conditions for reasonable rents. Despite weak market conditions, in the first nine months maintained a 90% occupancy rate while the number of managing buildings grew by approximately 10% from the same period of the previous year. Accordingly, both net sales and profits increased from the same period of the previous year.

	End of December 2020	End of December 2021	End of December 2022
Number of Managing Buildings	404 buildings	413 buildings	457 buildings
Occupancy Rate	95.7%	90.8%	90.8%

(ii) In Building Maintenance Business, under the slogan “Make Tokyo the Most Beautiful City in the World,” we provide comprehensive building maintenance services, including inspections to maintain and manage buildings, cleaning to maintain beauty and comfortable spaces, and renovation work. The Group is promoting collaboration with the property management division with its strength in high-rise cleaning of exterior windows and walls using swings, waterproofing work and exterior wall renovation work. In the

first nine months, both net sales and profits increased compared to the same period of the previous year due to synergistic effects resulting from M&A and an increase in the number of managing buildings.

(iii) In Sales Brokerage Business, as part of our real estate consulting services, we are working to respond quickly to consultation requests from clients in other divisions, such as Property Management Business and Leasing Brokerage Business. Office building business division has expanded its customer base by working together to support building owners manage their buildings, and succeeded in concluding sales brokerage contracts based on the trust it has built up. Both net sales and profits increased compared to the same period of the previous fiscal year due to favorable brokerage to domestic and overseas investors.

(iv) In Leasing Brokerage Business, we have developed a service network of 10 sites, mainly in central Tokyo, which functions as an information center for consultation close to the local building owners. In addition, the needs and changes of tenants quickly acquired at leasing sites are utilized in research and proposals for optimal use of office space, leading to the creation of a new sense of value from our clients' perspective in Replanning Business product planning. Accordingly, both net sales and profits increased compared to the same period of the previous year due to an increase in the number of contracts concluded.

(v) In Conference Room Rental Business, we have been able to capture continuous use and the demands of new customer segments by providing services that respond to the changing times, attracting customers based on data, and making flexible proposal sales to meet clients' needs through close ties with local communities. Demand for corporate training, seminars, certification tests, etc. continued to recover amid further progress in easing of restrictions on economic and social activities. In addition, net sales increased compared to the same period of the previous year due to orders for large-scale projects for two newly opened conference rooms. Profits also increased despite a temporary increase in expenses associated with the opening of new conference rooms.

(vi) In Rent Guarantee Business, we not only guarantee tenants' rents in arrears, but also support until the lease is surrendered, and provide services tailored to building owners easing the sense of burden in building management. Consultations from building owners increased due to the increase of vacant rooms and tenant credit concerns, caused by the pandemic of COVID-19. Accordingly, the number of new contracts of guarantee increased, and both net sales and profits in the first nine months increased compared to the same period of the previous year.

As a result of above, net sales in Real Estate Service Business amounted to 6,505 million yen (up 18.8% YoY) and segment profit amounted to 3,646 million yen (up 22.2% YoY).

#### (Hotel and Tourism Business)

In Hotel and Tourism Business, we are engaged in (i) Hotel Development Business and (ii) Hotel Operation Business.

(i) In Hotel Development Business, net sales and profits both increased compared to the same period of the previous year due to the handover of two hotels at the end of October, out of the three hotels announced for sale at the end of August 2022. One hotel that was announced to be sold at the same time as these two hotels' handover is scheduled in April 2023. The net sales and profits from this transaction are scheduled to be recorded in the first quarter of the fiscal year ending March 31, 2024. The return from the sale of the hotel will be reinvested in hotel development, including M&A, centering on the "Tabino Hotel" brand and condominium hotels, to expand the business.

(ii) In Hotel Operation Business, we opened "Sora Niwa Terrace Kyoto" and "Bettei Kamogawa" in June 2022. As of February 10, we operated a total of 22 hotels (2,612 rooms). While demand for domestic tourism further recovered in line with the easing of restrictions on economic and social activities, against the backdrop of the effects of the Nationwide Travel Subsidy Program and the lifting of the ban on private travel from abroad, the occupancy rate and average daily rate continue rising based on the Group's high added value strategies. Accordingly, compared to the same period of the previous year, net sales in the nine months

increased and turned a profit in the third quarter (October-December period).

As a result of the above, net sales in Hotel and Tourism Business amounted to 20,680 million yen (up 266.9% YoY) and segment profit was 1,459 million yen (it was 1,227 million yen in deficit in the same period of the previous fiscal year).

#### (Other Business)

In Other Business, we are engaged in (i) Overseas Development Business and (ii) Construction Business and so on.

(i) In Overseas Development Business, we are advancing into Southeast Asian countries where growth is expected, developing real estate centered on condominiums and houses using Japanese advanced construction technology, and focusing on providing Asian people with a firsthand experience of Japanese qualities. In the current period, revenue from the management of condominiums in Vietnam which we are promoting as a stock business increased, although net sales decreased compared to the same period of the previous year due to a decrease in revenue from the sale of properties. Accordingly, profits in the first nine months increased due to an increase in profits from the sale of properties in Vietnam, despite a write-down of inventories in the Indonesian market. In November, we sold out all our properties in the Indonesian market. The net sales will be included in the fourth quarter (January-March period).

(ii) In Construction Business, the Group is engaged in renewal planning, repair and reform, interior finishing work and telecommunications work for commercial buildings. Both net sales and profits in the first nine months increased compared to the same period of the previous year due to sales from large-scale construction projects at group subsidiaries.

As a result of the above, net sales in Other Business amounted to 1,228 million yen (up 2.6% YoY) and the segment profit amounted to 179 million yen (up 69.0% YoY).

#### (2) Financial Position

Total assets as of December 31, 2022 amounted to 145,954 million yen (up 6.9% YoY), liabilities amounted to 62,666 million yen (down 1.0% YoY) and net assets amounted to 83,287 million yen (up 11.9% YoY).

The increase in total assets was mainly due to an increase of 14,860 million yen in cash and deposits, 3,861 million yen in real estate for sale, and 1,352 million yen in building from property plant and equipment, which offset a decrease of 7,752 million yen in real estate for sale in process, 2,008 million yen in long-term guarantee deposit.

The increase in liabilities was mainly due to a decrease of 3,339 million yen in long-term borrowings due within one year, and a decrease of 2,006 million yen in income taxes payable, despite an increase of 515 million yen in account payable, 544 million yen in income taxes payable for consumption tax, and 3,638 million yen in long-term borrowings.

The increase in net assets was mainly due to the recording of 10,354 million yen in profit attributable to owners of parent despite the payment of year-end dividend of 2,240 million yen.

Equity ratio increased 2.6 percentage points to 54.8%.

#### (3) Forward-Looking Statements such as Consolidated Earnings Forecasts

As for the results for the fiscal year ending March 31, 2023, we revised the forecast figures announced on May 13, 2022. For details of the revision, please refer to “Notice of Upward Revision to Financial Results Forecast for FY2023 and Revision to Dividend Forecast (Increase)” announced today.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2022	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and time deposits	30,053	44,913
Notes, accounts receivable, and contract assets	945	1,569
Real estate for sale	14,222	18,084
Real estate for sale in process	62,934	55,181
Costs of uncompleted construction contracts	100	175
Supplies	83	103
Other	2,603	1,077
Allowance for doubtful accounts	(21)	(14)
<b>Total current assets</b>	<b>110,920</b>	<b>121,090</b>
Non-current assets		
Property, plant and equipment		
Buildings (net amount)	7,876	9,229
Land	10,046	10,083
Other (net amount)	872	917
<b>Total property, plant and equipment</b>	<b>18,796</b>	<b>20,229</b>
Intangible assets		
Goodwill	408	359
Other	164	355
<b>Total intangible assets</b>	<b>572</b>	<b>715</b>
Investments and other assets		
Guarantee deposits	4,726	2,717
Deferred tax assets	1,036	887
Other	460	312
Allowance for doubtful accounts	(0)	(0)
<b>Total investments and other assets</b>	<b>6,222</b>	<b>3,917</b>
<b>Total non-current assets</b>	<b>25,591</b>	<b>24,863</b>
<b>Total assets</b>	<b>136,512</b>	<b>145,954</b>

(Unit: million yen)

As of March 31, 2022    As of December 31, 2022

Liabilities		
Current liabilities		
Accounts payable - trade	1,345	1,861
Short-term borrowings	30	208
Current portion of long-term borrowings	6,874	3,534
Income taxes payable	3,528	1,521
Provision for bonuses	191	119
Provision for bonuses for directors (and other officers)	73	51
Provision for fulfillment of guarantees	39	38
Other	4,126	5,691
<b>Total current liabilities</b>	<b>16,210</b>	<b>13,027</b>
Non-current liabilities		
Long-term borrowings	44,169	47,807
Retirement benefit liability	6	5
Provision for share-based remuneration	68	80
Other	1,605	1,745
<b>Total non-current liabilities</b>	<b>45,849</b>	<b>49,639</b>
<b>Total liabilities</b>	<b>62,060</b>	<b>62,666</b>
Net Assets		
Shareholders' equity		
Share capital	11,965	11,965
Capital surplus	6,445	6,445
Retained earnings	52,917	61,031
Treasury shares	(67)	(180)
<b>Total shareholders' equity</b>	<b>71,260</b>	<b>79,261</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	2
Foreign currency translation adjustment	19	707
<b>Total accumulated other comprehensive income</b>	<b>22</b>	<b>709</b>
Share acquisition rights	30	30
Non-controlling interests	3,139	3,286
<b>Total net assets</b>	<b>74,452</b>	<b>83,287</b>
<b>Total liabilities and net assets</b>	<b>136,512</b>	<b>145,954</b>

## (2) Consolidated Statements of Income and Comprehensive Income

## Consolidated Statement of Income

(Unit: million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	61,618	75,328
Cost of sales	44,098	54,844
Gross profit	17,519	20,483
Selling, general and administrative expenses	5,368	5,787
Operating profit	12,151	14,696
Non-operating income		
Interest and dividend income	25	37
Foreign exchange gains	23	75
Subsidy income	148	51
Other	56	32
Total non-operating income	253	196
Non-operating expenses		
Interest expenses	329	354
Loss on investments based on equity method	55	101
Other	36	34
Total non-operating expenses	421	490
Ordinary profit	11,983	14,401
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	-	101
Gain on bargain purchase	115	-
Other	0	-
Total extraordinary income	116	101
Extraordinary loss		
Impairment loss	-	27
Settlement money	254	-
Other	14	-
Total extraordinary losses	268	27
Profit before income taxes	11,831	14,475
Income taxes - current	4,280	3,686
Income taxes - deferred	36	326
Total income taxes	4,317	4,013
Profit	7,514	10,462
Profit (loss) attributable to non-controlling interests	(5)	107
Profit attributable to owners of parent	7,519	10,354

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	7,514	10,462
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	272	725
Total other comprehensive income	272	725
Comprehensive income	7,786	11,187
Comprehensive income attributable to		
Owners of parent	7,778	11,041
Non-controlling interests	8	145

### (3) Notes to Consolidated Financial Statements

(Notes to Assumption of Going Concern)

Not applicable.

(Notes to Significant Changes in the Amount of Shareholders' Equity)

For FY2022/3 3Q (April 1, 2021 to December 31, 2021)

#### 1. Dividend paid

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

Note: 1. 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).

2. The total amount of dividends decided at the Board of Directors held 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 for which the record date is during FY2022/3 3Q and the effective date is after the last day of FY2022/3 3Q.

Not applicable.

For FY2023/3 3Q (April 1, 2022 to December 31, 2022)

#### 1. Dividend paid

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

Note: 1. 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).

2. The total amount of dividends decided at the Board of Directors held 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 for which the record date is during FY2023/3 3Q and the effective date is after the last day of FY2023/3 3Q

Not applicable.

#### 3. Significant changes in shareholders' equity

Based on the resolution of Board of Directors meeting held on May 13, 2022, the Company purchased 143,800 treasury shares. The Company also disposed of 35,464 treasury shares with a due date of July 21, 2022 as a remuneration of restricted shares. As a result, treasury shares increased by 112 million yen during the first nine months ended December 31, 2022, and stands at 180 million yen as of the end of the period.

(Change of Accounting Policies)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as “Fair Value Measurement Implementation Guidance”) has been applied from the beginning of the first quarter of the fiscal year. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance, the new accounting policies stipulated in the Fair Value Measurement Implementation Guidance will be applied into the future.

The application of this accounting standard has no impact on the consolidated financial statements for the period under review.

(Additional Information)

1. Accounting Estimates for the Impact of the Spread of COVID-19 Infections

There have been no material changes to assumptions regarding the impact of the spread of COVID-19 infections described in the “Significant Accounting Estimates” in the Annual Securities Report for the previous fiscal year.

2. 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 as of December 31, 2022 were 67 million yen and 56,500 shares.

3. Accounting Treatment and Disclosure with the Application of the Group Tax Sharing System

The Company and certain consolidated domestic subsidiaries shifted from the consolidated taxation system to the group tax sharing system effective from the first quarter of the fiscal year ending March 31, 2023. Accordingly, the accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting are based on the “Treatment of the Accounting and Disclosure under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021, hereinafter “PITF No. 42”). Based on Paragraph 32 (1) of PITF No. 42, there is deemed to be no effect on the consolidated financial statements for the period under review due to the change in accounting policies resulting from the application of PITF No. 42.

(Segment Information, etc.)

Segment Information

I For FY 2022/3 3Q (April 1, 2021 to December 31, 2021)

1. Information on net sales and profit and disaggregation of revenue for each reportable segment

(Unit: million yen)

	Reportable segment				Other (Note 1)	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Subtotal		
Net sales						
Revenue from contracts with customers	46,165	4,726	5,552	56,445	1,192	57,637
Other revenue (Note 2)	3,502	394	84	3,980	-	3,980
Net sales to external customers	49,667	5,120	5,637	60,425	1,192	61,618
Internal sales or transfers between segments	9	356	-	366	4	371
Subtotal	49,677	5,477	5,637	60,792	1,197	61,989
Segment profit (loss)	14,725	2,982	(1,227)	16,480	106	16,586

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

2. Other income is rental income, etc., based on ASBJ No. 13 "Accounting Standard for Lease Transactions".

2. The difference between the total amount of the report segment's profit or loss and the amount recorded in the Consolidated Statement of Income and the main content of the difference (matters related to the difference adjustment)

(Unit: million yen)

Profit	Amount
Reportable segment total	16,480
Profit in the "Other" category	106
Elimination of intersegment transactions	(0)
Corporate expenses (Note)	(4,602)
Ordinary profit in the consolidated statement of income	11,983

Note: Corporate expenses are mainly general and administrative expenses not attributable to the reportable segment.

3. Information on impairment loss or goodwill of fixed assets for each reportable segment

Not applicable.

II For FY2023/3 3Q (April 1, 2022 to December 31, 2022)

1. Information on net sales and profit and disaggregation of revenue for each reportable segment

(Unit: million yen)

	Reportable segment				Other (Note 1)	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Subtotal		
Net sales						
Revenue from contracts with customers	44,364	4,943	20,559	69,867	1,216	71,084
Other revenue (Note 2)	3,173	974	97	4,244	-	4,244
Net sales to external customers	47,537	5,917	20,656	74,112	1,216	75,328
Internal sales or transfers between segments	13	587	23	624	11	636
Total	47,550	6,505	20,680	74,736	1,228	75,965
Segment profit	14,638	3,646	1,459	19,743	179	19,923

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

2. Other income is rental income, etc., based on ASBJ No. 13 “Accounting Standard for Lease Transactions”.

2. The difference between the total amount of the report segment's profit or loss and the amount recorded in the Consolidated Statement of Income and the main content of the difference (matters related to the difference adjustment)

(Unit: million yen)

Profit	Amount
Reportable segment total	19,743
Profit in the “Other” category	179
Elimination of intersegment transactions	24
Corporate expenses (Note)	(5,546)
Ordinary profit in the consolidated statement of income	14,401

Note: Corporate expenses are mainly general and administrative expenses not attributable to the reportable segment.

3. Information on impairment loss or goodwill of fixed assets for each reportable segment

Not applicable.

(Revenue Recognition)

Breakdown of revenue from contracts with customers is as stated in the “Notes to Consolidated Financial Statements (Segment Information, etc.)”.

(Significant Subsequent Events)

Not applicable.