

Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2024

August 9, 2023 released

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 Stock listing: Tokyo Stock Exchange Prime Section
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Scheduled date of dividend payment commencement: -

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 First Quarter of Fiscal Year Ending March 31, 2024

(1) Consolidated Operating Results

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

	Net Sales		Operating Profit		Ordinary Profit		Net Income	
FY2024/3 1Q	¥ 18,452	-19.4%	¥ 4,206	-36.9%	¥ 4,184	-37.4%	¥3,134	-33.2%
FY2023/3 1Q	¥22,903	-26.6%	¥ 6,668	-9.2%	¥ 6,690	-8.1%	¥ 4,690	-2.3%

(Note) Comprehensive income: FY2024/3 1Q : 3,168 millions of yen (-35.8%)

FY2023/3 1Q : 4,936 millions of yen (0.6%)

	Earnings per Share (yen)	Fully Diluted earnings per Share (yen)
FY2024/3 1Q	64.60	64.54
FY2023/3 1Q	96.45	96.36

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
FY2024/3 1Q	¥ 151,056	¥ 85,918	54.7%
FY2023/3	¥ 152,519	¥ 83,965	52.9%

(Reference) Equity: FY2024/3 1Q : 82,654 millions of yen

FY2023/3 : 80,702 millions of yen

2. Cash Dividends

	Cash Dividends per Share (yen)				
	1 st quarter end	2 nd quarter end	3 rd quarter end	Year end	Annual Total
FY2023/3	-	23.00		25.00	48.00
FY2024/3					
FY2024/3 (Forecast)		26.00		26.00	52.00

(Note) Changes from the latest released dividend forecast: No.

3. Forecast for Consolidated Financial Results for FY2024/3 (April 1, 2023 to March 31, 2024)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		EPS (yen)
	Full year								
	¥83,000	0.3%	¥16,500	10.7%	¥16,000	8.7%	¥11,000	-5.3%	226.72

(Note) Changes from the latest forecast: No.

※ 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: None

2) Changes in accounting policies other than 1) above: Yes

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):	FY2024/3 1Q	48,755,500 shares	FY2023/3	48,755,500 shares
2) Number of shares of treasury stock at the end of the period:	FY2024/3 1Q	237,702 shares	FY2023/3	237,169 shares
3) Average number of shares for the period (April 1, 2023 to June 30, 2023):	FY2024/3 1Q	48,517,865 shares	FY2023/3 1Q	48,630,896 shares

(Note) The increase in the number of shares of treasury stock at the end of the first quarter in FY2024/3 from the end of FY2023/3 is due to the free transfer of 533 shares of restricted stock as remuneration held by the former employees, who resigned themselves during their terms in this period.

※ This Summary of Consolidated Financial Results is exempt from audit process by Certified public accountants or auditors.

※ Explanation for appropriate use of forecast and other special matters

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 8, 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 three months

(1) Business Performance

Forward-looking statements in this document are based on the judgments of the Group as of the end of the first quarter of the fiscal year ending March 31, 2024.

During the three months ended June 30, 2023 (hereinafter referred to as the current period), the Japanese economy continued to recover mainly in personal consumption and capital investment, while the employment and income environment improved. With regard to the global economy, there were concerns that the Ukraine problem was prolonged, inflation in various countries remained high, and interest rate hikes will lead to economic slowdown.

In the real estate market, the average rent in the Tokyo business district (5 Wards of the Central Tokyo: Chiyoda, Chuo, Minato, Shinjuku and Shibuya) in June was 19,838 yen (unit price per tsubo), down for the 35th consecutive month (total 3,176 yen / 13.8%) from the peak (July 2020), and the average vacancy rate for the same month was almost unchanged at 6.48% (according to a private research institution). Overall office market conditions remained weak. At the same time, in the real estate investment market, although the willingness to invest in institutional investors was generally strong, the outlook remained unpredictable due to the continued global monetary tightening measures.

In the current period under review, both revenue and profit decreased year on year in Real Estate Revitalization Business, the core business in the Group, due to a reactionary decline following the concentration of property sales in the same period of the previous fiscal year. However, this was in line with the initial plan results in Real Estate Service Business. In Hotel Development Business, the completion of the sale of one hotel resulted in a significant year-on-year increase in both revenues and earnings. In Hotel Operation Business, net sales increased and a profit was posted compared with the same period on the back of an increase in travel demands resulting from the Nationwide Travel Subsidy Program and the recovery of foreign tourists visiting Japan.

As a result, results for the current period under review were as follows: net sales 18,452 million yen (down 19.4% YoY), operating profit 4,206 million yen (down 36.9% YoY), ordinary profit 4,184 million yen (down 37.2% YoY), and profit attributable to owners of parent 3,150 million yen (down 32.8%)

The results of each segment are as follows.

(Real Estate Revitalization Business)

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

(1) In the Replanning Business, all processes from purchase of buildings to revitalization and usage planning and development, tenant placement, management, sales, and subsequent support with building management are offered as a one stop service. Although sales in the current period under review declined from the same period of the previous fiscal year, investors continued to have a strong desire to purchase, and sales have been steady since entering the second quarter. At the same time, the Group is actively purchasing properties while monitoring the impact of macroeconomic fluctuations real estate market conditions and financial policies. In this the end of the period, purchases, including contracted and unsettled properties, progressed at a pace 20% higher than the level prior to the pandemic of COVID-19. In commercialization, we aim to make the office of choice in the new normal by responding to hybrid work styles while anticipating changes in the city, office, and working styles. During the current period, the Company proceeded with the commercialization of the Set-up Office, which was completed in advance and enabled a significant reduction in labor, time, and expenses required for tenants to move in and out of the office. Through coordinate with the leasing division, we promoted attraction of tenants and completed real estate products with high

occupancy rates and high added value, thereby selling products that meet the expectations of a wide range of clients in Japan and overseas. For example, we upgraded the value of properties that used to have accommodation equipment and bathrooms in capsule hotels and property for which daylighting was difficult to set-up offices and sold them as high-capacity, high-profit buildings. However, compared to the same period of the previous year, when nearly 50% of the sales for the whole year were concentrated, the number of sales for the current period was halved, resulting in a decrease in net sales and profits. Full-scale sales are expected to begin in the second quarter of this fiscal year, and full-year net sales are expected to increase by 10% from the previous fiscal year. Sales are currently proceeding smoothly, and there are no changes to the full-year sales plan. In June 2023, we began selling our newly approved small-lot nursery school in Nerima-ku, Tokyo, contributing to the lives of local communities and society.

(2) In Rental Building Business, with the aim of building a stable revenue base as a stock business, we will expand the number of rental buildings properties in Replanning Business and utilize the operational capabilities we have accumulated in Real Estate Service division to increase rent income over the medium to long term. Compared with the same period of the previous fiscal year, net sales and profits increased due to an increase in rent income in line with an increase in inventories, in part due to steady procurement.

As a result, net sales for Real Estate Revitalization Business as a whole decreased by 58.6% YoY to 7,693 million yen, and segment profit decreased by 71.1% YoY to 2,047 million yen.

Based on the concept of “making Tokyo the most friendly city for startups in the world”, the Group is promoting initiatives to support startups. As part of that initiatives, we coordinated with several venture capital and start-up support companies to launch the “START-UP FRONTIER TOKYO” project. As a kick-off event for this project, we plan to hold the “FRONTIER PITCH TOKYO for Startups 2023” contest in September this year under the theme of “Japan’s Future Ten Years from Now.” The top companies in this contest will be granted free office space managed by the Group for a certain period of time to accelerate the growth of start-up companies that will be responsible for future economic growth.

(Real Estate Service Business)

In the Real Estate Service Business, we are engaged in (1) Property Management Business, (2) Building Maintenance Business, (3) Sales Brokerage Business, (4) Leasing Brokerage Business, (5) Rental Conference Room Business, and (6) Rent Guarantee Business. Each of these divisions is developing its business in the office sector in central Tokyo by bringing together the expertise that has cultivated in the field and coordinating and working with each other. Also added value is created through a chain-reaction of expertise cultivated through originality and ingenuity in the field and this is the foundation for creating high profitability in the Replanning Business

(1) In the Property Management Business, we are increasing the satisfaction of tenants through attentive property management and supporting owners also by realizing high-occupancy and high-profitability building management by working with the leasing brokerage division to attract tenants and revising the conditions for appropriate rent. Against a backdrop of weak market conditions, the Company posted year-on-year growth of 24 building increase in number of entrusted buildings, as well as increases in net sales and profits.

	End of June 2021	End of June 2022	End of June 2023
Number of Entrusted Buildings	403 buildings	440 buildings	464 buildings
Occupancy Rate	93.5%	91.8%	90.8%

(2) In the Building Maintenance Business, under the slogan “making Tokyo the most beautiful city in the world,” we are conducting total maintenance of buildings, including inspections to maintain and manage the building, cleaning to maintain beautiful and comfortable spaces, and renovation construction. We are promoting cooperation with the Property Management division, taking advantage of high-rise cleaning of exterior windows and walls using swings, as well as waterproofing construction and exterior wall renovation construction. In the current period under review, net sales decreased from the same period of the previous fiscal year due to a decrease in Corona disinfection and cancellations of unprofitable sites. As a result, personnel expenses could not be absorbed, and profits also decreased. However, the total number of buildings under management increased by nearly 9%

(3) In the Sales Brokerage Business, as a part of real estate consulting, we are responding swiftly to inquiries from Property Management Business and the Leasing Brokerage Business and other divisions. Office division works together to support owners managing buildings and expand the customer base. Based on the trust we have built, we are able to close brokerage deals. Results for the current period under review showed a decline in both net sales and profits due to a reaction to the absence of large-scale projects in the same period of the previous fiscal year.

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

(5) In the Rental Conference Room Business, we have provided services that capture the changing times and have responded flexibly to clients' needs through close contact with local communities and implemented flexible proposal-based marketing. Consequently, we were able to capture demand from new clients. In the current period under review, demand for corporate training, seminars, certification tests, and nationwide academic conferences and events further increased, and orders increased in each rental conference room, including site, which was newly established after September 2022, and site, where the number of expanded rooms was increased. As a result, both net sales and profits increased year on year

(6) In the Rent Guarantee Business, we provide services that are close to building owners, such as not only providing rent guarantees when tenants fall behind in their rent payments, but also providing support for tenants to vacate their property, thereby easing the burden on building management. “TRI-WINS” a new brand launched in February 2023, is a “win-win-win” service that resolves the risks and issues faced by both building owners and tenants and contributes to economic growth and social stability.

Compared with the same period of the previous fiscal year, both revenue and profit decreased due to a reactionary decline from the same period of the previous fiscal year, when there were intra-group transactions. However, both the number of new contracts of guarantee and secondary contracts of guarantee increased due to an increase in demand from building owners due to an increase in vacant rooms and concerns about the creditworthiness of tenants.

As a result, the net sales for Real Estate Service Business as a whole increased by 11.6% YoY to 2,665 million yen, and the segment profit decreased by 0.6% YoY to 1,551 million yen..

(Hotel and Tourism Business)

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

(1) Hotel Development Business operations involve the revitalization of existing hotels and the development of new hotels, which are sold as investment products targeting medium-to long-term earnings to investors and wealthy individual investors in Japan and overseas. During the period under review, the Company sold one hotel in April 2023, resulting in year-on-year increases in net sales and earnings. As a result, the handover of all hotels contracted for sale in August 2022, including the two hotels sold in October 2022, has been completed. Furthermore, with the sale of these three hotels, we will reinvest in hotel development, including M&A, and expand our operations in return, focusing on the Tabi-no-Hotel brand and condominiums. In July 2023, the Group concluded the coordinate Agreement for Regional Development with the city of Sakata in Yamagata Prefecture. Under this agreement, the two parties jointly aim to further promote regional development and revitalization. In the Group, we plan to build a hotel in the central urban area of Sakata City under the theme of “a heartwarming and fun hotel” and with the concept of “making it the one and only hotel in the world for clients.” As well as the hotel construction project in Sakata City, we are currently proceeding with hotel development projects in Ishikari City, Hokkaido and Fujikawaguchiko, Yamanashi Prefecture. Through the hotels developed and managed by the Group, we aim to increase the number of people who interact with each other and revitalize the local community. We also aim to create local happiness by creating jobs in the local community.

(2) In Hotel Operation Business, we operate a total of 21 hotels with 2,373 rooms nationwide (as of August 9, 2023). In the period under review, demand for domestic tourism continued to increase on the back of the extension of Nationwide Travel Subsidy Program and an increase in the number of foreign tourists visiting Japan. Based on the Group’s high-value-added strategies, occupancy rates and average daily rates rose at all hotels we operate. As a result, net sales increased from the same period of the previous fiscal year, and we recorded a profit. As a new initiative, on June 23, 2023, we began operating serviced apartments “Tabino Hotel Live Sado” in Sado, Niigata. This serviced apartment was born from the voice of repeat customers of “Tabino Hotel Sado” and is fully equipped with daily necessities so that even a long-term stay customers can stay comfortably. In addition, customers can use the large public bath of “Tabino Hotel Sado” which is located 2 minutes away on foot, and it is a serviced apartment where you can experience a “heartwarming and fun hotel” of the Group. Although there were concerns about a decline in domestic tourism demand at the end of June due to the closure of the Nationwide Travel Subsidy Program in most prefectures, it continues to be strong due to a further increase in the number of foreign tourists visiting Japan. Thanks to this, the hotels managed by the Group continue to have high occupancy rates and average daily rates.

As a result, net sales for Hotel and Tourism Business as a whole increased by 318.7% YoY to 8,029 million yen, and segment profit recorded a loss of 2,638 million yen (compared with a loss of 252 million yen in the same period of the previous fiscal year).

(Other Business)

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

(1) In the Overseas Development Business, we have expanded into Southeast Asian countries where growth is expected and have developed real estate mainly for condominiums and houses using Japanese advanced construction technology. We are developing its business with a focus on providing an experience of Japanese quality to Asian people. In the current period under review, we are promoting condominium management operations as a stock business and condominium development in Vietnam, resulting in almost flat sales and profits. The business in Indonesia is under liquidation procedures.

(2) In the Construction Business, renovation planning, repair and reform of commercial buildings, interior finishing work, and telecommunications work were carried out. Compared with the same period of the previous fiscal year, earnings increased in net sales due to the continued completion of large-scale construction projects at Group subsidiaries and increased sales of telecommunications construction projects for offices. However, profits decreased due to an increase in construction projects of lower profit margin.

As a result, sales in net sales increased 20.4% YoY to 368 million yen and sales in segment profit decreased 8.1% YoY to 33 million yen.

The Group is promoting sustainability management under the vision of “contributing to the realization of a sustainable society through our corporate activities while taking care of the Company policy (Credo).” In the current period under review, in June 2023, we posted on our sustainability website the progress of specific measures and KPIs based on the Key Issues (materiality). In the fiscal year ended March 31, 2023, we achieved 12 of the 13 targets (four of which are measures to be implemented in the fiscal year ended March 31, 2024). In addition, as one measure that does not set KPIs, we are strengthening activities in coordination with the local community, such as aiming to acquire SDGs partner certification for the local government at each hotel. At the same time, in June 2023, we began information disclosure based on the TCFD* Recommendations and began consolidated reporting of greenhouse gas emissions (Scope1, 2), aiming to further improve the level of information disclosure. In July 2023, Aozora Bank, Ltd. recognized the Group's initiatives to solving social issues through its business activities, and Aozora Bank, Ltd. entered into a positive impact finance agreement based on the Aozora ESG Framework Loan, the first of its kind. We will continue to promote sustainability activities through our operations with the aim of resolving the three key issues of environmental protection, regional revitalization, and human resource development.

*TCFD : Task Force on Climate-related Financial Disclosures

(2) Consolidated Financial Position

Total assets at the end of the current consolidated fiscal year amounted to 151,056 million yen (down 1.0% compared with the end of the previous fiscal year), liability amounted to 65,137 million yen (down 5.0% compared with the end of the previous fiscal year), and net assets amounted to 85,918 million yen (up 2.3% compared with the end of the previous fiscal year).

The decrease in total assets was mainly due to an increase of 3,032 million yen in real estate for sale, 128 million yen in real estate for sale in process, and 195 million yen in land, offset by a decrease of 4,409 million yen in cash and time deposits and 507 million yen in deferred tax assets.

The decrease in liabilities was mainly due to an increase of 4,805 million yen in current portion of long-term borrowings, offset by a decrease of 1,113 million yen in income taxes payable, and a decrease of 5,908 million yen in long-term borrowings.

The increase in net assets was mainly due to the recording of 3,134 million yen in profit attributable to owners of parent, which offset the year-end dividend payment of 1,216 million yen.

Equity ratio increased 1.8% from the same period of the previous fiscal year to 54.7%

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

There are no changes to the forecasts for the fiscal year ending March 31, 2024 announced on May 12, 2023.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and time deposits	42,016	37,606
Notes, accounts receivable, and contract assets	1,625	1,542
Real estate for sale	19,781	22,814
Real estate for sale in process	60,254	60,382
Costs of uncompleted construction contracts	57	72
Supplies	87	82
Other	2,080	2,136
Allowance for doubtful accounts	-18	-22
Total current assets	125,886	124,615
Non-current assets		
Property, plant and equipment		
Buildings (net amount)	9,528	9,445
Land	10,117	10,312
Other (net amount)	764	816
Total property, plant and equipment	20,410	20,574
Intangible assets		
Goodwill	343	327
Other	472	534
Total intangible assets	815	861
Investments and other assets		
Guarantee deposits	3,210	3,037
Deferred tax assets	2,033	1,526
Other	173	453
Allowance for doubtful accounts	-11	-12
Total investments and other assets	5,406	5,004
Total non-current assets	26,633	26,440
Total assets	152,519	151,056

(Unit: million yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	2,106	1,972
Short-term borrowings	50	50
Current portion of long-term borrowings	5,442	10,248
Income taxes payable	1,699	585
Provision for bonuses	237	138
Provision for bonuses for directors (and other officers)	73	20
Provision for fulfillment of guarantees	22	23
Other	6,731	5,764
Total current liabilities	16,363	18,803
Non-current liabilities		
Long-term borrowings	50,170	44,261
Retirement benefit liability	5	3
Provision for share-based remuneration	83	86
Other	1,930	1,981
Total non-current liabilities	52,190	46,333
Total liabilities	68,553	65,137
Net Assets		
Shareholders' equity		
Share capital	11,965	11,965
Capital surplus	6,445	6,445
Retained earnings	62,289	64,208
Treasury shares	-270	-270
Total shareholders' equity	80,430	82,348
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	2
Foreign currency translation adjustment	269	303
Total accumulated other comprehensive income	271	306
Share acquisition rights	30	30
Non-controlling interests	3,233	3,233
Total net assets	83,965	85,918
Total liabilities and net assets	152,519	151,056

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Unit: million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net sales	22,903	18,452
Cost of sales	14,384	12,146
Gross profit	8,519	6,306
Selling, general and administrative expenses	1,850	2,099
Operating profit	6,668	4,206
Non-operating income		
Interest and dividend income	10	21
Foreign exchange gains	111	78
Other	45	25
Total non-operating income	167	125
Non-operating expenses		
Interest expenses	126	128
Other	19	18
Total non-operating expenses	145	147
Ordinary profit	6,690	4,184
Extraordinary income		
Gain on sale of shares of subsidiaries and affiliates	101	-
Total extraordinary income	101	-
Extraordinary loss		
Loss on retirement of non-current assets	-	23
Total extraordinary loss	-	23
Profit before income taxes	6,792	4,161
Income taxes - current	1,852	524
Income taxes - deferred	161	503
Total income taxes	2,014	1,028
Profit	4,777	3,132
Profit/loss attributable to non-controlling interests	87	-1
Profit attributable to owners of parent	4,690	3,134

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	4,777	3,132
Other comprehensive income		
Valuation difference on available-for-sale securities	-0	0
Foreign currency translation adjustment	159	35
Total other comprehensive income	158	35
Comprehensive income	4,936	3,168
Comprehensive income attributable to		
Owners of parent	4,838	3,169
Non-controlling interests	98	-0

(3) Notes of Consolidated Financial Statements

(Notes of Assumption of Going Concern)

Not applicable.

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

I For FY2023/3 1Q (April 1, 2022 to June 30, 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

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

2. Dividends for which the record date is during FY2023/3 1Q and the effective date is after the last day of FY2023/3 1Q

Not applicable.

II For FY2024/3 1Q (April 1, 2023 to June 30, 2023)

1. Dividend paid

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

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

2. Dividends for which the record date is during FY2024/3 1Q and the effective date is after the last day of FY2024/3 1Q

Not applicable.

(Change of Accounting Policies)

(Change in Translation Method for Revenue and Expenses of Foreign Subsidiaries)

Revenue and expenses of foreign subsidiaries were previously translated into Japanese yen at the spot exchange rate as of the date the foreign subsidiary closes their books. However, from the beginning of the first three months ended June 30, 2023, the Company has changed to a method of translating revenue and expenses into Japanese yen at the average exchange rate during the period. This change was made in order to mitigate the effect of temporary fluctuations in foreign exchange rates on the profits and losses of the Group's subsidiaries and more appropriately reflect the performance of foreign subsidiaries on the consolidated financial statements. The impact on the profits and losses of foreign subsidiaries is expected to become more important due to the expansion of overseas operations amid the increasing range of exchange rate fluctuations caused by the increasingly complex international situation in recent years.

As the effect of this change is insignificant, it has not been applied retroactively.

(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 as of June 30, 2023 were 157 million yen and 128,300 shares.

(Segment Information, etc.)

Segment Information

I For FY 2023/3 1Q (April 1, 2022 to June 30, 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	18,078	1,782	1,880	21,741	305	22,046
Other revenue (Note 2)	499	326	31	857	-	857
Net sales to external customers	18,577	2,109	1,911	22,598	305	22,903
Internal sales or transfers between segments	5	278	6	289	0	290
Subtotal	18,582	2,387	1,917	22,887	306	23,193
Segment profit (loss)	7,087	1,561	-252	8,395	36	8,432

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	8,395
Profit in the "Other" category	36
Elimination of intersegment transactions	-3
Corporate expenses (Note)	-1,737
Ordinary profit in the consolidated statement of income	6,690

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 FY2024/3 1Q (April 1, 2023 to June 30, 2023)

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	7,089	2,039	7,985	17,115	368	17,484
Other revenue (Note 2)	598	337	32	968	-	968
Net sales to external customers	7,688	2,377	8,018	18,084	368	18,452
Internal sales or transfers between segments	4	287	11	303	0	303
Total	7,693	2,665	8,029	18,388	368	18,756
Segment profit	2,047	1,551	2,638	6,237	33	6,270

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	6,237
Profit in the "Other" category	33
Elimination of intersegment transactions	-11
Corporate expenses (Note)	-2,074
Ordinary profit in the consolidated statement of income	4,184

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.