

Annual Securities Report (Full Version)

The 25th Fiscal Year

From April 1, 2023 to March 31, 2024

Sun Frontier Fudousan Co., Ltd.

(Translation) This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

A n n u a l S e c u r i t i e s R e p o r t

1. This is an English translation of the Annual Securities Report based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act filed via the Electronic Disclosure for Investors' Network (EDINET) system as set forth in Article 27-30-2 of the said act.
2. Appended to the back of this document, are English translations of the auditors' report that was attached to the Annual Securities Report when it was filed using the aforementioned method, and the internal control report and confirmation letter that were filed at the same time as the Annual Securities Report.

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Cover

Document title	Annual Securities Report
Clause of stipulation	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	June 26, 2024
Fiscal year	The 25th Fiscal Year (from April 1, 2023 to March 31, 2024)
Company name	Sun Frontier Fudousan Kabushiki Kaisha
Company name in English	Sun Frontier Fudousan Co., Ltd.
Title and name of representative	Seiichi Saito, President Representative Director
Address of registered head office	1-2-2 Yurakucho, Chiyoda-ku, Tokyo, Japan
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Nearest place of contact	1-2-2 Yurakucho, Chiyoda-ku, Tokyo, Japan
Telephone number	+81 (0)3 5521-1301
Name of contact person	Takeshi Hirahara, Senior Executive Officer, General Manager of Corporate Planning Division
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan)

Part I Corporate Information

Item 1. Overview of the Company and Its Consolidated Subsidiaries

1. Summary of Business Results

(1) Consolidated

Fiscal year	21st	22nd	23rd	24th	25th
Year ended	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Net sales (million yen)	73,218	59,632	71,251	82,777	79,868
Ordinary profit (million yen)	16,127	7,524	12,215	14,722	17,374
Profit attributable to owners of parent company (million yen)	10,666	4,274	7,415	11,612	11,917
Comprehensive income (million yen)	10,632	4,006	7,738	11,980	12,375
Net assets (million yen)	64,809	69,773	74,452	83,965	94,416
Total assets (million yen)	130,293	127,485	136,512	152,519	188,661
Net assets per share (yen)	1,326.93	1,368.14	1,463.74	1,663.33	1,864.36
Earnings per share (yen)	219.03	87.77	152.26	238.98	245.50
Fully diluted earnings per share (yen)	218.97	87.73	152.12	238.76	230.74
Equity ratio (%)	49.6	52.3	52.2	52.9	48.0
Equity profit margin (%)	17.7	6.5	10.8	15.3	13.9
Price earnings ratio (times)	3.7	11.0	6.9	5.4	8.0
Cash flows from operating activities (million yen)	-2,697	4,733	17,443	16,544	-11,003
Cash flows from investing activities (million yen)	-4,441	451	-9,386	-6,681	-4,254
Cash flows from financing activities (million yen)	5,535	-1,150	449	2,039	21,040
Cash and cash equivalents at end of period (million yen)	17,394	21,319	29,951	41,914	47,866
Number of employees (persons) [Number of temporary employees]	612 [401]	641 [475]	696 [532]	702 [601]	763 [656]

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

2. The Company has adopted the Employee Stock Ownership Plan (J-ESOP), and the Company’s shares held by the trust account of the Employee Stock Ownership Plan are included as treasury shares in the consolidated financial statements. Therefore, when calculating earnings per share, the weighted average number of shares for the period in common shares is calculated including the number of the said shares in treasury share. In calculating the amount of net assets per share, the said number of shares is included in the number of treasury shares to be deducted from the total number of issued shares at the end of the period.

(2) The Company

Fiscal year		21st	22nd	23rd	24th	25th
Year ended		March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Net sales	(million yen)	64,472	42,002	59,563	52,097	52,929
Ordinary profit	(million yen)	16,822	7,994	14,356	11,753	11,614
Profit	(million yen)	11,122	5,314	9,284	7,871	7,953
Share capital	(million yen)	11,965	11,965	11,965	11,965	11,965
Total number of shares outstanding	(shares)	48,755,500	48,755,500	48,755,500	48,755,500	48,755,500
Net assets	(million yen)	64,934	68,204	74,432	79,859	85,382
Total assets	(million yen)	121,708	114,729	124,800	137,212	168,972
Net assets per share	(yen)	1,333.15	1,400.21	1,527.80	1,645.34	1,757.95
Dividends per share (Including interim dividends per share)	(yen)	42.00 (-)	42.00 (-)	44.00 (21.00)	48.00 (23.00)	58.00 (26.00)
Earnings per share	(yen)	228.39	109.12	190.65	161.98	163.85
Fully diluted earnings per share	(yen)	228.33	109.07	190.47	161.83	154.00
Equity ratio	(%)	53.3	59.4	59.6	58.2	50.5
Equity profit margin	(%)	18.4	8.0	13.0	10.2	9.6
Price earnings ratio	(times)	3.6	8.9	5.5	7.9	12.0
Dividend payout ratio	(%)	18.4	38.5	23.1	29.6	35.4
Number of employees	(persons)	313	319	322	329	348
Total shareholder yield	(%)	72.8	88.8	99.5	123.1	185.4
(Comparison index: TOPIX including dividends)	(%)	(90.5)	(128.6)	(131.2)	(138.8)	(196.2)
Highest share price	(yen)	1,382	1,077	1,263	1,317	1,965
Lowest share price	(yen)	722	703	912	1,005	1,241

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

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3. Dividend of 58 yen per share for the 25th fiscal year includes the 25th anniversary commemorative dividend of 2 yen per share.

4. Prior to April 3, 2022, the highest and lowest share prices were recorded on the First Section of the Tokyo Stock Exchange, and after April 4, 2022 were recorded on the Prime Section of the Tokyo Stock Exchange.

2. History

Year and month	Matter
April 1999	Established Sun Frontier Co., Ltd. in 1-4-8, Nishiki-cho, Kanda, Chiyoda-ku, Tokyo and its main business is in brokerage, leasing and management of commercial real estate.
December 1999	Acquired license from the Minister of Construction as Real Estate Transaction Specialist (Minister of Construction (currently Ministry of Land, Infrastructure, Transport and Tourism) License).
September 2000	Acquired the 1st building of the Company for rental business of real estate (Chuo-ku, Tokyo).
November 2000	Changed trade name to Sun Frontier Fudousan Co., Ltd. for the purpose of clarifying business details.
January 2001	Started Replanning Business (Real Estate Revitalization and Utilization Business).
April 2001	Started rental brokerage of commercial business.
January 2002	Obtained a general construction business license as a construction business (approved by the Governor of Tokyo.) Registered as a Senior Architect Office (registered by the Governor of Tokyo).
April 2002	Relocated the head office (registered address of the head office) to 10-4, Ginza 3-chome, Chuo-ku, Tokyo.
February 2003	Registered the real estate appraisal business (registered by the Governor of Tokyo).
November 2004	General real estate investment advisory business registration (Minister of Land, Infrastructure, Transport and Tourism registration).
December 2004	Listed its shares on the JASDAQ Securities Exchange. Established the first revitalization real estate fund and started Real Estate Securitization Business.
April 2005	Moved the head office to 3-9-11, Ginza, Chuo-ku, Tokyo.
July 2005	Established SF Building Support Inc. and started the Rent Guarantee Business.
August 2005	Registered the business of the Sale and Purchase of Trust Beneficial Interests (registered by the Director-General of the Kanto Local Finance Bureau).
December 2005	Obtained special construction license (from Governor of Tokyo).
February 2007	Got listed on the first section of the Tokyo Stock Exchange.
June 2007	Relocated the head office to 1-2-2, Yurakucho, Chiyoda-ku, Tokyo.
September 2007	Registered the Type II Financial Instruments Business Operator (registered by the Director-General of the Kanto Local Finance Bureau).
January 2012	Made Yubi Co., Ltd. (now SF Building Maintenance Inc.) into a consolidated subsidiary and started Building Maintenance Business.
March 2013	Sun Frontier Fudousan Taiwan Co., Ltd. established in Taipei City.
August 2015	Established Sun Frontier Hotel Management Inc. and started Hotel Operating Business.
December 2015	SUN FRONTIER VIETNAM CO., LTD. established in Vietnam.
April 2016	Started Conference Room Rental Business.
December 2016	Made Hotel Sky Court Hotel Co., Ltd. (currently Sky Heart Hotel Inc.) into a consolidated subsidiary.
November 2017	Established Sun Frontier Sado Co., Ltd. and started to work on Regional Revitalization Business.
October 2018	Obtained permission for Act on Specified Joint Real Estate Ventures (Commissioner of the Financial Services Agency / Minister of Land, Infrastructure, Transport and Tourism), started specified joint real estate ventures.
December 2018	Established Sun Frontier NY CO., Ltd. in the United States. Started Real Estate Revitalization Business in New York, U.S.A.
January 2019	Made Kouwa Corporation (currently SF Engineering Corporation) into a consolidated subsidiary.
April 2019	Spun off Conference Room Rental Business and established Sun Frontier Space Management Co., Ltd.
February 2021	Made Communication Development Inc. (currently SF Communication Inc.) into a consolidated subsidiary.
April 2021	Made Hotel Osado Co., Ltd. into a consolidated subsidiary.
April 2022	Shifted from the First Section of the Tokyo Stock Exchange to the Prime Market through a revision of the market classification of the Tokyo Stock Exchange.
June 2022	Shifted from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee.
January 2024	Made Nihon Toshi Hotel Kaihatsu Co., Ltd. into a consolidated subsidiary.

3. Description of Business

The Group consists of the Company, 26 consolidated subsidiaries and 1 equity-method associated company and includes Real Estate Revitalization Business, Real Estate Service Business, Hotel and Tourism Business and Other.

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

(1) Real Estate Revitalization Business

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

(i) Replanning Business

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

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

Furthermore, in New York, U.S.A., we are developing businesses that utilize the knowledge we have cultivated in Replanning Business in Japan to purchase existing single-unit residential apartments, turn them into comfortable living space of Japanese quality, improve the occupancy rate, and sell them to investors in Japan.

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

(ii) Rental Building Business

The Company conducts Rental Building Business by purchasing, holding or leasing and subleasing properties in accordance with the Company's ownership standards, such as profitable business buildings that are located in good locations and are expected to increase their value in the future. The Company has maintained high occupancy rate and secured stable rent income through the Group's comprehensive real estate services and management capabilities cultivated in the Group's leasing, property management, construction solutions, and Rent Guarantee Business, etc. Moreover, rent income from Replanning properties still in the process of planning until sales belongs to this business too.

(2) Real Estate Service Business

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

(i) Property Management Business

A. Property Management Business

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

B. Building Maintenance Business

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

(Major affiliated companies) SF Building Maintenance Inc.

(ii) Brokerage Business

A. Brokerage Business

The Company engages in a consulting Brokerage Business in which it coordinates with financial institutions, attorneys at law, tax accountants, etc., evaluates and assesses properties promptly in response to information on the sale of commercial profitable buildings and single-building profitable condominiums, and introduces potential buyers. In addition, among the

abundant property information we have, properties that meet certain requirements are designated as Replanning Business purchase properties, and we are engaged in introducing recycled properties to customers as sales properties.

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

B. Leasing Business

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

(iii) Conference Room Rental Business

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

(Major affiliated companies) Sun Frontier Space Management Inc.

(iv) Rent Guarantee Business

Rent Guarantee Business provides guarantees to building owners for rent payment obligations for tenants using the commercial real estate and focuses on reducing the economic burden of the tenant security deposit system. By reducing security deposits, tenants can reduce their financial burden when they move in. At the same time, the credibility of tenants will be baked up, making it possible for them to move into offices and stores. For building owners, in addition to the delinquent rent, restoration costs, and administrative burden, the Group provides peace of mind to building owners by reducing the mental burden associated with negotiations with tenants who are delinquent in rent.

(Major affiliated companies) SF Building Support Inc.

(3) Hotel and Tourism Business

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

(i) Hotel Development Business

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

(Major affiliated companies) Sun Frontier Hotel Management Inc.

(ii) Hotel Operation Business

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

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

(Major affiliated companies) Sun Frontier Hotel Management Inc.

Sky Heart Hotel Inc.

Sun Frontier Sado Co., Ltd.

Nihon Toshi Hotel Kaihatsu Co., Ltd.

(4) Other

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

(i) Overseas Development Business

In addition to promoting the development and management business of high-rise condominiums in Vietnam, the Group has also been entrusted with the development of urban-type detached houses with the aim of providing opportunities for wealthy clients in Japan and Asia to invest in real estate in large Asian cities and contributing to the development of local economies.

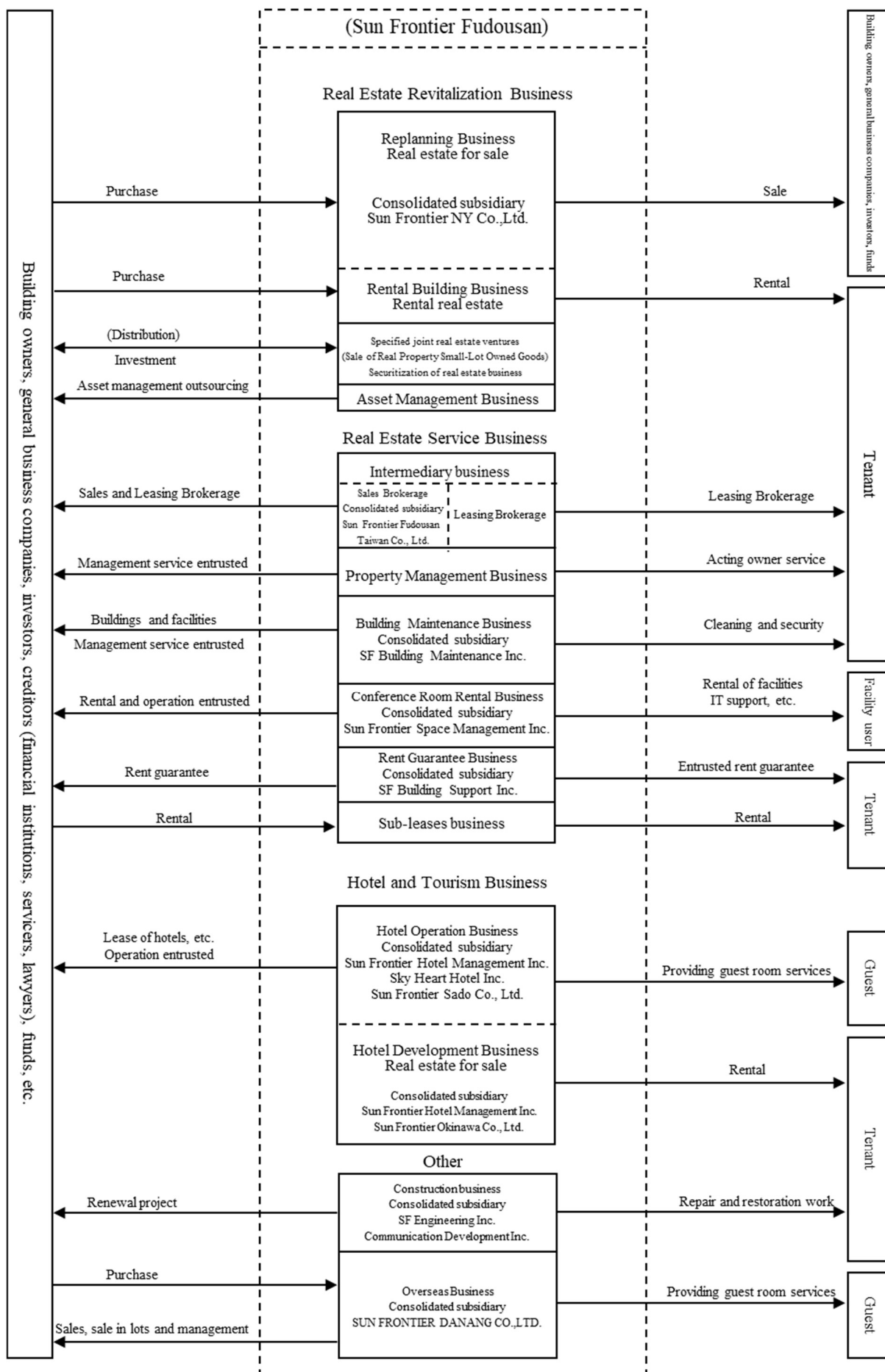
(Major affiliated companies) SUN FRONTIER DANANG CO., LTD.

(ii) Construction Business

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

(Major affiliated companies) SF Engineering Inc.
 SF Communication Inc.

Business Structure



4. Overview of Subsidiaries and Affiliates

Company name	Location	Share capital	Major business	Ownership of voting rights (%)	Relationship
(Consolidated subsidiaries)					
SF Building Support Inc.	Chiyoda-ku, Tokyo	50 million yen	Rent Guarantee Business	100.0	One person serving concurrently as officer
SF Building Maintenance Inc.	Sumida-ku, Tokyo	20 million yen	Building Maintenance Business	100.0	One person serving concurrently as officer
Sun Frontier Space Management Inc.	Minato-ku, Tokyo	50 million yen	Conference Room Rental Business	100.0	-
SF Engineering Inc.	Sumida-ku, Tokyo	20 million yen	Construction and interior finishing Electrical and	100.0	One person serving concurrently as officer
SF Communication Inc.	Chuo-ku, Tokyo	45 million yen	telecommunications engineering	100.0	One person serving concurrently as officer
Sun Frontier Hotel Management Inc. (Note 2)	Chiyoda-ku, Tokyo	100 million yen	Hotel development and hotel planning and operation business	100.0	Two persons serving concurrently as officers
Sky Heart Hotel Inc.	Chiyoda-ku, Tokyo	10 million yen	Hotel planning and operation business	100.0	One person serving concurrently as officer
Nihon Toshi Hotel Kaihatsu Co., Ltd.	Nishi-ku, Osaka-shi, Osaka	25 million yen	Hotel planning and operation business	100.0	One person serving concurrently as officer
Sun Frontier Sado Co., Ltd.	Sado-shi, Niigata	100 million yen	Hotel planning and operation business and Regional Revitalization Business	100.0	Two persons serving concurrently as officers
SUN FRONTIER DANANG CO., LTD.	Socialist Republic of Vietnam	160,466 million Vietnamese dong	Real estate business in Vietnam	100.0	One person serving concurrently as officer
Sun Frontier NY Co., Ltd.	United States	3,000 thousand U.S. dollars	Real Estate Revitalization Business in the United States	100.0	One person serving concurrently as officer
Other 15 companies					

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

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

(1) Net sales	14,478 million yen
(2) Ordinary profit	3,323 million yen
(3) Profit	2,396 million yen
(4) Net assets	12,114 million yen
(5) Total assets	17,676 million yen

5. Employees

(1) Consolidated

As of March 31, 2024

Segment Name	Number of Employees
Real Estate Revitalization Business	67 (0)
Real Estate Service Business	346 (222)
Hotel and Tourism Business	210 (415)
Reportable segment Total	623 (637)
Other	90 (9)
Company-wide (common)	50 (10)
Total	763 (656)

Notes: 1. The number of employees is the number of working employees.

2. Figures in parentheses in the "Number of Employees" column are temporary employees.

3. Temporary employees include part-time and contract employees but exclude temporary workers.
4. The number of employees listed as “Company-wide (common)” refers to those belonging to corporate divisions.

(2) The Company

As of March 31, 2024

Number of Employees	Average age (years old)	Average length of service (years)	Average annual salary (thousand yen)
351 (17)	36.4	6.8	7,416

Segment Name	Number of Employees
Real Estate Revitalization Business	67 (0)
Real Estate Service Business	211 (4)
Hotel and Tourism Business	0 (0)
Reportable segment Total	278 (4)
Other	23 (3)
Company-wide (common)	50 (10)
Total	351 (17)

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

(3) Status of labor unions

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

(4) KPIs for diversity

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

	Ratio of female employees in managerial positions (%) Note 1, 2	Percentage of male employees taking childcare leave (%) Note 3	Wage differentials between men and women (%)		
			All employees	Employees	Temporary employees Note 4
Sun Frontier Fudousan Co., Ltd.	10.3	10.0	78.5	76.5	127.0
Sun Frontier Hotel Management Inc.	16.2	None	58.0 Note 5	90.7	153.6

- Notes: 1. Calculated in accordance with the provisions of the “Act on the Promotion of Women's Active Engagement in Professional Life” (Act No. 64 of 2015).
2. The ratio of female employees in managerial positions is the ratio as of the end of March 2024 in comparison to all employees.
3. In accordance with the provisions of the “Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave” (Act No. 76 of 1991), the percentage of male employees taking childcare leave between April 1, 2023 and March 31, 2024 is calculated based on Article 71-4, Item 1 of the “Ordinance for Enforcement of the Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave” (Ordinance of the Ministry of Labor No. 25 of 1991) in comparison to all employees.
4. Temporary employees include part-time and contract employees but exclude temporary workers.
5. The ratio of part-time employees to all employees of Sun Frontier Hotel Management Inc. is 59.5%, of which 84.1% are female employees. As a result, there is a large difference in wages between men and women. However, the reason for the difference is that the working style has an upper income limit based on the employee's wishes.

For other indices related to diversity, please refer to “Sustainability” ESG data Social [S]-related data

https://www.sunfrt.co.jp/sustainability/esg_library/esg_data/social.html (English website: <https://www.sunfrt.co.jp/en/sustainability/>) on the Company's website.

Item 2: Business Overview

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

The forward-looking statements in herein are based on the judgment of the Group as of the end of the current consolidated fiscal year.

(1) Management policies and strategies

(i) Basic policy of corporate management

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

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

(ii) Target management indicator

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

(iii) Management environment

One year has passed since COVID-19 was classified as Category 5, and the Japanese economy has continued to recover moderately as social and economic activities have been normalized, the employment and income environments have improved, and inbound demand has surged. On the financial front, although the zero interest rate policy has been lifted, the accommodative financial environment is expected to be maintained. However, the yen has recently depreciated mainly due to the difference in interest rates between Japan and the United States. As a company in the real estate business, which is said to be relatively susceptible to interest rates, it is necessary for the Company to pay close attention to trends in the U.S. economy.

(2) Priority business and financial issues to be addressed

Since its foundation, our Group has been practicing philosophy-based management centered on the spirit of "altruism." We have defined our corporate philosophy as "reducing the waste of non-reproducible resources and contributing to the perpetual prosperity of the people, plants and animals, and we have been developing business activities that contribute to the sustainability of society. The spirit of "altruism" is the idea of valuing others as much as oneself. The core of our business philosophy is the desire to bring smiles to many people and contribute to the prosperity of humanity, flora, and fauna on Earth. Instead of focusing on profit and loss, we base our judgments on right and wrong, with a sense of "rightness" and "compassion," sharing the value that "the joy of others is our own joy," and we place great importance on being close to our customers.

To redefine this philosophy of our Group and to ensure our Group's sustainable growth, we have established a Sustainability Vision. Furthermore, we have identified three important issues (materiality): "environmental protection," "regional revitalization," and "human resource development," and we are promoting sustainability management integrated with the spirit of "altruism." By continuing to implement concrete measures for realizing this vision and addressing important issues, we aim to contribute to the realization of a sustainable society through our business activities and enhance our corporate value over the medium to long term.

Sustainability Vision and important issues (materiality)

1. Sustainability Vision

We will contribute to the realization of a sustainable society through our business activities while respecting the heart of altruism, the Group policy.

2. Important issues (materiality)

We have identified three important issues (materiality) that should be addressed to achieve our Sustainability Vision. In these three items of “Environmental Protection”, “Regional Revitalization”, and “Human Resource Development”, we will implement specific measures. Furthermore, the specific measures will be reviewed as needed in response to future environmental and social trends, as well as changes in the business environment.

Important issues	Vision	Specific measures
Environmental protection	Increase environmental sustainability by significantly reducing waste and greenhouse gas emissions, as a frontier of Real Estate Revitalization Business.	■ Extending the life and health of real estate ■ Energy conservation and reduction of environmental impact by Real Estate Revitalization Business
Regional Revitalization	Create sustainable growth of regional economies through offices, hotels, and tourism, as a frontier for sustainable regional revitalization.	■ Create buildings, offices, and spaces with “job satisfaction” and “creativity” that contribute to economic growth ■ Prevent and mitigate disaster through regional cooperation
Human resource development	Spread the concept of “altruism” that is indispensable for realizing a sustainable society, as a frontier of philosophy management.	■ Create workplaces with job satisfaction, creativity, and growth opportunities. ■ Create workplaces with job satisfaction, creativity, and growth opportunities

(3) Medium-Term Management Strategy

The Group celebrated its 25th anniversary in April this year, marking the final year of the current medium-term management plan (the review was announced on May 12, 2021). Even during the current medium-term management plan period, under the Company policy “altruism” that the Group has been advocating since its foundation, we have made efforts to realize the Company Philosophy “Look after every employee and pursue the happiness of both mind and matter. At the same time, co-create a rich and sustainable society by contributing to the evolution and the development of the human society.” Although we encountered the unprecedented headwind of the pandemic of COVID-19 during this period, we overcame it and set a new record in our financial results for the fiscal year ended March 2024. In addition, we are now in sight of achieving our targets for the current medium-term management plan. In order to realize the Company Philosophy and achieve sustainable growth over a longer period of time starting this year, which is a milestone year, we decided that we should quickly clarify our long-term targets and measures. Accordingly, we have formulated the Long-Term Vision 2035 as the Group's vision for ideal image over the next 10 years, and the next medium-term management plan as an action plan to realize this vision.

<Overview of Long-Term Vision 2035>

Based on the values of the Company policy “altruism,” the Group's Company Philosophy is to “Look after every employee and pursue the happiness of both mind and matter. At the same time, co-create a rich and sustainable society by contributing to the evolution and the development of the human society.” Through the realization of this vision, we aim to achieve the following Long-Term Vision 2035 and its quantitative target we have formulated.

• Long-Term Vision 2035

Utilize limited resources to fill the world with smiles and excitement!

Becoming a corporate group that continues to challenge the creation of future value.

- Quantitative target

Aim for 300 billion yen in net sales and 60 billion yen in ordinary profit in fiscal 2035.

<Outline of the next medium-term management plan>

The following is an overview of the next medium-term management plan for the three-year period (from fiscal year ending March 31, 2026 to fiscal year ending March 31, 2028) following the achievement of the current medium-term management plan based on the Long-Term Vision 2035, the ideal image in 10 years.

- Basic policy

Work to resolve social issues by promoting cooperation and diversification within our core business through product making and heartwarming services from clients' point of view.

- Quantitative target

		Year ending March 31, 2025 (Forecast)	Year ending March 31, 2028 (Target)	Growth rate
Profit plan	Net sales	100 billion yen	135 billion yen	35%
	Ordinary profit	20 billion yen	27 billion yen	35%
Management indicator	Ordinary profit margin	20%	20%	-
	ROE	10% or more	10% or more	-
	Equity ratio	50% level	45% level	-

2 Sustainability Policy and Initiatives

■ Sustainability Vision

We will contribute to the realization of a sustainable society through our business activities while respecting the heart of altruism, the Company policy.

■ Three important sustainability issues (Materiality)

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

■ Specific measures and KPIs

Important issues	Social issues to be solved	Key measures	Specific measures	Objectives (KPIs)	Fiscal 2023 (Fiscal year ended March 31, 2024) results
1 Environmental protection	The demolition of small and medium-sized buildings that can still be used if their value is increased = Waste of resources	Extending the life and health of real estate	Extension of economic lives of buildings through real estate revitalization constructions	Extend economic useful lives by 30% or more	54.1%
			Maintain the “health” of buildings by improving the occupancy rate of old buildings through comprehensive real estate support	Occupancy rate of 90% or more for buildings over 30 years old	93.8%
				90% or more of continued management after replanning properties sales	98.0%
		Energy conservation and reduction of environmental impact by Real Estate Revitalization Business	Reduction of CO2 emissions through promotion of real estate revitalization	Reduce CO2 emissions by 12% or more on average compared with building reconstruction	12.7%
			Offset real estate revitalization constructions’ CO2 emissions with credits	Carbon offset 100%	100.0%
2 Regional revitalization	Revitalization of regional economies	Create buildings, offices, and spaces with job satisfaction and creativity that contribute to economic growth	Promotion of real estate revitalization with consideration for well-being	30% or more of new replanning properties supplied exceed company standards	68.8%
				Annual tenant satisfaction surveys	Satisfaction: 96.7%
	Responding to increasingly severe natural disasters	Disaster prevention and mitigation by regional coordination	Providing setup offices with emergency supplies and installation space	At least 5 lots by fiscal 2023	9 lots
			Providing information that contributes to the improvement of tenants’ disaster prevention awareness	Disaster prevention information posting on dedicated website Fiscal 2023: 100%	100%
3	Decrease in the working-age population due to the declining birthrate and	Respect and utilize diversity	Creating a work environment suited to each employee’s life stage and provide flexible training opportunities	Ratio of women in managerial positions: 12% or more by April 2025 (Sun Frontier Fudousan Co., Ltd.)	10.3% (April 1, 2024)

Important issues	Social issues to be solved	Key measures	Specific measures	Objectives (KPIs)	Fiscal 2023 (Fiscal year ended March 31, 2024) results
Human resource development	aging population (decrease in actual labor force) and elimination of the gender gap	Create a workplace with job satisfaction, creativity, and growth opportunities	Establishment of next-generation leader development program, support system for external trainings, etc.	Ratio of training hours to designated working hours: 12% or more (Sun Frontier Fudousan Co., Ltd.)	12.1%
			Utilization of DX, improvement of business processes and improvement of individual abilities	Year-on-year increase in ordinary profit per hour (per Sun Frontier Fudousan Co., Ltd. regular employee)	Not achieved (92%)

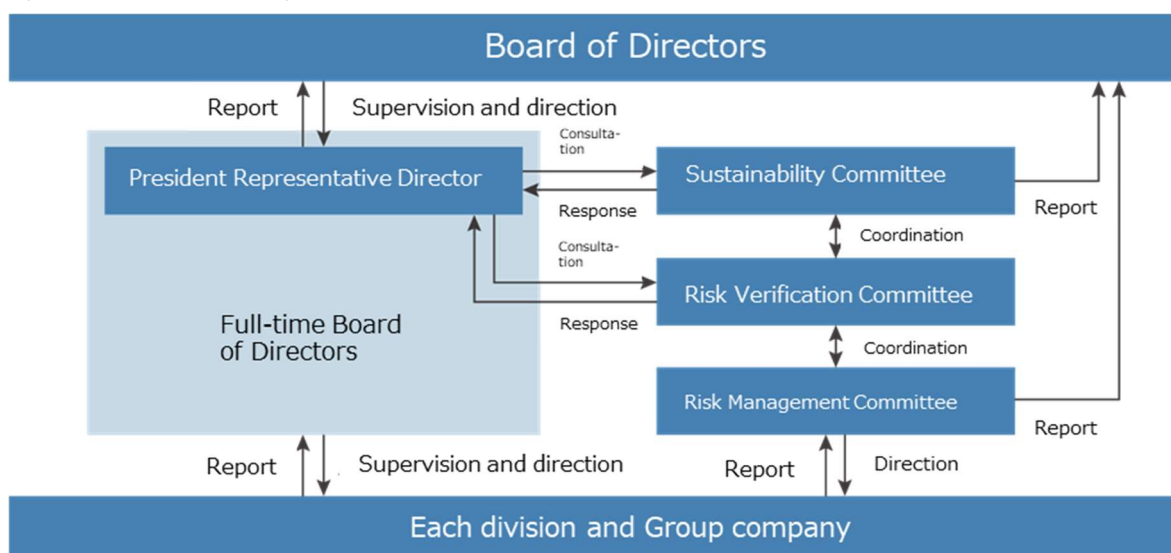
■ Information Disclosure Based on the TCFD Recommendations

i. Governance

The Company recognizes addressing climate change and environmental issues as a critical management priority at our company. In coordination with Risk Verification Committee, Sustainability Committee compiles information of risks and opportunities associated with climate change, examines response measures, and makes periodic report to the Board of Directors. The Board of Directors oversees the progress of initiatives related to climate change issues discussed and reported by executive departments, and discussed issues related to these initiatives at least once a year.

The President Representative Director receives reports on the status of initiatives related climate change from the advisory bodies, the Sustainability Committee, and the Risk Verification Committee, and assumes the highest responsibility for risk assessment and management including risks of climate change.

System of Sustainability Promotion



Meetings and Roles in the System of Sustainability Promotion

Organizations and committees	Roles
Board of Directors	Receiving reports from the Sustainability Committee on the status of the risk management related to climate change and overseeing the progress of measures.
President Representative Director	Receiving reports on the status of overall sustainability activities, including the one related to climate change, from the Sustainability Committee as an advisory body. Assuming the highest responsibility for risk assessment and management including risks of climate change.
Risk Verification Committee	As an advisory body to the President Representative Director, discussing assessment of comprehensive risk, including climate change. Examining the risks reported by Risk Management Committee and instructing the business divisions to take measures through the Risk Management Committee.
Risk Management Committee	Discusses comprehensive management and measures against risks in operations, including climate change. Meetings held once a month.
Sustainability Committee	As an advisory body to the President Representative Director, promoting sustainability activities including climate change countermeasures. In coordination with the Risk Verification Committee and the Risk Management Committee, summarizing risks and opportunities related to climate change, etc. from each division and group company, considering measures shall be taken, and making periodic reports to the Board of Directors. Meetings held four times a year.

ii. Strategy

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

Definition of Scenarios

Scenario configuration	1.5°C scenario	4°C scenario
World view	The Japanese government will promote severe measures against climate change, including the introduction of a carbon tax, which will lead to drastic social changes, and regulations on plastic and climate change-related information disclosure will be required. Damage from natural disasters such as flooding is limited.	There will be no climate action by the government beyond current measures and no climate change action is required. Abnormal weather such as droughts and floods due to rising temperatures will become apparent, sites will be damaged, and response costs and recovery costs at the time of the disaster are expected.
Reference scenario	IEA The Net-Zero Emissions by 2050 Scenario (NZE) / IEA World Energy Outlook 2021/ IEA World Energy Outlook 2018/ IPCC AR6 SSP1-1.9	IEA World Energy Outlook 2021/ IEA World Energy Outlook 2018/ IPCC AR6 SSP5-8.5
Characteristics	Transition risks related to policies, etc. are likely to become apparent.	Physical risks associated with abnormal weather, etc. are likely to become apparent.

Identification and assessment of risks and opportunities

We assessed the impact of transition and physical risks related to climate change on our Real Estate Revitalization Business and Real Estate Service Business. Regarding the transition risks, we considered a variety of

items from policy and legal regulations to market changes such as acute risks and chronic risks for physical risks. We will respond to these risks and opportunities that judged as particularly significant impact on our company.

Scope : Real Estate Revitalization Business and Real Estate Service Business

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

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

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

Term of risk occurrence: Short term : Within one year

Medium term : Within 1 to 5 years

Medium to long term : Within 5 to 10 years

Long term : Over 10 years

List of risks and opportunities

The list includes the risks and opportunities recognized by the Company whose impact on the business is “medium” or above.

Main category	Sub-category	Details of risks and opportunities	Impact on business and financial results		Timing of risk occurrence
			1.5°C	4°C	
Company-wide					
Transition risk	Reputation	Stakeholder Concerns about Passive ESG Responses	Medium	—	Medium to long term
Real Estate Revitalization Business					
Transition risk	Policy regulation	Additional capital investment costs due to increased energy efficiency standards to be met in repairs	Medium	—	Short term
Physical risk	Chronic	Increase in cost of air conditioning equipment and increase in energy cost at owned properties	Small	Medium	Medium term
Opportunity	Products and Services	Increase in selling price to property owners and building owners by improving the environmental performance of properties in redevelopment	Medium	Medium	Short term
Hotel and Tourism Business					
Transition risk	Policy regulation	Increased trend toward trial construction of buildings with high environmental performance, shortages of materials with high environmental performance and rising labor costs due to the concentration of construction work	Medium	—	Medium term
Opportunity	Products and Services	Contribute to the local community by conserving and coexisting with nature in the area where the hotel is located, thereby improving the image of the hotel and increasing the number of guests	Medium	Medium	Medium term

Financial impact

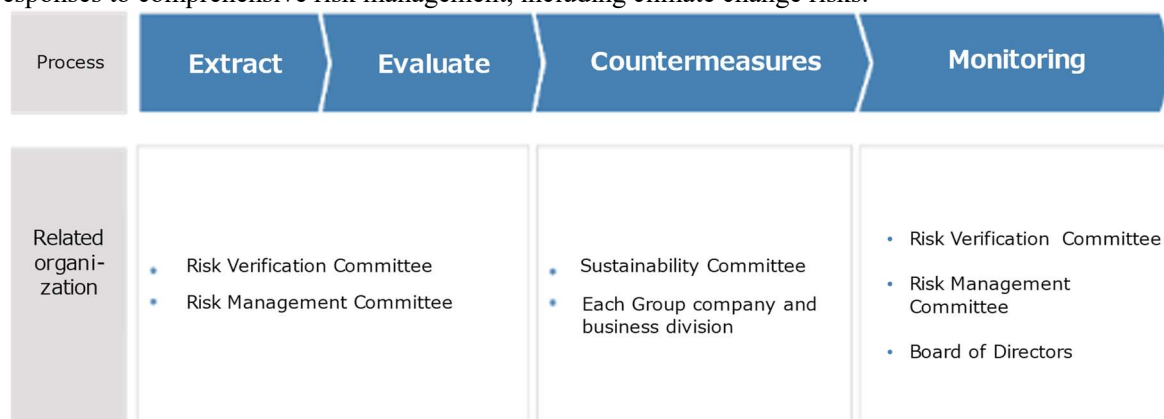
The list includes the results of calculating the financial impact of the risks and opportunities recognized by the Company.

Risk / Opportunity	Business impact	Calculation method *Base year is fiscal 2022. *The impact in 2030 is calculated by reflecting the CAGR (Compound Annual Growth Rate)	Financial impact 2030 (million yen)		Degree of influence
			1.5 ° C	4 ° C	
Carbon tax	Increased tax burden due to large increase in carbon tax	[Company-wide] Company's CO2 emissions x carbon price per unit of emissions	323	—	Small
Carbon tax	Large increase in carbon tax leading to higher costs for raw materials with large unit emissions	[Real Estate Revitalization] Input cost of raw materials* x emission intensity of raw materials x carbon price per emission *For cement and ready-mixed concrete with high emission intensity, the amount of input is calculated from the total floor area of properties sold in the base year using an LCA tool.	193	—	Small
Sales losses due to natural disasters	Sales loss due to interruption of business activities because of damage to a business site caused by a natural disaster	[Real Estate Revitalization] (*Not calculated as the impact on rent income is difficult to calculate)	—	—	—
		[Hotel Management] Daily sales loss x maximum days of downtime* x damage ratio* *Determined by investigating the flood depth level at the time of the occurrence of a storm surge at the hotel	197 Probability of occurrence:1.4%	197 Probability of occurrence:2.8%	Small
Flood damage due to sea level rise	Occurrence of flood damage to owned real estate due to high tides and heavy rains caused by rising sea levels	[Real Estate Revitalization] (*Not calculated because the properties owned are located in Tokyo and the impact of storm surge is minimal.)	—	—	—
		[Hotel Management] Repair cost by flood depth level due to sea level rise x amount of real estate owned* *Determined by investigating the flood depth level at the time of the occurrence of a storm surge at the hotel (owned property).	62 Probability of occurrence:1.4%	62 Probability of occurrence:2.8%	Small
Improvement of selling prices of properties	Improving the selling price to the wealthy and building owners by improving the environmental performance of the property	[Real Estate Revitalization] Total floor area of BELS certified properties (*1) x difference in rent between BELS certified and ordinary properties (*2) (*1) Total floor area of BELS certified properties in the base year	81	81	Small

		(*2) Difference in unit price per tsubo between the BELS certified property in the base year and the Company's RP property in the vicinity as of March 31, 2024			
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iii. Risk management

In order to establish a sustainability system, the Company has established the “Sustainability Committee” to respond to overall sustainability issues, including climate change issues, as well as regulations on company-wide risk management. For risks related to climate change, the Risk Verification Committee evaluates the risks reported by the Risk Management Committee. The identified and assessed risks are examined by the Sustainability Committee, and the business divisions and Group companies then respond to those risks. In addition, the Board of Directors receives a report from the Risk Management Committee on the status of and responses to comprehensive risk management, including climate change risks.



iv. Metrics and Targets

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

Greenhouse Gas Emissions

(Consolidated)

	Fiscal 2021 annual emissions (t-CO2)	Fiscal 2022 annual emissions (t-CO2)	Fiscal 2023 annual emissions (t-CO2)
Scope1 *1	4,088.5	3,237.9	3,391.9
Scope2 *2	6,692.5	7,633.7	7,281.2
Scope3 *3	194,929.0	152,744.0	148,333.7

(Non-consolidated)

	Fiscal 2021 annual emissions (t-CO2)	Fiscal 2022 annual emissions (t-CO2)	Fiscal 2023 annual emissions (t-CO2)
Scope1 *1	0.0	0.0	0.0
Scope2 *2	196.3	195.1	88.0
Scope3 *3	194,929.0	152,744.0	148,333.7

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

Calculation period: FY 2021 (April 2021 to March 2022), FY 2022 (April 2022 to March 2023), FY 2023 (April 2023 to March 2024)

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

Calculation method: market-based

*Calculation methods are based on location (calculated using the average emission intensity for Japan as a whole) and market (calculated using the emission intensity of each electric power company). We adopted the latter market-based method.,

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

Greenhouse gas emissions reduction target (compared to fiscal 2022)

	2030	2050	Fiscal 2023 Results
Total of Scope 1 and Scope 2	<u>22% reduction</u> (annual reduction of 2.7%)	<u>Carbon neutral</u>	<u>1.8% reduction</u>

Please refer to “Sustainability” <https://www.sunfrt.co.jp/en/sustainability/> on the Company's website for the status of the Group's sustainability management initiatives and information on ESG-related data.

■Initiatives to human capital management

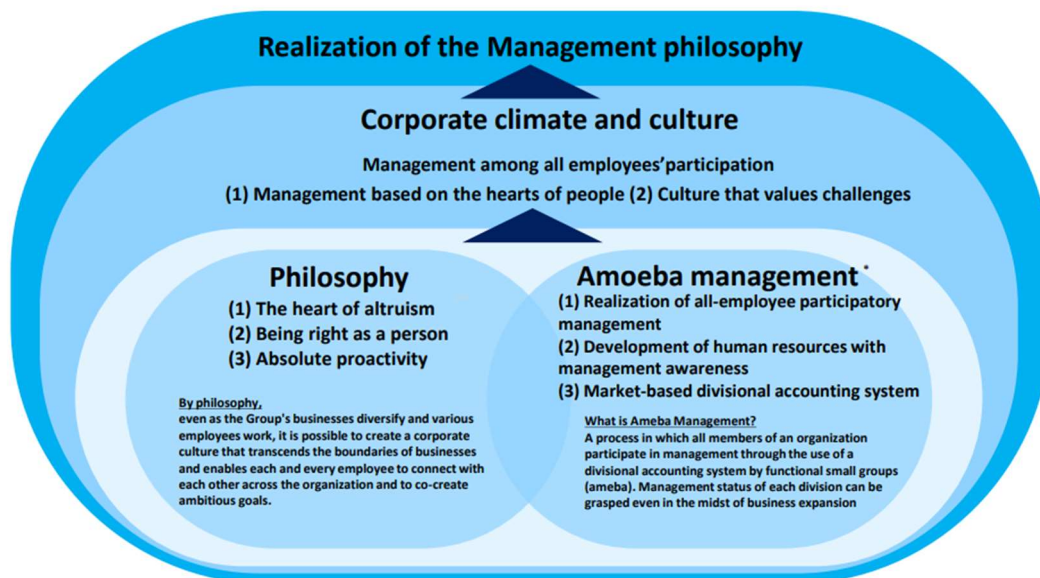
The Sun Frontier Group has promoted the permeation of the Sun Frontier Philosophy and Amoeba Management, in which each and every employee participates in management, toward the Company Philosophy of “Look after every employee and pursue the happiness of both mind and matter. At the same time, co-create a rich and sustainable society by contributing to the evolution and the development of the human society.” While fostering a sense of unity throughout the Sun Frontier Group, each and every one of our employees works voluntarily and independently, and we create a corporate culture and work environment where each and every one of us can make the most of his or her abilities. In this way, we have valued the motivation and job satisfaction of each and every one of our employees. In line with our core principle of “Not for profit, but for trust” we are developing businesses based on a relationship of trust with clients rather than with profit.

At the Sun Frontier Group, the core of all employees' decisions and actions is a philosophy based on “rightness as a person.” The “Philosophy” states that “the results of life and work = way of thinking × enthusiasm × ability.” Sun Frontier places importance not only on abilities and enthusiasm, but also on the judgment axis of “rightness as a person.” We encourage the growth of each and every person in order to contribute to the advancement and development of the city and society. Even as the Group's businesses diversify and a variety of employees work, this common approach transcends the boundaries of businesses and creates a culture in which each and every employee is connected across the organization and co-creates high goals. Also, by promoting Amoeba Management, we are contributing to the expansion of our organization and business by developing human resources with a managerial mindset and producing new leaders.

The Sun Frontier Group aims to realize a workplace environment that provides “job satisfaction,” “creativity,” and “growth opportunities,” where each and every employee can make the most of his or her capabilities by providing educational opportunities to enhance the abilities, skills, and expertise of each employee, as well as to polish the “way of thinking” based on the Group's philosophy.

Approach to human capital

Creating a good corporate culture and realizing Company Philosophy through Philosophy and Amoeba Management.



*"Amoeba Management" is a registered trademark of Kyocera Corporation

Ideal human resource

"Sun" in the company name "Sun Frontier" is a symbol of the power to continue to shine in the highest and largest way, and a symbol of the love that falls on everyone. "Frontier" refers to our attitude of developing businesses with a venture spirit, always being forward-looking, believing in unlimited potential, and continuing to challenge the creation of new value.

Employees who gather in Sun Frontier are expected to have both the "heart of altruism" and "frontier spirit."

Human resource development policies

Together with our colleagues who share our values of altruism, we will cultivate human resources who can develop new fields with a frontier spirit toward the realization of a sustainable society.

We aim to create a society that can be inherited by future generations. We foster human resources who have the kindness to care for the people around them and the strength to do the right thing, and who boldly take on challenges in areas where they have no experience.

Please refer to our website https://www.sunftr.co.jp/company/bring_comp.html for initiatives related to human resource development in the Group.

Internal environment development policy

Creating a workplace environment with job satisfaction, creativity, and growth opportunities. We aim to create a "co-creation" organization in which all employees set their own goals, work actively toward those goals, and continue to create new value based on mutual trust.

<Job satisfaction>

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

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

<Creativity>

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

New ideas are born by constantly improving the current situation and refining sensitivity while envisioning the future. We believe that the existence of an environment in which people respect each other will lead to the creation of new value by leveraging diverse ideas.

<Growth opportunities>

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

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

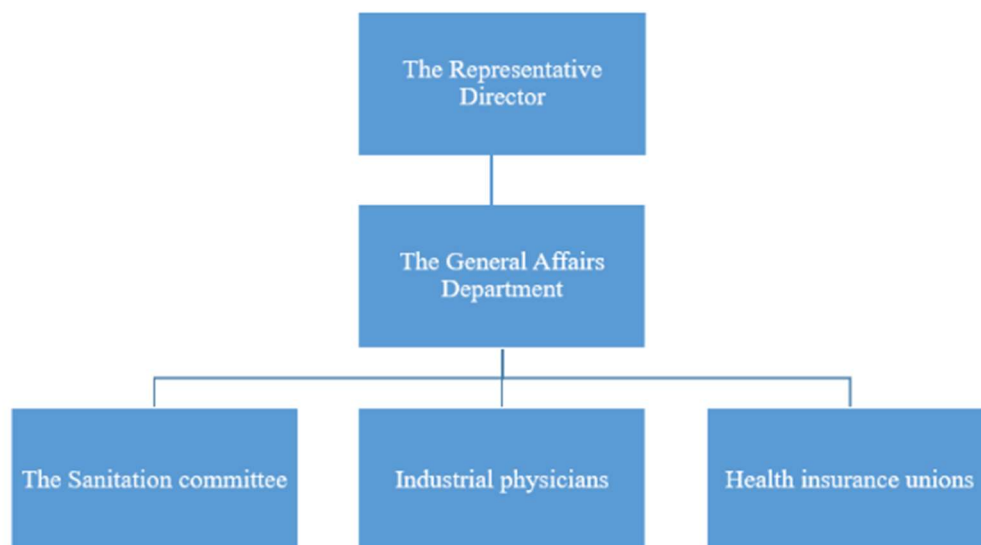
We believe that the foundation of a company that continues to grow is a company that boldly predicts future changes and continuously strives to achieve its goals.

Health management initiatives

<Health declaration>

Sun Frontier Fudousan will protect all employees, aim for material and spiritual happiness, and maintain and improve the health of employees.

<Health management promotion system>

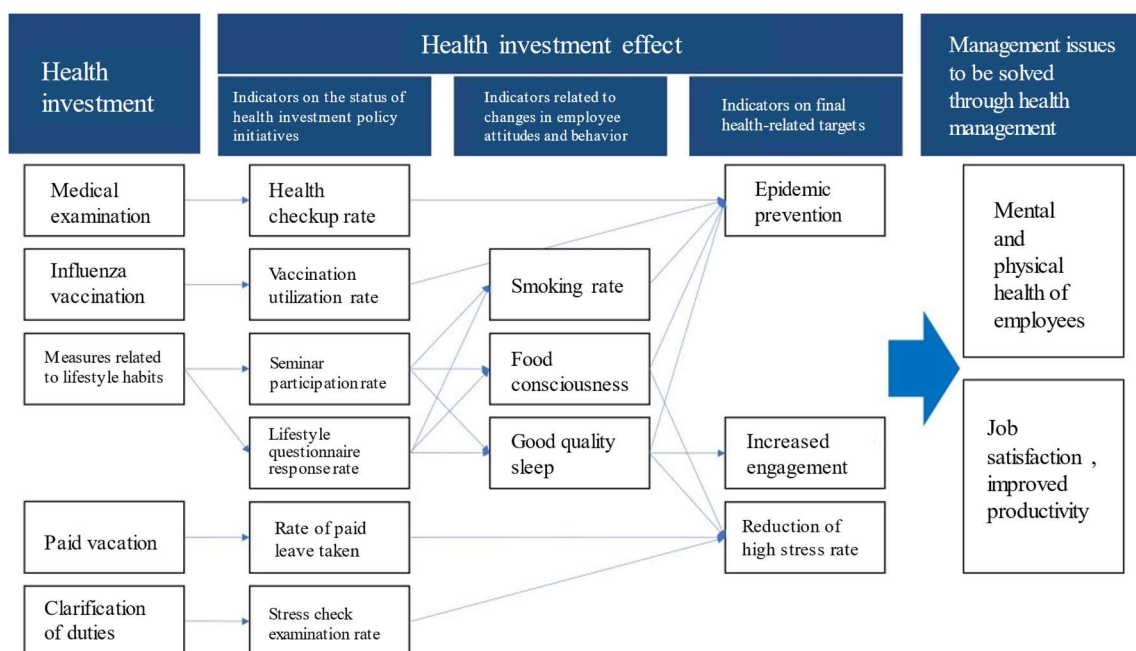


The chief executive officer for the promotion of health management is the President Representative Director, and the General Affairs Department plays a central role in cooperation with the sanitation committee, industrial physicians, and health insurance unions. The sanitation committee, chaired by General Manager of the General Affairs Department, is held once a month by personnel in charge of labor affairs, employees with experience in sanitation, and industrial physicians. The committee discusses ways to maintain and improve the health of employees and discusses issues related to the creation of a comfortable working environment. In addition, the General Affairs Department and the Health Insurance Union will work together to regularly exchange information and discuss measures.

<Management issues to be solved through health management>

- Maintaining and promoting the mental and physical health of employees
- Help employees feel more of job satisfaction and be more productive by maintaining their physical and mental health

To maintain and improve the mental and physical health of employees, we are working on epidemic prevention, increased engagement, and reduction of risk of mental health problems. In addition, we believe that being mentally and physically healthy gives a sense of job satisfaction and encourages to pursue further career advancement.



For information on the Group's health management initiatives, please refer to the Company's website https://www.sunftr.co.jp/company/health_management_declaration/

3. Risk Factors

Among the matters related to the business overview and financial information described in the Annual Securities Report, the following are matters that may have a significant impact on investors' decisions.

The forward-looking statements in this document are those determined by the Group as of the end of the consolidated fiscal year under review.

1. Business environment surrounding the Group and characteristics of the Group's business

(1) Business environment

The Group is working on "real estate revitalization and utilization" mainly in central Tokyo and developing one stop real-estate services that include brokerage, management, guarantee, construction, leasing, and trading, centered on office buildings and commercial buildings in central Tokyo, which is influential in enhancing market competitiveness as a company. However, the Group's operating results and financial position may be affected by a downturn in the real estate market, such as a rise in vacancy rate or a decline in rent, due to worsening economic conditions.

(2) Status of competition

The Group's businesses are comprised of Replanning Business, Rental Building Business, brokerage and leasing, Property Management Business, Building Maintenance Business, Rent Guarantee Business, Conference Room Rental Business, Hotel Development Business, Hotel Operation Business, Overseas Development Business, and Construction Business. These businesses are characterized by the organic combination of these businesses to provide consistent services related to commercial real estate. In addition, the Company aims to maintain and strengthen its competitiveness and differentiate itself from competitors by conducting business operations in a coordinated manner, such as by linking the functions of each business unit for comprehensive strengths and purchasing potentially superior properties from a broad network of customers. However, if this advantage is not maintained, the Group's operating results and financial position may be affected.

(3) Characteristics of Replanning Business

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

In the event of turmoil in the financial markets due to worsening economic conditions or a credit crunch, etc., the distribution market for real estate may be sluggish, and the inventories value of properties handled in Replanning Business may decline. In addition, sales activities may not progress as planned, which may have an impact on the Group's operating results and financial position.

(ii) Replanning Business procures funds mainly by borrowing from financial institutions and purchases properties, so the interest-bearing debt balance changes depending on the status of property purchases and sales. In raising funds, the Company does not rely on borrowings from specific financial institutions and strives to raise funds on stable and appropriate terms while always balancing with multiple financial institutions. However, if turmoil in the financial markets arises due to a credit crunch or other factors, the Group's operating results and financial position may be adversely affected due to a failure to procure the necessary funds for business development.

(iii) Replanning Business will purchase the property and sell it after the completion of replanning. Cost of sales and net sales of the business will be recorded when the property is sold. In addition, the amount per transaction is high compared to revenues from other Real Estate Service Business, etc. Consequently, the Group's operating results and financial position may be affected by factors such as the timing of the sale and changes in amount.

(4) Hotel development

The Group is responsible for everything from planning, development, revitalization and management of hotels. Some of the properties owned by the Group may be sold to investors after stable operations. However, the basic business model is to continue leasing and operating the property even after it is sold. Unlike the Replanning Business, in the Hotel Development Business, there are cases in which the Company starts development from scratch by purchasing land on its own. In such cases, the Group's operating results and financial position may be affected by the fact that it takes a considerable period of time to complete the project, which may result in a longer period of time during which it is unable to record revenue, such as hotel room revenue, or by the fact that the Group's business period may be relatively longer making it more susceptible to economic fluctuations.

(5) Hotel operations

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

(6) Country risk

The Group's strategy is to expand its Overseas Business. However, the Group may be exposed to risks such as exchange rate trends, differences in religions, cultures and business practices, uncertainty in economic conditions, political instability such as conflicts, civil commotions, terrorism and riots, and problems in local labor-management relations. There are also risks associated with political, economic, legal or other obstacles, such as investment regulations, restrictions on remittances and tax system reforms including tax rate changes. The expansion of Overseas Business operations may require a long period of time before the realization of investment profits, and may affect the Group's operating results and financial position.

(7) Disasters, etc.

In the event of a natural disaster such as an earthquake, storm or flood, or a man-made disaster such as a war, terrorism or fire, the value of real estate held, managed or invested by the Group may be significantly impaired, which may have an impact on the Group's operating results and financial position.

(8) Risks of lawsuits

There is a possibility that a lawsuit or other claim may be filed by a business partner or client in connection with a property for which the Group conducts trading, leasing, trading or leasing brokerage or management. The contents and results of these lawsuits may affect the Group's operating results and financial position.

(9) Risks related to climate change and the environment

As a corporate citizen, we are aware of the inevitableness and importance of addressing global environmental issues. Any delay in the use of products with low environmental impact or in the initiatives toward a carbon-neutral society could lead to a decline in the social reputation of the Group, which in turn could affect its performance.

(10) Risks related to the supply chain

The Group relies on external suppliers for materials and fixtures. In the event of a supply shortage, delivery delay or price hike in materials and fixtures that are used in the Group's products in a cross-sectional manner, the Group's business period may be prolonged, or business costs may rise, adversely affecting the Group's operating results.

(11) Risks related to the market interest rates

Our group secures short-term and long-term interest-bearing debts from financial institutions and other sources to operate and expand our business. When new financing is necessary, the cost of capital may increase during periods of rising market interest rates. Furthermore, an increase in market interest rates may lead to a decline in the purchasing intent of real estate buyers and an increase in the expected return on real estate demanded by investors. This could result in a decrease in our group's real estate sales revenue and a decline in the value of our owned assets. Consequently, our group's business, financial condition, and operating results may be adversely affected.

(12) Risks Related to Foreign Exchange Fluctuations

Our group operates businesses overseas, and fluctuations in foreign exchange rates can affect the costs of financing overseas operations, the amount of profit or loss from overseas operations included in our consolidated financial statements, and the amounts recorded for assets and liabilities. Significant fluctuations in exchange rates can also influence import prices, impacting construction and energy costs, and may become a factor in cost variations in our group's individual businesses. Additionally, changes in exchange rates can affect the performance of tenant companies, potentially impacting our group's rental income. These factors may influence our group's business, financial condition, and operating results.

2. Asset valuation

(1) Risks related to the evaluation of real estate for sale (including real estate for sale in process)

The Group holds a large amount of inventories in real estate for sale and real estate for sale in process (office buildings, hotel assets, etc.). The valuation of these inventories is based on the net selling price. The net selling price is the estimated amount of sales less the estimated amount of future construction costs and the estimated amount of sales expenses, etc., and the estimated amount of sales is mainly the return on profits estimated based on the business plan formulated by the Group. In addition, these inventories are exposed to risks such as lengthening of the ownership period due to delays in commercialization, tenant leasing status, profitability due to the management status such as hotel occupancy rates, fluctuations in the investment yield of real estate, and rising market interest rates. As a result, there is a possibility that the net selling price will decline and a valuation loss will be recognized. As a result, the Group's operating results and financial position may be affected.

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

The Group owns non-current assets (buildings, facilities attached to buildings, land, software, etc.) in the Hotel Development Business and Hotel Operation Business of the Hotel and Tourism Business segment. These non-current assets are exposed to risks such as changes in the real estate market in the future and a decline in the occupancy rate of hotel rooms. In the future, as the above-mentioned risks increase, and if the total estimated undiscounted future cash flows over the remaining economic useful lives of the hotel's major assets, which are calculated based on the hotel's business plan, decrease, there is a possibility that a non-

current assets impairment loss will occur. As a result, the Group's operating results and financial position may be affected.

3. Legal regulations

The Group's business is subject to legal restrictions under the Real Estate Brokerage Act, the Construction Business Act, the Act on Real Estate Appraisal, the Real Estate Investment Advisory Business Registration Regulation, the Financial Instruments and Exchange Act, the Act on Architects and Building Engineers, the Security Services Act, the Act on Advancement of Proper Condominium Management, the Rental Residential Management Business Registration Regulation, and the Act on Maintenance of Sanitation in Buildings, and related approvals have been obtained.

The expiration dates of licenses, permissions, etc. pertaining to the Group's major operations are as follows. Currently, there are no grounds for cancellation of such licenses, permissions, etc., but if such grounds occur in the future, the Group's business activities may be significantly affected.

The business of the Group may also be affected in the future if these laws and regulations are revised or abolished or if new laws and regulations are established.

(1) The validity period and other expiration dates are stipulated by laws, regulation, contracts, etc. as follows.

License, permission, registration, etc.	Company name	Validity period, registration date	Type	Relevant laws	Issuer of registration, etc.
Residential land buildings business operator license	Sun Frontier Fudousan Co., Ltd	December 29, 2019 - December 28, 2024	-	Real Estate Brokerage Act	Minister of Land Infrastructure, Transport and Tourism
	Sun Frontier Hotel Management Inc.	January 8, 2022 - January 7, 2027			Governor of Tokyo
	SF Building Maintenance Inc.	February 25, 2022 - February 24, 2027			Governor of Tokyo
	Sun Frontier Okinawa Co., Ltd.	January 9, 2024 - January 8, 2029			Governor of Okinawa Prefecture
Specific construction business license	Sun Frontier Fudousan Co., Ltd	July 20, 2022 - July 19, 2027	Building construction, roof construction, steel structure construction, carpenter construction, tile, brick and block construction, interior finishing work, electrical work	Construction Business Act	Governor of Tokyo
General construction license	SF Engineering Inc.	January 17, 2023 - January 16, 2028	Building construction, interior finishing work		Governor of Tokyo

License, permission, registration, etc.	Company name	Validity period, registration date	Type	Relevant laws	Issuer of registration, etc.
	SF Building Maintenance Inc.	December 25, 2023 - December 24, 2028	Waterproofing work, interior finishing work, building construction, carpenter construction, plastering work, stone work, roof construction, tile, brick and block construction, sheet metal work, glass work, painting work, heat insulation work, fittings work, fire fighting facilities work		Governor of Tokyo
	SF Communication Inc.	March 10, 2022 - March 9, 2027	Electrical work, telecommunications work		
Real estate appraiser registration	Sun Frontier Fudousan Co., Ltd.	February 7, 2023 - February 6, 2028	-	Act on Real Estate Appraisal	Governor of Tokyo
General real estate investment advisory business registration	Sun Frontier Fudousan Co., Ltd.	November 3, 2019 - November 2, 2024	-	Real Estate Investment Advisory Business Registration Regulation	Minister of Land, Infrastructure, Transport and Tourism
Type II Financial instruments business operator registration	Sun Frontier Fudousan Co., Ltd.	Registered on September 30, 2007	-	Financial Instruments and Exchange Act	Director-General of Kanto
Specified joint real estate ventures permit	Sun Frontier Fudousan Co., Ltd.	Approved on October 29, 2018	-	Act on Specified Joint Real Estate Ventures	Minister of Land, Infrastructure, Transport and Tourism, Commissioner of the Financial Services Agency
First class architect office registration	Sun Frontier Fudousan Co., Ltd.	February 1, 2020 -	-	Act on Architects and	Governor of Tokyo

License, permission, registration, etc.	Company name	Validity period, registration date	Type	Relevant laws	Issuer of registration, etc.
		January 31, 2025		Building Engineers	
Security business certification	Sun Frontier Fudousan Co., Ltd.	December 26, 2021 - December 25, 2026	-	Security Services Act	Tokyo Metropolitan Public Safety Commission
	SF Building Maintenance Inc.	April 5, 2024 - April 4, 2029			
Antique dealer	Sun Frontier Fudousan Co., Ltd.	Registered on October 2, 2019	-	Secondhand Goods Business Act	Tokyo Metropolitan Public Safety Commission
	SF Communication Inc.	Registered on June 23, 2010			
Condominium management business registration	SF Building Maintenance Inc.	January 8, 2022 - January 7, 2027	-	Act on Advancement of Proper Condominium Management	Minister of Land, Infrastructure, Transport and Tourism
Rental residential management business registration	Sun Frontier Fudousan Co., Ltd.	October 20, 2021 - October 19, 2026	-	Act on Proper Management of Rental Housing	Director of Kanto Regional Development Bureau
	SF Building Maintenance Inc.	February 1, 2022 - January 31, 2027	-		
Building environment sanitation comprehensive management business registration	SF Building Maintenance Inc.	September 18, 2021 - September 17, 2027	-	Act on Maintenance of Sanitation in Buildings	Governor of Tokyo
Building drinking water storage tank cleaning business registration	SF Building Maintenance Inc.	June 29, 2018 - June 28, 2024	-	Act on Maintenance of Sanitation in Buildings	Governor of Tokyo
Fire defense equipment business registration	SF Building Maintenance Inc.	Registered on July 3, 2018	-	Fire Service Act	Chief of Honjo Fire Station
Outdoor advertising business license	SF Building Maintenance Inc.	December 6, 2023 - December 5, 2028	-	Outdoor Advertisement Act	Governor of Tokyo
Money lending business registration	SF Building Support Inc.	July 1, 2023 - June 30, 2026	-	Money Lending Business Act	Governor of Tokyo

License, permission, registration, etc.	Company name	Validity period, registration date	Type	Relevant laws	Issuer of registration, etc.
General chartered passenger automobile transport business	Okesa Kanko Taxi Co., Ltd.	Registered on January 19, 1999	-	Road Transport Act	Director, Hokuriku Shinetsu Transport Bureau
General passenger automobile transport business	Okesa Kanko Taxi Co., Ltd.	Registered on May 6, 1955	-	Road Transport Act	Director, Hokuriku Shinetsu Transport Bureau
Registered electric construction business operator license	SF Communication Inc.	October 3, 2020 - October 2, 2025	-	Electrical Construction Business Law	Governor of Tokyo

(2) In conducting real estate securitization business, the Group will use special purpose companies (SPC) established by either special purpose companies based on the Asset Securitization Act or stock companies and limited liability companies based on the Companies Act. If a special purpose company based on the Asset Securitization Act conducts securitization business, it will be subject to the regulations of the Asset Securitization Act.

4. Changes in accounting standards and the real estate tax system

Changes in accounting standards and the real estate tax system may have an impact on the Group's operating results and financial position due to increased costs of property acquisitions and sales.

5. Protection of personal information

The Group is a "business entity handling personal information" that holds personal information on building owners, tenants, hotel guests, etc. in the course of business, and it is forecasted that related information will increase as the Group expands its business in the future. Although we are strengthening our information management system to ensure thorough internal information management, if personal information such as customer information is leaked outside due to unforeseen circumstances, it may damage the credibility of the Group and affect its operating results and financial position.

4. Analyses of Consolidated Financial Position, Operating Results and Cash Flows from the management's perspective

A summary of the Company's financial position, operating results and cash flows for the consolidated fiscal year under review, as well as the content of recognition, analysis and discussion regarding the Company's operating results and other aspects from the perspective of management, are as follows. The forward-looking statements contained herein are based on judgments made as of the end of the consolidated fiscal year under review.

(1) Operating Results

The Japanese economy continued to recover as the employment and income environments persisted to improve amid rising expectations for higher interest rates. In the global economy, while there are concerns about the outlook, such as persistently high policy interest rates in various countries, a slowdown in the Chinese economy, and high crude oil prices due to the impact of geopolitical risks, there is growing attention to the timing of policy interest rate cuts before the U.S. presidential election and a soft landing of the U.S. economy.

In the real estate market, average rents in the Tokyo Business District (5 wards of Central Tokyo: Chiyoda, Chuo, Minato, Shinjuku and Shibuya) bottomed out in November 2023 (unit price per tsubo: 19,726 yen) after 40 consecutive months of decline, and are currently on a slight upward trend at 19,820 yen (March 2024). After

peaking at 6.48% in June 2023, the average vacancy rate has generally continued to improve, reaching 5.47% in March 2024 (according to a survey by a private survey organization). Until now, the market has been generally weak due to the promotion of remote work in the pandemic of COVID-19 and the increase in vacant floor space caused by the rush of completion of large-scale new office buildings. However, after the transition of COVID-19 to Category 5 (May 2023), demand has recovered as the significance of offices has been reconfirmed, and expectations for further declines in vacancy rate and increases in rents are increasing. In the real estate investment market, although the Bank of Japan's negative interest rate policy has been lifted, the accommodative financial environment is expected to be maintained, and low interest rates and the depreciation of the yen are expected to continue. Against this backdrop, overseas investors are expected to return to investing in office buildings. At the same time, strong investment demand for hotels continues due to a recovery in tourism demand.

In this environment, in the Real Estate Revitalization Business, our core business in the Group, the number of sales increased from the previous fiscal year. In addition, profit margin remained at a high level. As a result, both net sales and profit increased, continuing to drive the overall performance of the Company. Moreover, the Real Estate Service Business operations continued to perform well. In Hotel Development Business, net sales decreased in reaction to the sale of two hotels in the previous fiscal year, while profit increased due to the sale of one hotel in the fiscal year under review. In Hotel Operation Business, due to the “Nationwide Travel Subsidy Program” and the transition of COVID-19 to a Category 5 disease, as well as the impact of the depreciation of the yen, tourism demands further increased due to the recovery of both domestic and foreign tourists, and both net sales and profit saw significant year-on-year increases.

As a result, in the current consolidated fiscal year, net sales amounted to 79,868 million yen (down 3.5% YoY), operating profit amounted to 17,600 million yen (up 18.1% YoY), ordinary profit amounted to 17,374 million yen (up 18.0% YoY) and profit attributable to owners of parent amounted to 11,917 million yen (up 2.6% YoY).

The results by segment are as follows.

(Real Estate Revitalization Business)

- (1) In Replanning Business, we provide a one stop, integrated real estate service that includes everything from the purchase of buildings, renovation and utilization planning, construction work, leasing, rent guarantee services, management, and building management. During the fiscal year under review, purchase operations progressed at a faster pace than planned, thanks to cooperation among various departments of the Office Division and the strengthening of the procurement system. We will continue to strengthen our purchase operations in preparation for commercialization and sales in the coming fiscal year. In commercialization, we worked to reflect the real needs of clients in our products and increase the value of our properties with a high added value. In property sales, we sold 25 properties (including two properties in New York and one small-lot property) during the fiscal year under review, and maintained a high level of 30% in segment profit margin. We will continue to utilize our community-based leasing capabilities to sell properties with high occupancy rates and high added value to investors in Japan and overseas. We also continued to focus on purchase and sales in our Replanning Business of apartments in New York, with one purchase and two sales in the fiscal year under review. Additionally, in specified joint real estate ventures, Compass Nerima, the Company's eighth small-lot project, was sold out, and Compass Sakurashinmachi, the Company's ninth small-lot project, was launched. In the fiscal period under review, both net sales and profit posted year-on-year increases due to steady property sales and the maintenance of a high level of gross profit margin.
- (2) In Rental Building Business, with the aim of building a stable revenue base as a stock business, we are expanding the number of rental buildings properties in Replanning Business and utilizing the operational capabilities we have accumulated in Real Estate Service division to increase rent income over the medium to long term. As a result of an increase in the number of properties held as inventories, both net sales and profit increased year on year.

As a result, net sales amounted to 51,027 million yen (up 1.9% YoY) and segment profit amounted to 15,602 million yen (up 1.7% YoY) in total for the Real Estate Revitalization Business.

(Real Estate Service Business)

In the Real Estate Service Business, we are engaged in (1) Property Management Business, (2) Building Maintenance Business, (3) Sales Brokerage Business, (4) Leasing Brokerage Business, (5) Rental Conference Room Business, and (6) Rent Guarantee Business.

- (1) In Property Management Business, we aim to raise tenant satisfaction through property management that meets the needs of the clients. At the same time, we are working with the leasing brokerage division to attract tenants and revise conditions to appropriate rents, thereby supporting the high-occupancy and high-profitability building management that meets building owners' requests. In the fiscal year under review, both net sales and profit recorded year-on-year growth, with number of entrusted buildings adding 36 buildings and occupancy rate improving 4.31% pt.

	End of March 2022	End of March 2023	End of March 2024
Number of Entrusted Buildings	421 buildings	457 buildings	493 buildings
Occupancy Rate	91.5%	89.6%	93.9%

- (2) Under the slogan of “making Tokyo the most beautiful city in the world,” Building Maintenance Business is engaged in projects such as inspections, cleaning, renovation and surveys to maintain and manage buildings. With strengths in glass cleaning and exterior wall cleaning and repair work, we are collaborating with each department of the Office Division. Results for the fiscal year under review decreased from the previous fiscal year in both net sales and profit due to a decrease in facility disinfection work related to the COVID-19 pandemic and cancellations at unprofitable sites.
- (3) In Sales Brokerage Business, as part of our real estate consulting, we are working to quickly respond to inquiries from clients in other divisions, including Property Management Business and Leasing Brokerage Business. The Office Divisions are working together to expand our customer base by supporting building owners' building management, and based on the trust we have built up, we have been able to win brokerage contracts. Results for the year under review declined in both net sales and profit due to the conclusion of large-scale projects in the previous fiscal year.
- (4) In Leasing Brokerage Business, we opened two sites in the fiscal year under review, the Shimbashi office and the Ikebukuro office, creating a service network of 12 sites in the main central Tokyo area. By utilizing tenant needs and changes that we have quickly learned from leasing sites in our research and proposals for optimal use of office space, we are leading to the creation of a new sense of value from our clients' perspective in Replanning Business product planning. Also, in our sub-lease operations, where we are working to resolve building owners' concerns, we added two new entrustment contracts during the fiscal year under review, bringing the total number of properties to 10. We will continue to stay close to clients and contribute to the local community by providing services as a familiar information center. Results for the fiscal year under review increased year on year in both net sales and profit due to strong performance in leasing.
- (5) In Rental Conference Room Business, the number of companies that have resumed group training programs has increased, and demand for rental conference room services has increased. Through services that respond to clients' requests, both new and repeat customers have increased. During the fiscal year under review, we opened new Vision Centers in the following five areas: Nihombashi, Ichigaya, Yaesu, Shinjuku, and Shimbashi. The scale of operations was 15 sites, 6,481 tsubo. We will continue to accelerate site expansion mainly in central Tokyo. In the fiscal year under review, orders increased due to the new conference room opening and the floor space expansion in 10 facilities, resulting in significant year-on-year growth in both net sales and profit.

- (6) In Rent Guarantee Business, through our brand “TRI-WINS”, we provide services tailored to building owners for all processes from tenant screening at offices and stores, rent guarantee, building surrender lawsuits, and eviction. Compared to general guarantee services, this brand expands the range of services. It is a win-win-win service that solves the risks and issues faced by both building owners and tenants and contributes to economic growth and social stability. As a result of continued stable progress in our core credit guarantee business, our performance in both net sales and profit remained strong.

As a result, net sales amounted to 10,497 million yen (up 18.7% YoY) and segment profit amounted to 5,612 million yen (up 14.8% YoY) in total for the Real Estate Service Business.

(Hotel and Tourism Business)

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

- (1) In Hotel Development Business, net sales decreased year on year due to the sale of two hotels in the previous fiscal year, but profit increased significantly due to the sale of one subdivision of a condominium hotel lot and one hotel. In addition to the capital return from the sale of those hotels, we will utilize the funds raised through convertible bonds that were completed on October 6, 2023 to reinvest in development, including M&A, centered on the Tabino Hotel brand, and expand our operations. At present (May, 2024), there are 10 hotels with 1,347 rooms under planning in parts of the country, and together with hotels in operation, there will be 39 hotels with 4,456 rooms.
- (2) In Hotel Operation Business, five hotels (612 rooms) have been added to the Group, including Seifutei (11 rooms) in Inawashiro-machi, Fukushima, and Joytel Hotel Namba Dotonbori in the Kansai area. As a result, a total of 29 hotels (3,109 rooms) are currently (May, 2024) in operation. We will continue to focus on creating enthusiastic fans through the heart-warming services of our staff under the theme of “a heartwarming and fun hotel.” During the fiscal year under review, due to the continued expansion of domestic tourism demand and the effects of recovery in inbound tourism, occupancy rate and average daily rate continued to rise based on the Group's high added value strategies. As a result, net sales and profit increased significantly from the previous fiscal year.

As a result, net sales amounted to 16,977 million yen (down 26.1% YoY) and segment profit amounted to 4,369 million yen (up 153.9% YoY) in total for the Hotel and Tourism Business.

(Other Business)

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

- (1) As for Overseas Development Business operations, the Group entered the Vietnamese market, where growth is expected, and is developing condominiums and other businesses. In October 2023, we acquired land for the development of a condominium in Danang, the largest city in central Vietnam, and the construction is scheduled to begin in the first half of the next fiscal year. We will continue to contribute to the development of local communities by providing high-quality housing using Japan's advanced construction technology. Results for the fiscal year under review declined in both net sales and profit due to a rebound from property sales in the previous fiscal year.
- (2) In Construction Business, we are engaged in renewal planning, repair and renovation of commercial buildings, interior finishing work and telecommunications construction, etc. Both net sales and profit increased year on year due to the booking of sales from large-scale construction projects by Group companies.

As a result of the above, net sales amounted to 2,409 million yen (up 34.8% YoY) and segment profit amounted to 301 million yen (up 6.4% YoY) in total for Other Business.

The main initiatives for the fiscal year under review are as follows.

“Sun Frontier Fudousan is committed to protecting all employees, achieving material and spiritual happiness,

and initiatives to maintain and improve the health of its employees.” Based on this declaration, the Company aims to maintain and improve the mental and physical health of its employees and increase their job satisfaction which shall lead to increased productivity. We were recently certified as one of the “2024 Excellent Health and Productivity Management Corporations (Large-scale Corporations Category)” by the Ministry of Economy, Trade and Industry and the Japan Health Council. Encouraged by this certification, we will further strengthen our initiatives to maintain and improve the mental and physical health of our employees. The Group sets a sustainability vision of “We will contribute to the realization of a sustainable society through our business activities while respecting the heart of altruism, the Company policy.” Based on this vision, we have identified “Environmental protection,” “Regional revitalization” and “Human resource development” as priority issues (materiality) and are working to resolve social issues through our businesses. In February, 2024 we concluded an agreement for “Mizuho Positive Impact Finance” with Mizuho Bank Ltd. We will continue to contribute to the realization of a sustainable society by continuing to take on the challenge of creating new value while controlling the waste of limited resources, and by advancing our business activities through the creation of customer delights.

Production, orders received and sales results are as follows.

(i) Production performance

As it is difficult to define production operations of the Group (the Company and its consolidated subsidiaries; the same shall apply hereinafter), the actual production results are omitted.

(ii) Orders received

As the Group does not manufacture to order, the record of orders received is omitted.

(iii) Sales performance

The sales results by segment for the current consolidated fiscal year are as follows.

Segment Name	Amount (million yen)	YoY Change (%)
Real Estate Revitalization Business	51,027	1.9
Real Estate Service Business	10,497	18.7
Hotel and Tourism Business	16,977	-26.1
Other	2,409	34.8
Adjustment	-1,043	-
Total	79,868	-3.5

Notes: 1. Adjustment is intersegment eliminations.

2. Sales results by major clients and the ratio of such sales results to total sales results

Client	Previous fiscal year		Consolidated fiscal year under review (*1)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
Neptune Special Purpose Company	17,500	21.1	-	-
Nagomi Special Purpose Company	13,500	16.3	-	-

(*1) The current consolidated fiscal year is not listed because, among the net sales to external clients, there is no client that accounts for 10% or more of net sales in the consolidated statement of income.

(2) Consolidated Financial Position

Total assets at the end of the current consolidated fiscal year amounted to 188,661 million yen (up 23.7% compared with the end of the previous fiscal year), liabilities amounted to 94,244 million yen (up 37.5% compared with the end of the previous fiscal year), and net assets amounted to 94,416 million yen (up 12.4% compared with the end of the previous fiscal year).

The increase in total assets was mainly due to an increase of 5,851 million yen in cash and deposits, an increase of 34,826 million yen in real estate for sale in process and an increase of 912 million yen in land of non-current assets, which were partially offset by a decrease of 8,149 million yen in real estate for sale and a decrease of 388 million yen in deferred tax assets.

The increase in liabilities was mainly due to an increase of 6,764 million yen in current portion of long-term borrowings, an increase of 9,999 million yen in bonds payable and an increase of 7,101 million yen in long-term borrowings, which were partially offset by a decrease in 789 million yen in advances received of other in non-current liabilities.

The increase in net assets was mainly due to the recording of 11,917 million yen in profit attributable to owners of parent, which was partially offset by the year-end dividend payment of 1,216 million yen and the interim dividend payment of 1,265 million yen. Equity ratio increased 4.9 percentage points to 48.0%.

(3) Consolidated Cash Flows

Cash and cash equivalents (hereinafter called, “funds”) at the end of the current period increased by 5,951 million yen from the beginning of the fiscal year to 47,866 million yen as a result of a decrease of 11,003 million yen of funds provided by operating activities, a decrease of 4,254 million yen of funds provided by investing activities, and an increase of 21,040 million yen of funds provided by financing activities.

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

(Cash flows from operating activities)

Net cash outflow used in operating activities was 11,003 million yen compared with net cash provided by operating activities of 16,544 million yen in the previous fiscal year. This was mainly due a decrease of 26,770 million yen from an increase in inventories, corporate income tax payments of 3,505 million yen and a decrease of 1,187 million yen from an increase in accounts receivable, despite profit before income taxes of 17,295 million yen and depreciation of 2,124 million yen.

(Cash flows from investing activities)

Net cash outflow used in investing activities was 4,254 million yen compared with net cash outflow used in investing activities of 6,681 million yen in the previous fiscal year. This was mainly due to outflow of 2,457 million yen in purchase of property, plant and equipment and 954 million yen in purchase of shares of subsidiaries and associates, despite 205 million yen in proceeds from collection of guaranteed deposits.

(Cash flows from financing activities)

Net cash provided by financing activities was 21,040 million yen compared with net cash provided by financing activities of 2,039 million yen in the previous fiscal year. This was mainly due to 32,558 million yen in proceeds from long-term borrowings and 9,999 million yen in proceeds from bond issuance, despite 18,991 million yen in repayments of long-term borrowings and 2,481 million yen in dividends paid.

(Sources of capital and liquidity of funds)

The main demand for funds in our business activities is purchase in inventory assets, which is related to the Real Estate Revitalization Business. Purchase of inventory assets is provided by long-term borrowings from financial institutions secured by individual inventory assets and funds acquired through operating activities. As a basic policy, the inventory asset is to be sold within one year, and a lump-sum repayment of borrowings is made at the time of sale of the inventory asset, while taking into account the monthly scheduled repayment and this ensures sufficient liquidity of funds.

(Financial measures)

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

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

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

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

5. Material Agreements, etc.

Not applicable

6. Research and Development Activities

Not applicable.

Item. 3 Property, Plants and Equipment

1. Overview of Capital Investment

The Group's capital investment in current consolidated fiscal year was 3,029 million yen, mainly for the acquisition of office buildings (614 million yen) and hotel facilities (1,716 million yen).

2. Major Facilities

(1) Reporting company

As of March 31, 2024, the facilities, invested capital and employees at each business site were as follows.

Name and location	Segment name	Use	Book value (million yen)				Number of employees
			Buildings and structures	Land (square meters)	Others	Total	
Head Office (Chiyoda-ku, Tokyo)	Real Estate Revitalization Business, Real Estate Service Business, Others, company-wide (common)	Supervisory business facility	96	- (-)	84	181	170
Branches, etc. (Chuo-ku, Tokyo, etc.)	Real Estate Service Business	Commercial facility	58	- (-)	31	89	215
Real estate for rental business (Minato-ku, Tokyo, etc.)	Real Estate Revitalization Business	Buildings for rent, etc.	3,372	4,704 (1,976)	0	8,077	-
Hotel Operation Business real estate (Shimogyo-ku, Kyoto-shi, Kyoto)	Hotel Operation Business	Hotel operation	3,935	5,396 (898)	-	9,332	-
Sub-leased property, etc. (Chuo-ku, Tokyo, etc.)	Real Estate Service Business and Others	Property management contract facilities, etc.	173	- (-)	19	192	-

Notes: 1. Of the book value, "Others" consists of vehicles, tools, furniture and fixtures, and construction in progress.

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

Name and location	Segment name	Use	Leased area (square meters)
Head Office (Chiyoda-ku, Tokyo)	Real Estate Revitalization Business, Real Estate Service Business, Others, company-wide (common)	Supervisory business facility	2,145
Property Management Business Department (Chiyoda-ku, Tokyo)	Real Estate Service Business	Commercial facility	1,003
Ginza branch and others (Chuo-ku, Tokyo, etc.)	Real Estate Service Business	Commercial facility	972
Sub-leased property, etc. (Chuo-ku, Tokyo, etc.)	Real Estate Service Business and Others	Property management contract facilities, etc.	7,107

(2) Domestic subsidiaries

Company name	Name and location	Segment name	Use	Book value (million yen)				Number of employees
				Buildings and structures	Land (square meters)	Others	Total	
Sun Frontier Hotel Management Inc.	Head office and hotel facilities (Chiyoda-ku, Tokyo, etc.)	Hotel and Tourism Business	Headquarters and hotel operation	1,017	589 (42,313)	416	2,024	137 (230)
Sky Heart Hotel Inc.	Head office and hotel facilities (Chiyoda-ku, Tokyo, etc.)	Hotel and Tourism Business	Hotel operation	87	63 (-)	6	157	20 (33)
Sun Frontier Sado Co., Ltd.	Head office and hotel facilities (Sado-shi, Niigata)	Hotel and Tourism Business	Hotel operation	599	23 (-)	94	717	31 (67)
Hotel Osado Co., Ltd.	Head office and hotel facilities (Sado-shi, Niigata)	Hotel and Tourism Business	Hotel operation	222	91 (-)	366	680	14 (31)
Nihon Toshi Hotel Kaihatsu Co., Ltd	Head office and hotel facilities (Nishi-ku, Osaka-shi, Osaka)	Hotel and Tourism Business	Hotel operation	2	38 (-)	74	116	16 (144)
Sun Frontier Space Management Inc.	Head office and rental conference room facilities (Minato-ku, Tokyo, etc.)	Real Estate Service Business	Conference Room Rental Business	367	0 (-)	92	460	63 (97)

Notes: 1. Of the book value, "Others" consists of vehicles, tools, furniture and fixtures, and construction in progress.
2. Figures in parentheses in the "Number of employees" column are the annual average number of temporary employees.
3. Temporary employees include part-time and contract employees and exclude temporary workers.

(3) Overseas subsidiaries

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

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

Not applicable.

Item. 4 Information on the Company

1. Information on the Company's Shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Type	Total number of shares authorized to be issued (shares)
Common shares	91,200,000
Total	91,200,000

(ii) Issued shares

Type	Number of shares issued as of the end of the fiscal year (March 31, 2024)	Number of shares issued as of filing date (June 26, 2024)	Name of Listed Financial Instruments Exchange or registered Authorized Financial Instruments Firms Association	Contents
Common shares	48,755,500	48,755,500	Tokyo Stock Exchange First Section (as of the end of the fiscal year) Prime Market (as of filing date)	Share unit : 100 shares
Total	48,755,500	48,755,500	-	-

(2) Share acquisition rights, etc.

(i) Stock option plans

A. Status of Share Acquisition Rights grants

Date of resolution	June 22, 2018	June 21, 2019	June 30, 2020	June 22, 2021
Category and number of individuals covered by the plan	Directors of the Company (excluding outside directors): 4			Director of the Company (excluding outside directors) 6 persons
Number of Share Acquisition Rights*	524 units	740 units	1,112 units	2,155 units
Type, description and number of shares to be issued upon the Share Acquisition Rights*	Common shares 5,240 shares (Note 1)	Common shares 7,400 shares (Note 1)	Common shares 11,120 shares (Note 1)	Common shares 21,550 shares (Note 1)
Amount paid upon exercise of Share Acquisition Rights *	1 yen			
Period for exercising Share Acquisition Rights*	From August 1, 2018 to July 31, 2048	From August 1, 2019 to July 31, 2049	From August 1, 2020 to July 31, 2050	From July 31, 2021 to July 30, 2051
Issue price of shares and amount to be incorporated into capital when shares are issued upon exercise of Share Acquisition Rights*	Issue price: 1,020 yen Amount included in share capital: 510 yen (Note 2)	Issue price: 790 yen Amount included in share capital: 395 yen (Note 2)	Issue price: 439 yen Amount included in share capital: 220 yen (Note 2)	Issue price: 658 yen Amount included in share capital: 329 yen (Note 2)

Conditions for exercising Share Acquisition Rights*	Share Acquisition Rights holders may exercise their Share Acquisition Rights in a lump sum during the period from the day following the day on which they lose their position as Director of the Company to the day on which ten days have elapsed. (Note 3)
Matters related to transfer of Share Acquisition Rights*	Acquisition of a Share Acquisition Rights by transfer requires approval of the Board of Directors.
Matters concerning the issuance of Share Acquisition Rights in connection with an act of reorganization*	(Note 4)

* These items indicate the status as of the end of the fiscal year (March 31, 2024). There are no changes between the end of the fiscal year and the end of month previous to the filing month (May 31, 2024).

Notes: 1. The number of shares subject per Share Acquisition Right shall be 10 shares.

However, after the allotment date of Share Acquisition Rights, if the Company effects a share split (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or reverse stock split, the number of shares to be granted shall be adjusted according to the following formula for a Share Acquisition Rights that has not been exercised at the time of the share split or reverse stock split, and any fraction of less than one share resulting from the adjustment shall be discarded.

Number of granted shares after adjustment = Number of granted shares before adjustment × Split or consolidation ratio

In addition, in the event that the Company conducts a merger or corporate split after the Allotment Date, or in the event that an adjustment of the number of granted shares is required in the same manner as in these cases, the number of shares shall be adjusted within a reasonable scope taking into consideration the conditions of the merger or corporate split.

2. Increase in Share Acquisition Rights and share capital due to issuance of shares upon exercise of capital reserve

(i) The amount of increase in share capital upon issuance of shares upon exercise of Share Acquisition Rights shall be one half of the maximum amount of increase in share capital, etc. calculated pursuant to Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and any fraction less than one yen resulting from such calculation shall be rounded up.

(ii) The amount of increase in Share Acquisition Rights upon issuance of shares upon exercise of capital reserve shall be amount obtained by subtracting the amount of increase in share capital set forth in (i) above from the maximum amount of increase in share capital, etc. set forth in (i) above.

3. Matters concerning acquisition of Share Acquisition Rights

(i) In the event that Share Acquisition Rights cannot be exercised due to the aforementioned “Conditions for Exercise of Share Acquisition Rights” or the provisions of the Share Acquisition Rights Allocation Application Form prior to exercising his/her right, the Company may acquire such Share Acquisition Rights without consideration on a date separately determined by the Company's Board of Directors.

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

4. In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new

company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively “Organizational restructuring”), each person holding the remaining Share Acquisition Rights at the time the Organizational restructuring takes effect (hereinafter “Remaining Share Acquisition Rights”) shall respectively be granted the Share Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter “Reorganized Company”). In this event, the Remaining Share Acquisition Rights shall become null and void and the Reorganized Company shall issue new Share Acquisition Rights.

However, the new Share Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).

- (i) Number of Share Acquisition Rights of reorganized companies to be delivered
The same number of remaining Share Acquisition Rights held by the Share Acquisition Rights shall be issued.
- (ii) Type and number of shares of the restructured company to be issued upon Share Acquisition Rights
The type of shares to be issued by Share Acquisition Rights shall be common shares, the Reorganized Company, and the number of common shares, the Reorganized Company to be delivered upon exercise of Share Acquisition Rights shall be determined in accordance with (Note 1) above, taking into consideration the conditions of the Organizational Restructuring.
- (iii) Value of assets to be contributed upon exercise of Share Acquisition Rights
The value of the property to be contributed upon the exercise of the Share Acquisition Rights shall be the amount obtained by multiplying the post-reorganization exercise price specified below by the number of shares to be issued for each such Share Acquisition Right. The post-reorganization exercise price shall be 1 yen per Share Acquisition Right of the Reorganized Company.
- (iv) Period during which the Share Acquisition Rights may be exercised
From the effective date of the reorganization to the expiration date of the exercise period of the Share Acquisition Rights set forth in the aforementioned “exercise period of the Share Acquisition Rights.”
- (v) Acquisition of Share Acquisition Rights
Determined in accordance with (Note 3) above.
- (vi) Share Acquisition Rights transfer restrictions
Acquisition of Share Acquisition Rights by transfer shall require the approval of Board of Directors of the Reorganized Company.
- (vii) Increase in Share Acquisition Rights and Share capital due to issuance of shares upon exercise of Capital reserve
Determined in accordance with (Note 2) above.

- (ii) Rights plan
Not applicable.

- (iii) Other Share Acquisition Rights, etc.

The Company has issued third-party allotment unsecured convertible bonds with Share Acquisition Rights under the Companies Act of Japan.

1st Series Unsecured Convertible Bonds with Share Acquisition Rights (hereinafter the relevant bonds with Share Acquisition Rights will be referred to as “Bonds with Share Acquisition Rights”, the bond portion will be referred to as “bonds” and the Share Acquisition Rights portion will be referred to as the “Share Acquisition Rights”).

Date of resolution	September 20, 2023
Number of Share Acquisition Rights (units)*	49
Number of own Share Acquisition Rights out of Share Acquisition Rights (units)*	-
Type, description and number of shares to be issued upon the Share Acquisition Rights (shares) *	Common shares 6,434,900 The number of common shares of the Company to be newly issued by the Company or to be disposed of by the Company in lieu of such shares (the issuance or disposal of the Company's common shares shall hereinafter be referred to as the “delivery” of the Company's common shares) upon exercise of the Share Acquisition Rights shall be the number obtained by dividing the total amount of the bonds pertaining to the Share Acquisition Rights exercised at the same time by the conversion price in effect at the time of such exercise. However, if a fraction of less than one (1) share arises, such fraction shall be settled in cash in accordance with the provisions of the Companies Act of Japan (in cases where the Company has adopted the Share Unit System, if shares less than one (1) unit arise as a result of the exercise of the Share Acquisition Rights, such fraction shall be settled in cash as if the right to demand purchase of shares less than one (1) unit prescribed in the Companies Act of Japan has been exercised, and any fraction of less than one (1) share shall be discarded.) Any fraction of less than one (1) yen arising from such cash settlement shall be rounded down.
Amount paid upon exercise of Share Acquisition Rights*	1. Details and value of assets to be contributed (calculation method) (1) Upon the exercise of one (1) Share Acquisition Right, each bond to which such Share Acquisition Rights are attached shall be contributed. (2) The value of the property to be contributed upon the exercise of one (1) Share Acquisition Right shall be 204,080,000 yen, the amount of each bond. 2. Conversion price The conversion price used to calculate the number of the Company's common shares to be delivered upon the exercise of each Share Acquisition Right shall be 1,554 yen. The conversion price may be adjusted as provided in the Terms and Conditions of the Issuance of Bonds with Share Acquisition Rights. (Note) 1
Period for exercising Share Acquisition Rights*	The Share Acquisition Rights may be exercised at any time between October 10, 2023 and October 4, 2028 (if the bonds are redeemed prior to the maturity date pursuant to the provisions of Paragraph 13, Item (2) (a) (i) through (iii) and (b) (i) through (v) of the Issuance Terms of the Bonds with Share Acquisition Rights, two (2) banking days prior to the redemption date) (Note) 2 However, the exercise of voting rights may not be requested during the following periods. (1) The stockholder record date for the Company's common shares (the record date prescribed in Article 124, Paragraph 1 of the Companies Act of Japan) and the preceding business day (a day that is not a holiday for the transfer institution.) (2) the day on which the transfer institution deems it necessary. (3) If the Company reasonably determines that it is necessary to suspend the exercise of the Share Acquisition Rights in order to carry out organizational restructuring, during the period designated by the Company within 30 days prior to the day within 14 days from the day following the effective date of such organizational restructuring.
Issue price of shares and amount to be incorporated into capital when shares are issued upon	1. Issue price The conversion price of Share Acquisition Rights stated in “Amount paid upon exercise of Share Acquisition Rights” above (if the conversion price is adjusted, the conversion price after adjustment) 2. Increased share capital and capital reserve

exercise of Share Acquisition Rights	(1) The amount of increase in share capital upon issuance of shares upon exercise of Share Acquisition Rights shall be one half of the maximum amount of increase in share capital, etc. calculated pursuant to Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and any fraction less than one (1) yen resulting from such calculation shall be rounded up. (2) The amount of increase in capital reserve upon issuance of shares upon exercise of Share Acquisition Rights shall be amount obtained by subtracting the amount of increase in share capital set forth in (1) above from the maximum amount of increase in share capital, etc. set forth in (1) above.
Conditions for exercising Share Acquisition Rights*	A part of each Share Acquisition Rights cannot be exercised. (Note) 2
Matters related to transfer of Share Acquisition Rights*	Not applicable. (Note) 2
Matters concerning the issuance of Share Acquisition Rights in connection with an act of organizational restructuring*	In the event that the Company carries out organizational restructuring, except in the case of early redemption of the bonds with Share Acquisition Rights, the Successor Company, etc. shall grant Share Acquisition Rights of the Successor Company, etc. to holders of the remaining bonds with Share Acquisition Rights attached immediately prior to the effective date of the organizational restructuring as set forth in items (1) through (10) (hereinafter "Successor Share Acquisition Rights") below in lieu of the Share Acquisition Rights held by the holders of the Share Acquisition Rights. In this case, on the effective date of the organizational restructuring, the Share Acquisition Rights shall be extinguished, the obligations pertaining to the bonds shall be succeeded to the Successor Company, etc., the holder of the Share Acquisition Rights shall become the holder of the Successor Share Acquisition Rights, and the provisions concerning the Share Acquisition Rights in the Issuance Terms of the Bonds with Share Acquisition Rights shall apply mutatis mutandis to the Successor Share Acquisition Rights. 1. The number of Share Acquisition Rights of the Successor Company, etc. to be delivered The same number as the Share Acquisition Rights held by the holders of the remaining bonds with Share Acquisition Rights immediately prior to the effective date of such organizational restructuring. 2. The type of shares to be the subject of the Share Acquisition Rights of the Successor Company, etc. are common shares of the Successor Company, etc. 3. The number of shares to be the subject of the Share Acquisition Rights of the Successor Company, etc. The number of common shares of the Successor Company, etc. to be delivered upon the exercise of Share Acquisition Rights of the Successor Company, etc. shall be determined with reference to the Issuance Terms of the Bonds with Share Acquisition Rights, taking into consideration the conditions of such organizational restructuring, and shall be in accordance with the following: the conversion price shall be subject to the same adjustment as (Note) with respect to the above-mentioned "Amount paid upon exercise of Share Acquisition Rights." (i) In the event of a merger, share exchange, share transfer or share delivery, the conversion price shall be determined so that, when the Share Acquisition Rights of the Successor Company, etc. are exercised immediately after the effective date of the organizational restructuring, the holders of the Company's Share Acquisition Rights will receive the number of common shares of the Successor Company, etc. in the same number that would be obtained if the Share Acquisition Rights were exercised immediately prior to the effective date of the organizational restructuring. When securities or other assets of the Successor Company, etc. other than common shares are delivered at the time of the organizational restructuring, the number of common shares of the Successor Company, etc. equal to the number obtained by dividing the fair market value of the securities or assets by the market value of the common shares of the

	Successor Company, etc. shall also be received. (ii) In the case of any other organizational restructuring, the conversion prices shall be determined so that, when the Share Acquisition Rights of the Successor Company, etc. are exercised immediately after the effective date of such organizational restructuring, the holder of the bonds with Share Acquisition Rights may receive an economic profit equivalent to the economic profit that the holder of the bonds with Share Acquisition Rights would have received if the Share Acquisition Rights had been exercised immediately before the effective date of the organizational restructuring. 4. The details and value of the property to be contributed upon the exercise of Share Acquisition Rights of the Successor Company, etc., or the method of calculating such value Upon the exercise of one (1) Share Acquisition Right of the Successor Company, etc., each bond shall be contributed, and the value of the property contributed upon the exercise of one (1) Share Acquisition Right of the Successor Company, etc. shall be the same as the amount of each bond. 5. The period during which the Share Acquisition Rights of the Successor Company, etc. may be exercised The exercise period shall be from the effective date of the organizational restructuring or the date of delivery of the Share Acquisition Rights of the Successor Company, etc., whichever is later, to the expiration date of the exercise period of the Share Acquisition Rights set forth in “Period for exercising Share Acquisition Rights” above, and shall be subject to the same restrictions as in “Period for exercising Share Acquisition Rights” above. 6. Conditions for the exercise of Share Acquisition Rights of the Successor Company, etc. To be determined in accordance with “Conditions for exercising Share Acquisition Rights” above. 7. There are no provisions on the Share Acquisition Rights of the Successor Company, etc. 8. Matters concerning the capital and capital reserves to be increased in cases where shares are issued as a result of the exercise of Share Acquisition Rights of the Successor Company, etc. The amount of share capital to be increased by the issuance of shares upon the exercise of Share Acquisition Rights of the Successor Company, etc. shall be one half of the maximum amount of increase in share capital, etc. calculated pursuant to Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and any fraction of less than one (1) yen resulting from such calculation shall be rounded up to the nearest one (1) yen. The amount of increase in the capital reserve by the issuance of shares upon the exercise of Share Acquisition Rights shall be the amount obtained by subtracting the amount of increase in share capital from the maximum amount of increase in share capital, etc. 9. If organizational restructuring occurs, it shall be determined in accordance with this column. 10. Other If any fraction of less than one (1) share arises with respect to the number of common shares of the Successor Company, etc. to be delivered by the Successor Company, etc. as a result of the exercise of Share Acquisition Rights of the Successor Company, etc., such fraction shall be rounded down and no adjustment shall be made in cash. (In cases where the Successor Company, etc. has adopted the Share Unit System, if shares less than one (1) unit arise as a result of the exercise of Share Acquisition Rights of the Successor Company, etc., such fraction shall be settled in cash as if the right to demand purchase of shares less than one (1) unit prescribed in the Companies Act of Japan has been exercised, and any fraction of less than one (1) share shall be discarded). In addition, holders of the bonds with Share Acquisition Rights as of the effective date of organizational restructuring may not transfer the bonds separately from the Share
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	Acquisition Rights of the Successor Company, etc. In the event that such restriction on the transfer of the bonds becomes legally invalid, the Share Acquisition Rights of the Successor Company, etc. attached to a bond similar to the bonds issued by the Successor Company, etc. may be delivered to holders of the bonds with Share Acquisition Rights immediately prior to the effective date of such organizational restructuring in lieu of the Share Acquisition Rights and the bonds.
The content and value of the property to be contributed upon the exercise of Share Acquisition Rights*	See “Amount paid upon exercise of Share Acquisition Rights” above
Outstanding amount of bonds with Share Acquisition Rights (Millions of yen)*	9,999

* These items indicate the status as of the end of the fiscal year (March 31, 2024). There are no changes as of the end of month previous to the filing month (May 31, 2024).

(Note) 1 Adjustment of conversion price

If, after the issuance of the bonds with Share Acquisition Rights, the number of issued common shares of the Company changes or is likely to change due to the issuance of new shares with an amount to be paid in that is less than the market price, split of shares, etc., the Company shall adjust the conversion price using the formula set forth below.

After the issuance of the bonds with Share Acquisition Rights, the conversion price shall be adjusted as appropriate in the event of the payment of a special cash dividend or as otherwise provided in the Issuance Terms of the Bonds with Share Acquisition Rights.

$$\begin{array}{ccccccc}
 \text{Adjusted} & & & & \text{Number of} & & \text{Number of} \\
 \text{conversion} & & \text{Conversion} & & \text{common} & & \text{shares issued or} \\
 \text{price} & = & \text{price before} & & \text{shares} & + & \text{disposed of} \\
 & & \text{adjustment} & \times & \text{issued} & & \text{X} \\
 & & & & & & \text{Issue or disposal price} \\
 & & & & & & \text{per share} \\
 & & & & & & \text{Current price} \\
 & & & & \text{Number of common shares issued} + \text{Number of shares issued or} & & \\
 & & & & \text{disposed} & &
 \end{array}$$

2. Matters agreed upon in the Underwriting Agreement concluded between the Company and the Underwriter (AAGS S5, L. P.)

- (1) The Underwriters may not, in principle, exercise this Share Acquisition Rights within one (1) year from October 6, 2023.
- (2) As a general rule, the Underwriters may exercise the Share Acquisition Rights only if the closing price of the regular transactions of the Company's common shares on the business day immediately preceding the day on which the exercise of the Share Acquisition Rights becomes effective is not less than the amount obtained by multiplying the conversion price by 1.20.
- (3) The transfer of the bonds with Share Acquisition Rights by the Underwriters shall require the approval of the resolution of the Company's Board of Directors.
- (4) The Underwriters shall not transfer the shares acquired through the conversion of the bonds with Share Acquisition Rights to certain competitors and activists designated by the Company outside the market without the prior written consent of the Company (excluding transactions for which the purchaser cannot be specified, such as PTS transactions and off-auction transactions).
- (5) During the period from October 6, 2023 until either (i) the expiration date of the exercise period of the Share Acquisition Rights or (ii) the date on which the Holding Ratio of Share Certificates, etc. of the Underwriter ceases to be 5% or more, whichever comes first, if the Company intends to decide, execute or agree with a third party to issue or dispose of the shares, etc. (excluding those resulting from the remuneration of shares based on the remuneration plan for officers and employees of the Company and its subsidiaries that has already been introduced and the exercise of Share Acquisition Rights for stock

options that have already been issued as of the date of the Underwriting Agreement), the Company shall notify the Underwriter of the details of such decision, execution or agreement with a third party at least 20 business days prior to the earlier of such decision, execution or agreement with a third party, and shall confirm the intention of the Underwriter, and shall obtain the written consent of the Underwriter prior to such decision, execution or agreement with a third party, whichever comes earlier. If the Underwriter receives such notice and desires to issue or dispose of the shares, etc. to the Underwriter on behalf of or in addition to such third party under the same conditions, the Company shall issue or dispose of the shares, etc. to the Underwriter under the same conditions.

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

Not applicable.

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

Not applicable

(5) Shareholdings by shareholder category

As of March 31, 2024

As of March 31, 2024

Category	Number of shares (100 shares per unit)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial institutions business operators	Other corporations	Foreign shareholders		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	-	21	26	161	181	51	12,327	12,767	-
Number of shares held (Units)	-	65,270	13,089	190,213	95,039	498	123,218	487,327	22,800
Shareholding ratio (%)	-	13.393	2.685	39.031	19.502	0.102	25.284	100.000	-

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

2. 74,908 shares of treasury shares held by the Company are included in “Individuals and others” and “Share less than one unit” in the table. These amounts are 749 units and 8 shares, respectively

(6) Major shareholders

As of March 31, 2024

Name	Address	Number of shares held (shares)	Ratio of the number of shares held to the total number of issued shares (excluding treasury share) (%)
HOUON Co., Ltd	2-41-8 Maihama, Urayasu-shi, Chiba	18,507,500	38.02
The Master Trust Bank of Japan, Ltd. (Accounted in trust)	AKASAKA INTERCITY AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	3,524,500	7.24
Tomoaki Horiguchi	Urayasu-shi, Chiba	2,478,396	5.09

Name	Address	Number of shares held (shares)	Ratio of the number of shares held to the total number of issued shares (excluding treasury share) (%)
Custody Bank of Japan, Ltd. (Accounted in trust)	1-8-12 Harumi, Chuo-ku, Tokyo	2,037,100	4.18
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	892,400	1.83
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, NA Tokyo Branch)	PALISADES WEST 6300, BEE CAVE ROAD BUILDING ONE AUSTIN TX 78746 US (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	477,700	0.98
Keiko Horiguchi	Urayasu-shi, Chiba	416,500	0.86
Sun Frontier Employee Stock Ownership Association		416,000	0.85
JP Morgan Securities Co., Ltd.	2-7-3 Marunouchi, Chiyoda-ku, Tokyo	374,851	0.77
SSBTC CLIENT OMNIBUS ACCOUNT		354,057	0.73
Total	-	29,479,004	60.56

Note: 1. Of the number of shares held above, the number of shares held through trusts is as follows.

The Master Trust Bank of Japan, Ltd.	1,295,400 shares
Custody Bank of Japan, Ltd.	1,465,000 shares

(7) Voting rights

(i) Outstanding shares

As of March 31, 2024

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury share, etc.)	-	-	-
Shares with restricted voting rights (others)	-	-	-
Shares with full voting rights (treasury share, etc.)	(Treasury share) Common shares 74,900	-	-
Shares with full voting rights (others)	Common shares 48,657,800	486,578	-
Shares less than one unit	Common shares 22,800	-	-
Number of issued shares	48,755,500	-	-
Total number of voting rights	-	486,578	-

Notes: 1. Shares less than one unit include 8 shares in treasury shares.

2. Common shares in the “Shares with full voting rights (others)” includes 128,300 Company's treasury shares (1,283 voting rights) held by the employee stock ownership plan (J-ESOP).

(ii) Treasury share, etc.

As of March 31, 2024

Name of shareholders	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
(Treasury shares) Sun Frontier Fudousan Co., Ltd.	1-2-2 Yurakucho, Chiyoda-ku, Tokyo	74,900	-	74,900	0.1
Total	-	74,900	-	74,900	0.1

Notes: 1. In addition to the above, there are 8 shares less than one unit.

2. The Company's 128,300 treasury shares owned by the employee stock ownership plan (J-ESOP) are not included in the above treasury shares, etc., but are accounted for as treasury shares in the consolidated financial statements and non-consolidated financial statements.

(8) Details of officers and employee stock ownership plan

The Company implemented an incentive plan, the “employee stock ownership plan (J-ESOP)” (hereinafter referred to as the “Plan” and the trust established under the trust agreement concluded with Mizuho Trust & Banking Co., Ltd. concerning the Plan is referred to as the “Trust”) in which the Company's stock price and performance are linked to employee (including employees of the Company and some employees of the Company's subsidiaries. The same applies hereinafter) compensation and shared with shareholders to motivate employees to improve their stock price and performance.

(i) Outline of the Plan

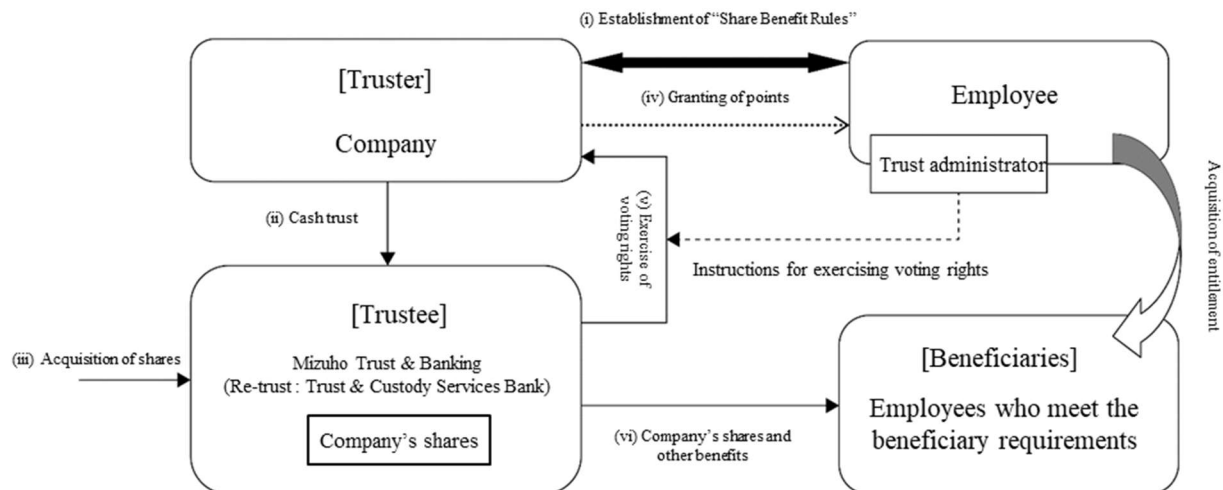
Based on the Share Benefit Regulations established by the Company in advance, the Plan provides the Company's employees who meet certain requirements with the cash equivalent to Company's shares and

Company's shares converted at market value (hereinafter referred to as “Company's shares”).

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

The introduction of this system will increase the interest of the Company's employees in improving their stock prices and business performance, and will contribute to the Company's more ambitious work.

Structure of the System



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

(ii) Total number of shares to be delivered to employees, etc.
128,300 shares

(iii) Scope of persons who can receive beneficial interests and other rights under the Plan
A person who satisfies the beneficiary requirements specified in the Company's Share Benefit Regulations

2. Acquisitions, etc. of Treasury Share

Classes of shares Companies Act of Japan Acquisition of common shares pursuant to Article 155, Item 3, 7, and 13

(1) Acquisitions by a resolution of the General Meeting of Shareholders
Not applicable.

(2) Acquisition by a resolution of the Board of Directors
Not applicable

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

Category	Number of shares (shares)	Total value (thousand yen)
Treasury shares acquired during the fiscal year under review	1,985	0
Treasury shares acquired during the period	0	—

Note: Treasury shares acquired during the period under review do not include the number of shares acquired through the purchase of shares less than one unit from June 1, 2024 to the date of submission of the Annual Securities Report.

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

Category	During the fiscal year under review		During the period	
	Number of shares (shares)	Total disposal amount (million yen)	Number of shares (shares)	Total disposal amount (million yen)
Acquired treasury shares that were offered to subscribers for subscription	-	-	-	-
Acquired treasury shares that were canceled	-	-	-	-
Acquired treasury shares that were transferred due to merger, exchange of shares, issue of shares, or corporate split	-	-	-	-
Other (Granting of the Restricted Stock)	35,946	51	-	-
Number of treasury shares held	74,908	-	74,908	-

Notes: 1. The number of treasury shares held during the current period does not include the number of shares acquired through the purchase of shares less than one unit during the period from June 1, 2024 to the filing date of this Annual Securities Report.

2. The number of treasury shares held by the employee stock ownership plan (J-ESOP) is not included in the number of shares held during the fiscal year under review and during the period.

3. Dividend Policy

The Company's basic policy is to contribute to the interests of shareholders in a comprehensive manner by striving to return profits to shareholders in a stable manner over the long term while securing investment funds that will aggressively challenge businesses for future growth, and by taking into consideration the stability and enhancement of financial position.

The Company stipulated in the Articles of Incorporation that interim dividends can be implemented, and its policy is to continue to distribute dividends twice a year, with the record date set on March 31 and September 30 each year. The distribution of dividends is resolved by either the General Meeting of Shareholders or the Board of Directors.

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

Date of resolution	Total dividend amount (million yen)	Dividends per share (yen)
November 9, 2023 Board of Directors Resolution	1,265	26.00
May 21, 2024 Board of Directors Resolution	1,553	32.00

Note: The total amount of dividends includes the Company's shares' dividends accounted in trust by the employee stock ownership plan (J-ESOP).

4. Corporate Governance, etc.

(1) Overview of corporate governance

(i) Basic stance on corporate governance

The Company's basic stance on corporate governance is that all officers and employees should set “the right thing to do as a human being” based on high ethical standards as a criterion for business execution and practice it. Based on this, we recognize that it is an important mission of management to contribute to society through business activities and to pursue profit fairly, and to build firm trust from stakeholders such as shareholders, customers and employees by continuously increasing corporate value over the long term.

Based on this recognition, the Company is working to strengthen its corporate governance with the below basic policies:

1. improving transparency and ensuring fairness,
2. swift decision-making and business execution,
3. thorough accountability,
4. timely and appropriate information disclosure, and
5. enhancement of compliance awareness.

(ii) Outline and reason for adoption of the current corporate governance system

A. Overview of current corporate governance system and its activities

By adopting a system of a Company with Audit & Supervisory Committee as corporate governance system, the Audit & Supervisory Committee members, who audit and supervise the execution of duties of the directors, will become members of the Board of Directors, thereby strengthening the supervisory function of the Board of Directors and further enhancing corporate governance. In addition, by enabling the Board of Directors to broadly delegate decisions on business execution to the directors, we aim for a swift decision-making on business execution. At the same time, we aim to achieve sustainable growth and increase corporate value in the medium to long term by having the Board of Directors focus on important management decisions such as management plans.

(a) Board of Directors

The Company's Board of Directors consists of eleven members from directors (including four outside directors) and is responsible for passing resolutions on matters stipulated in laws and regulations and the Articles of Incorporation, as well as making management decisions and supervising the execution of duties. Board of Directors meetings are held once a month, and extraordinary Board of Directors meetings are held as necessary to decide on matters stipulated by laws and regulations, important matters related to company management, and other matters stipulated by the Board of Directors Regulations. In addition, the Company supervises the execution of duties by directors and executive officers by receiving information on the status of execution of duties from directors and executive officers on a regular basis. In fiscal 2023, the Company held 18 Board of Directors meetings, and the attendance of each Director is as follows

Title	Name	Number of meetings held	Attendance
Chairman Representative Director	Tomoaki Horiguchi	18 times	18 times
President Representative Director	Seiichi Saito	18 times	18 times
Vice President Director	Izumi Nakamura	18 times	18 times
Senior Managing Director	Yasushi Yamada	18 times	18 times
Director	Mitsuhiro Ninomiya	18 times	18 times
Director	Kenji Honda	18 times	18 times
Outside Director	Kazutaka Okubo	18 times	18 times
Outside Director	Keiichi Asai	18 times	18 times
Audit & Supervisory Committee Member Director	Shinichi Tominaga	18 times	18 times
Audit & Supervisory Committee Member Outside Director	Hidetaka Tanaka	18 times	18 times
Audit & Supervisory Committee Member Outside Director	Tsuneko Murata	18 times	18 times

(b) Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three Audit & Supervisory Committee members (including two outside directors), and each Audit & Supervisory Committee member shall conduct audit as described in “(3) Conditions of audit (i) Audit & Supervisory Committee’s Audit” in accordance with the audit policy, audit plan, etc. established by the Audit & Supervisory Committee.

(c) Nomination and Compensation Committee (optional)

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

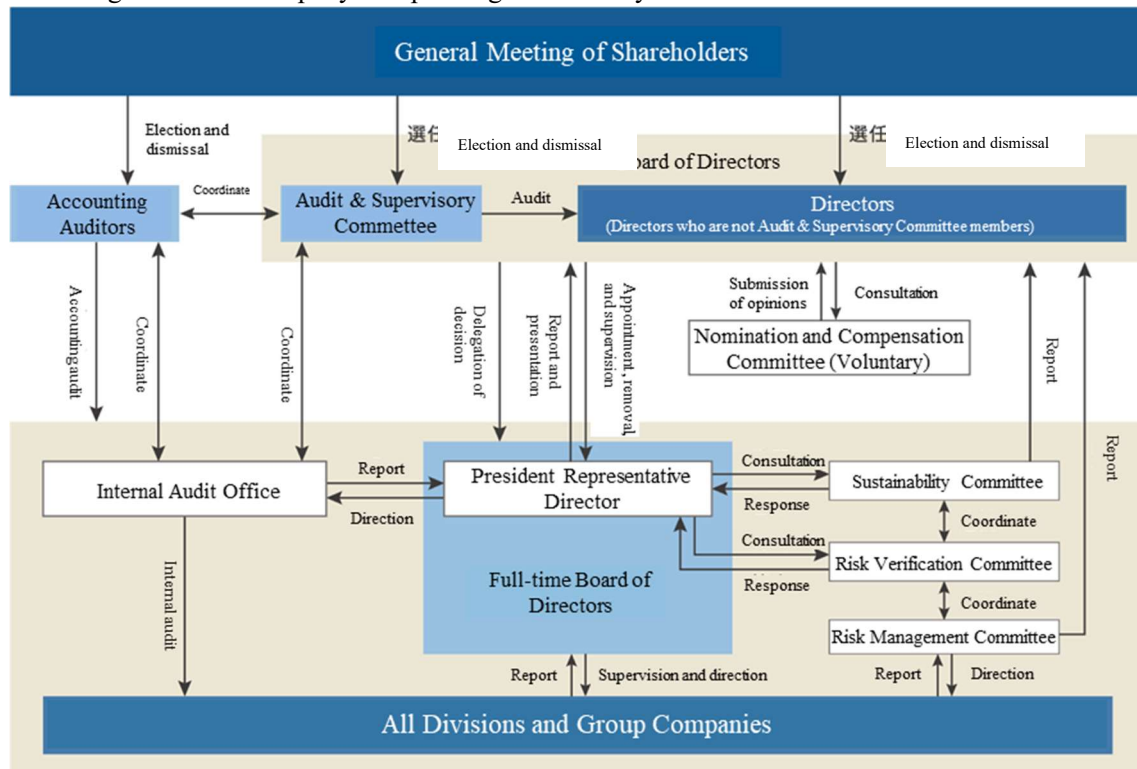
In fiscal 2023, Nomination and Compensation Committee meetings were held three times, and the attendance of individual directors is as follows.

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

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

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

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



A. Reason for adoption of the said system

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

(iii) Other items on corporate governance

A. the Progress of the Internal Control System Development

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

B. Basic policy for building an internal control system

(a) Systems to ensure that the execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation

All directors and employees shall strive to establish a management system that is trusted by society on an ongoing basis in the future by strengthening internal management systems and raising awareness of compliance, based on the recognition that it is our social responsibility as a company to always embody the spirit of legal compliance and execute business based on a fair and high level of ethics. In concrete terms, the Internal Audit Office, which is under direct control of the President Representative Director, will be established to conduct regular internal audits of all divisions and group companies without exception. In internal audits, the Company shall ascertain the status of business operations and systems and shall fairly investigate and verify whether all business operations are conducted appropriately in compliance with laws and regulations, the Articles of Incorporation, and internal rules, and whether corporate systems, organizations, and rules are proper and appropriate. The results of audits shall be reported to the President Representative Director and Audit & Supervisory Committee on a regular basis. Also the Company shall report to Board of Directors as needed. In addition, the Company will establish a "Corporate Ethics Help Line" and establish an internal reporting system with various contact methods that thoroughly protects reporters in order to prevent and promptly detect violations of laws and regulations and misconduct to improve the mobility of the self-cleaning process, control reputational risks, and ensure public trust. Furthermore, in order to raise awareness of compliance, the Legal Department will be established, and various training and education will be conducted. The Company and group companies shall have no relationship with anti-social forces and shall respond resolutely to unreasonable demands.

(b) System for storage and management of information related to the execution of duties by directors

Information related to the execution of duties by directors, such as records related to decision-making at important meetings including the Board of Directors meetings and documents approved by each director in accordance with the "Regulations on Administrative Authority," shall be appropriately recorded, and shall be retained for a specified period of time in accordance with laws and regulations and the "Regulations on the Handling of Documents," and shall be kept available for inspection by directors as necessary. The General Manager of the Administration Department shall be responsible for supervising the storage and management of information.

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

In order to respond to all risks that threaten the improvement of corporate value and the sustainable development of the Company, the Company will strive to establish an organizational crisis management system by creating a risk management manual and establishing a task force headed by the President Representative Director (including a team of external experts such as corporate lawyers) in the event of an unforeseen event.

(d) Systems to ensure efficient execution of duties by directors

As an indicator for establishing and implementing the corporate vision of the entire corporation, the Company has formulated a medium-term management policy and a single-year management plan. In order to realize the management policy and the management plan, the Board of Directors has clarified

the executive authority and responsibilities of directors and has increased the efficiency of the execution of duties. In addition, with regard to matters for which decisions on business execution have been delegated to the President Representative Director and directors in charge of business execution of other matters, necessary decisions shall be made based on the “Organization Regulations” or the “Regulations for Management of Affiliated Companies” including group companies. These regulations shall also be appropriately reviewed based on revisions and abolition of laws and regulations and for the purpose of improving the efficiency of the execution of duties.

- (e) Systems to ensure the appropriateness of operations within the corporate group consisting of the Company and group companies

In order to ensure the appropriate execution of operations by group companies, the Corporate Planning Department shall be responsible for the management of the group companies in accordance with the “Regulations for the Management of Affiliated Companies.” While respecting the autonomy of the group companies, the Corporate Planning Department shall receive periodic reports on the status of the business of the group companies. In addition, the Corporate Planning Department shall require prior consultation or prior approval with the Company for important management matters of the group companies. Group companies' management plans are also formulated under the control of the Company, and the Company provides timely and appropriate advice and guidance during the business period to improve the efficiency of group companies' operations. In addition, the Company and its group companies have established a Risk Management Committee chaired by the President Representative Director and assign risk management officers to each division. In the event that any risk is discovered in management or business, it shall be reported to the Risk Management Committee, and the risk information shall be analyzed and countermeasures shall be considered to prevent damage or to minimize damage to the Company and the group companies if such damage occurs. We will establish a system for reporting violations of laws and regulations or illegal acts that have occurred or may occur at group companies to the internal reporting desk or outside Audit & Supervisory Committee Members specified in the “Regulations on the Corporate Ethics Help Line”. We will strive for early detection and resolution of these violations. The Internal Audit Office shall conduct internal audits of all group companies in order to ensure the effectiveness and appropriateness of systems, organizations, and regulations covering the overall operations of group companies. The results of these audits shall be reported to the organization designated by the Company's President Representative Director and Audit & Supervisory Committee, etc. President Representative Director shall prepare and report its financial statements in accordance with fair and appropriate accounting standards in order to enhance the reliability of financial reporting and increase corporate value of the Company and its group companies.

- (f) Matters relating to employees who are required to assist Audit & Supervisory Committee Members in performing their duties

In the event that Audit & Supervisory Committee Members request that an employee be assigned to assist them in performing their duties, such employee shall be assigned as an Audit & Supervisory Committee Members' assistant. The auditor's assistant shall be appointed from persons who have sufficient knowledge of accounting and law and shall perform their duties in accordance with the instructions of the Audit & Supervisory Committee Members.

- (g) Matters related to the independence of employees from directors in the preceding paragraph

In order to ensure the independence of the auditor's assistant as set forth in the preceding paragraph, personnel changes and evaluations of such employees shall be reported to Audit & Supervisory Committee Members in advance and their consent shall be obtained.

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

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

will cooperate with the Audit & Supervisory Committee Members to improve the auditing environment so that the duties of the auditor's assistant are carried out smoothly.

- (i) System for reporting to Audit & Supervisory Committee Member and other Members by Directors and employees of the Company and group companies

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

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

The Company shall promptly respond to requests from Audit & Supervisory Committee Members for advance payment of expenses incurred in the execution of their duties, reimbursement of expenses incurred, and repayment of obligations incurred, except in cases where such expenses can be proved not to have arisen in the execution of their duties.

- (k) Systems to ensure effective audits by Audit & Supervisory Committee Members

President Representative Director will hold regular meetings with Audit & Supervisory Committee Members in order to facilitate mutual communication. In addition, in accordance with the "Regulations for Internal Audit" and the "Internal Audit Implementation Guidelines," the Internal Audit Office shall maintain close contact and coordination and cooperate to ensure that audits by Audit & Supervisory Committee Members and audits by the accounting auditor are conducted efficiently and effectively.

C. Outline of the operating status

- (a) Directors' execution of duties

We have established internal rules to ensure that directors act in compliance with laws and regulations and the Articles of Incorporation. During the fiscal year under review, the Company held 17 Board of Directors meetings to discuss each proposal, supervise the status of business execution, and actively exchange opinions.

- (b) Execution of duties by Audit & Supervisory Committee Members

During the fiscal year under review, the Audit & Supervisory Committee Members held 13 Audit & Supervisory Committee Members' meetings and implemented audits based on the audit plan. In addition, the Audit & Supervisory Committee Members attended Board of Directors meetings and other important meetings and regularly exchanged information with the President Representative Director, the accounting auditor, and the Internal Audit Office to audit the execution of duties by the directors and to confirm the development and operational status of the internal control system.

(c) Ensuring the appropriateness of operations at the Company's subsidiaries

The Company receives periodic reports on the status of its business from its subsidiaries in accordance with the “Regulations for Management of Affiliated Companies” and monitors their business activities.

(d) Compliance and Risk Management

The Company has established the “Corporate Ethics Help Line” to ensure that employees who have reported compliance violations or questionable acts are not treated unfavorably for the reason of the report. The Company ensures that reporters are not treated unfavorably in personnel change, personnel evaluation and disciplinary action. In addition, we are preparing for unexpected situations such as training for countermeasures against large-scale disasters and securing supplies for people with difficulty in returning home.

D. Status of the development of the risk management system

The Company's risk management system includes risk management in each division. At the same time, the director who is not Audit & Supervisory Committee Member, division head, and chief grasp the status of important management matters (contracts, quality, intellectual property, etc.) in a cross-sectional manner. If necessary, the director who is not Audit & Supervisory Committee Member, division head, and chief hold weekly meetings for report and review. The Company has established a system to promptly hold a temporary Board of Directors' meeting to respond to an emergency.

In addition, in order to strengthen risk management, the Company strives to implement internal audit and enhance education and training regarding various laws and regulations for officers and employees and carries out educational activities to ensure awareness. Moreover, the Company has entered into an advisory contract with a law firm in order to deal with cases that require guidance and has received advice and guidance appropriately.

E. Outline of the liability limitation agreement

The Company has concluded a liability limitation agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the Outside Directors under Article 423, Paragraph 1 of the said Law. The maximum amount of liability for damages under the agreement is the amount stipulated by laws and regulations.

Such limitation of liability is permitted only when the Outside Director has acted in good faith and without gross negligence in performing the duties that caused the liability.

F. Outline of officers' liability insurance contract

The Company has entered into liability insurance contracts for officers, etc. as stipulated in Article 430 (3), Item 1 of the Companies Act with the Company's and its subsidiaries' Directors, Audit & Supervisory Committee Members, executive officers and other employees as insured persons. Claims for damages arising from an act performed by an insured person in relation with the business of the Company (including inaction) are covered by compensation for damages and court costs incurred by the insured. The Company pays all insurance premiums for all insured persons, but damage caused by criminal acts or intentional illegal acts is excluded so as not to impair the appropriateness of the execution of duties.

(iv) Matters related to director

A. Maximum number of directors

The Company's Articles of Incorporation stipulate that the number of directors of the Company shall not exceed 10 and the number of Audit & Supervisory Committee Members shall not exceed 4.

B. Requirements for a resolution on the appointment of a director

The Company's Articles of Incorporation stipulate that a resolution for the election of a director shall be adopted by a majority of the voting rights of the shareholders who are eligible to exercise the voting rights and who are present at the meeting, where the shareholders holding one-third or more of the voting rights of all shareholders eligible to exercise the voting rights must be present and cumulative voting shall not be used in a resolution for the election of a director.

(v) Matters concerning General Meeting of Shareholders

A. General Meeting of Shareholders special resolution requirements

When a special resolution is required, resolutions made pursuant to Article 309, Paragraph 2 of the Companies Act of Japan shall be adopted by two-thirds or more of the voting rights of the shareholders who are eligible to exercise the voting rights and who are present at the meeting, where the shareholders holding one-third or more of the voting rights of all shareholders eligible to exercise the voting rights must be present. The purpose of this agreement is to facilitate the smooth operation of General Meeting of Shareholders by securing a quorum for special resolutions in General Meeting of Shareholders.

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

(a) Acquisition of own shares

To enable the execution of flexible capital policy to respond to changes in the business environment, pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act of Japan, the Company may acquire its own shares through transactions on the market, etc., by a resolution of the Board of Directors.

(b) Exemption from liability of Director

To ensure directors can fully perform the role expected of them, in accordance with the provisions of Article 426, Paragraph 1 of the Companies Act of Japan, the Company may, by a resolution of the Board of Directors, exempt a Director (including those who were a Director) from his/her liability for damages caused by his/her dereliction of duty, within the limits stipulated by laws or regulations.

(c) Dividends of surplus, etc.

In order for the Company to flexibly implement its capital and dividend policies, we provide in our Articles of Incorporation that matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act of Japan, such as dividends of surplus, may be determined by resolution of the Board of Directors, except as otherwise provided by laws and regulations.

(2) Board of Directors and Audit & Supervisory Committee Members

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

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

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Chairman Representative Director	Tomoaki Horiguchi	April 21, 1958	March 1990 Sun Frontier Co., Ltd. (merged company) President Representative Director April 1999 Establishment of the Company President Representative Director August 2015 Representative Director of Sun Frontier Hotel Management Inc. (current position) November 2017 Representative Director of Sun Frontier Sado Co., Ltd. (current position) June 2018 Representative Director of Sun Frontier Okinawa Co., Ltd. (current position) August 2018 Representative Director of Okesa Kanko Taxi Co., Ltd. (current position) April 2020 Chairman Representative Director of the Company (current position)	(Note 2)	2,478,396

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
			May 2021 President Representative Director of Hotel Osado Co., Ltd. (current position)		
President Representative Director	Seichi Saito	June 9, 1960	September 2005 Joined the Company November 2005 General Manager of Administration Division June 2006 Director, General Manager of Management Division June 2008 Senior Managing Director, General Manager of Management Division June 2012 Executive Vice President, Vice President Executive Officer, General Manager of Administration Division June 2014 Representative Executive Vice President, Vice President Executive Officer, General Manager of Administration Division April 2015 Representative Executive Vice President, Vice President Executive Officer, General Manager of Asset Management Division June 2017 Chairman of Sun Frontier Fudousan Taiwan Co., Ltd. (current position) January 2019 Representative Director of Kouwa Corporation (currently SF Engineering Inc.) (current position) April 2020 President Representative Director of the Company, President Executive Officer (current position)	(Note 2)	81,829

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Vice President Director, General Manager of Entrusted Asset Management Division	Izumi Nakamura	March 16, 1952	September 2006 Joined the Company Head of Sales Administration Entrusted Asset Management Division June 2008 Director, General Manager of Entrusted Asset Management Division of the Company June 2012 Representative Director SF Building Support Inc. (current position) June 2012 Managing Director, Managing Executive Officer, General Manager of Entrusted Asset Management Division of the Company November 2013 Representative Director of Yubi Co., Ltd. (currently SF Building Maintenance Inc.) (current position) June 2016 Senior Managing Director, Senior Managing Executive Officer, General Manager of Entrusted Asset Management Division April 2019 Representative Director of Sun Frontier Space Management Inc. (current position) April 2020 Executive Vice President, Vice President Executive Officer, General Manager of Entrusted Asset Management Division (current position)	(Note 2)	60,781
Senior Managing Director, General Manager of Business Promotion Division	Yasushi Yamada	December 23, 1965	August 2010 Joined the Company, Manager of Corporate Planning Division June 2012 Executive Officer, Manager of Corporate Planning Division April 2015 Executive Officer, General Manager of Administration Division June 2015 Director, Executive Officer, General Manager of Administration Division June 2016 Managing Director, Managing Executive Officer, General Manager of Administration Division November 2017 Representative Director of PT.SUN FRONTIER PROTERTY ONE (current position) December 2017 Representative Director of PT.SUN FRONTIER INDONESIA (current position)	(Note 2)	22,765

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
			April 2020 Senior Managing Director, Senior Managing Executive Officer, General Manager of Business Promotion Division (current position) June 2020 Chairman Representative Director of SUN FRONTIER VIETNAM CO., LTD. (current position) June 2020 Chairman Representative Director of SUN FRONTIER DANANG CO., LTD. (current position)		
Managing Director, General Manager of Administration Division	Mitsuhiro Ninomiya	March 1, 1969	September 2003 Joined the Leasing Business Division of the Company March 2006 Manager of Property Management Business Division October 2010 Manager of Human Resources General Affairs Division June 2014 Executive Officer (current position) April 2018 Deputy General Manager of Administration Division, Manager of Corporate Planning Division April 2019 Deputy General Manager of Administration Division, Manager of Corporate Planning Division, Manager of Information System Division July 2019 Deputy General Manager of Administration Division, Manager of General Affairs Division, Manager of Information System Division April 2020 General Manager of Administration Division of the Company (current position) June 2020 Director April 2024 Managing Director (current position)	(Note 2)	36,133
Director, General Manager of Asset Management Division	Kenji Honda	March 5, 1967	April 2006 Joined the Company in Entrusted Asset Management Division Corporate Sales Section October 2010 Chief of Property Management Business Division June 2014 Executive Officer (current position), Manager of Property Management Business Division	(Note 2)	7,833

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
			April 2018 Deputy General Manager of Entrusted Asset Management Division, the 1st Manager of Property Management Business Division April 2020 General Manager of Asset Management Division (current position) June 2020 Director (current position) February 2021 Representative Executive Vice President of Communication Development Inc. (currently SF Communication Inc.) (current position) April 2024 Senior Executive Officer (current position)		
Director	Keiichi Asai	September 29, 1954	April 1978 Joined Mitsubishi Corporation April 2009 Executive Officer and Head of the Energy Business Group CEO Office of the same company April 2013 Vice President Director of Lithium Energy Japan September 2014 President Representative Director of KH Neochem Co., Ltd. April 2019 Retired from the same company June 2021 Outside Director, Audit & Supervisory Committee Member of Cosmo Energy Holdings Co., Ltd. (current position) June 2022 Outside Director of the Company (current position)	(Note 2)	0-
Director	Koichi Ishimizu	October 16, 1958	April 1984 Joined Shimizu Corporation February 1997 Director of Tokyo Branch Construction Department of the same company July 2007 General Manager of Tokyo Building Construction Department No. 3, Building, Construction Division of the same company July 2008 General Manager of New Head Office Construction Division of the same company April 2015 Executive Officer, Director of Hiroshima Branch of the same company April 2017 Managing Officer in charge of the Tokyo Metropolitan Area, Director of Tokyo Branch of the same company		0

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
			April 2020 Senior Managing Officer in charge of the Tokyo Metropolitan Area, Director of Tokyo Branch, Manager in charge of Nuclear Business of the same company April 2021 Senior Managing Officer in charge of the Kansai Region, Director of the Yumeshima Project of the same company April 2023 Standing Advisor of the same company March 2024 Resigned from the same company June 2024 Outside Director of the Company (current position)		
Director, Audit & Supervisory Committee Member	Shinichi Tominaga	June 13, 1957	April 1981 Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation) September 2007 Compliance Manager of Kenedix Advisors, Inc. March 2009 Manager of Finance & Accounting Department of Kenedix, Inc. September 2010 Manager of Business Management Department of Kenedix, Inc. July 2017 Joined the Company, Deputy General Manager of Administration Division April 2018 Manager for Governance and Other Special Missions of the Company April 2019 Accounting Manager of the Company July 2020 Manager of Corporate Planning Division of the Company June 2022 Director, Audit & Supervisory Committee Member of the Company (current position)	(Note 3)	700

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Director, Audit & Supervisory Committee Member	Kazutaka Okubo	March 22, 1973	November 1995 <u>Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC)</u> April 1999 <u>Registered as Certified Public Accountant</u> June 2006 <u>Partner of ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC)</u> July 2012 <u>Senior Partner of ShinNihon LLC (currently Ernst & Young ShinNihon LLC)</u> February 2016 <u>Senior Managing Director and General Manager of ERM of the same audit corporation</u> June 2019 <u>President Representative Director of Okubo Associates Co., Ltd. (current position)</u> June 2019 <u>Director of the Company (current position)</u> December 2019 <u>Outside Director of LIFULL Co., Ltd. (current position)</u> February 2020 <u>Outside Director of SALA Corporation (current position)</u> June 2020 <u>Outside Director of The Shoko Chukin Bank, Ltd. (current position)</u> June 2020 <u>Outside Director, Audit & Supervisory Committee Member of Musashi Seimitsu Industry Co., Ltd. (current position)</u> November 2020 <u>Representative Director of SS DNAFORM (current position)</u> September 2021 <u>Outside Director, Audit & Supervisory Committee Member of BrainPad Inc. (current position)</u> June 2024 Director, Audit & Supervisory Committee Member of the Company (current position)		3,500-
Director, Audit & Supervisory Committee Member	Yukiko Edahiro	June 14, 1980	December 2009 Registered as an attorney at law (Tokyo Bar Association) December 2009 <u>Joined Makinouchi & Kamiishi Law Office (currently Makinouchi Law Office)</u> July 2016 <u>Joined Ginza Broad Law Office</u> January 2020 <u>Established Toranomon Daiichi Law Office (present)</u> June 2024 Director, Audit & Supervisory Committee Member of the Company (current position)	(Note 3)	0-

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Total					2,691,937

Notes: 1. Director Mr. Keiichi Asai, Mr. Kazutaka Okubo, Mr. Hidetaka Tanaka and Ms. Tsuneko Murata are “Outside Directors.”

2. For one year from the conclusion of Annual General Meeting of Shareholders on June 27, 2023

3. For two years from the conclusion of Annual General Meeting of Shareholders on June 21, 2022

4. The Company has appointed 1 substitute Audit & Supervisory Committee Member who is a director as stipulated in Article 329, Paragraph 3 of the Companies Act of Japan in preparation for the event that the number of Audit & Supervisory Committee Member who is a director falls short of the number stipulated by laws and regulations.

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

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

5. The Company has introduced an executive officer system in order to improve efficiency by separating management decision-making and supervisory functions from business execution functions and to strengthen business execution functions. The 14 executive officers is as follows.

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

Tetsuya Arai	Executive Officer	Asset Management Division, General Manager of Consulting Department
Hiroyuki Kobayashi	Executive Officer	Asset Management Division, Building Business Department, General Manager of Replanning Department

* Indicates Executive Officer concurrently serving as Director.

(ii) Outside Officers

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

Outside Director Mr. Keiichi Asai joined Mitsubishi Corporation and worked in various divisions of the petroleum business including sales, supply and marketing and refining of petroleum products. He was also stationed in the United States and India and has engaged in international business of the energy business group almost consistently. He has a wealth of knowledge and experience as he assumed the positions of Vice President Director of Lithium Energy Japan in 2013 and President Representative Director of KH Neochem Co., Ltd. in 2014 and has been involved in overall corporate management. The Company has appointed him as Outside Director because the Company has judged that he can be expected to supervise the management of the Company based on his wealth of knowledge and experience, and appropriately perform his duties. The Company has designated him as an independent officer under the provisions of the Tokyo Stock Exchange, Inc. and has notified the Tokyo Stock Exchange of the designation. There are no other personal relationships, capital relationships, significant business relationships, or any other interests between the Company and Mr. Asai.

Mr. Koichi Ishimizu, an Outside Director at Sun Frontier Fudousan Co., Ltd., joined Shimizu Corporation, where he had consistently been involved in construction site operations, overseeing building construction management. He had supervised construction projects from inception to completion, and had held senior management positions, including Executive Officer and Senior Executive Officer, gaining extensive experience in corporate management. Based on his vast knowledge and experience in both field operations and management, the Company has appointed him as an Outside Director, expecting him to provide effective supervision of the Company's management and perform his duties appropriately. The Company has also designated him as an independent officer under the provisions of the Tokyo Stock Exchange, Inc., and has notified the Tokyo Stock Exchange of this designation. There are no other personal relationships, capital relationships, significant business relationships, or any other interests between the Company and Mr. Ishimizu.

Outside Director Mr. Kazutaka Okubo, who is an Audit & Supervisory Committee Member, is well versed in corporate audit as a Certified Public Accountant. He has served as a manager of audit corporations, various expert committee members of government agencies and executive officers of business associations. He has a wealth of insight and experience in areas such as crisis management, compliance and CSR. The Company has appointed him as Outside Director who is an Audit & Supervisory Committee Member because the Company has judged that it is possible for him to provide appropriate advice and proposals at an independent standpoint to the managers involved in business execution in the decision-making of the Board of Directors. The Company has designated him as an independent officer under the provisions of the Tokyo Stock Exchange, Inc. and has notified the Tokyo Stock Exchange of the designation. Although he holds Company's shares (3,500 shares) as of the filing date, there are no other personal relationships, capital relationships, significant business relationships, or any other interests between the Company and Mr. Okubo.

Ms. Kyoko Edahiro, an Outside Director and Audit and Supervisory Committee Member at Sun Frontier Fudousan Co., Ltd., is a lawyer with specialized knowledge and extensive experience in corporate legal affairs, focusing on real estate and inheritance-related fields. The Company has appointed her as an Outside Director and Audit and Supervisory Committee Member, believing that her professional expertise will contribute to strengthening the governance of the Company Group and enhancing the audit and supervision of business execution. The Company has also designated her as an independent officer under the provisions of the Tokyo Stock Exchange, Inc., and has notified the Tokyo Stock Exchange of this designation. There

are no other personal relationships, capital relationships, significant business relationships, or any other interests between the Company and Ms. Edahiro.

As described above, Outside Directors and Outside Audit & Supervisory Committee Members are expected to fulfill their functions and roles to contribute to the sustainable growth of the Company and the enhancement of corporate value over the medium- to long-term, and the Company believes that the Outside Directors and Outside Audit & Supervisory Committee Members are sufficiently selected.

The Company has established criteria for determining the independence of Outside Directors and Outside Audit & Supervisory Board Members to be appointed. Individuals who fall under any of the following criteria for the independence of Outside Directors will not be appointed.

Criteria for Determining the Independence of Outside Directors

An Outside Director of the Company is deemed to have independence if none of the following conditions apply:

1. An executive (*1) of the Company or its consolidated subsidiaries (hereinafter collectively referred to as the "Company Group"), or someone who has been an executive of the Company Group in the past 10 years.
2. A person or an executive of a person for whom the Company Group is a major business partner (*2).
3. A major business partner (*2) of the Company Group or an executive thereof.
4. A major lender (*3) to the Company Group or an executive thereof.
5. A major shareholder (*4) of the Company or an executive thereof.
6. A lawyer, certified public accountant, consultant, or other professional who receives significant monetary or other property benefits (*5) from the Company Group, aside from director compensation (if the recipient of such benefits is an organization, such as a corporation or partnership, this applies to individuals belonging to the organization).
7. A person belonging to an audit firm that is the accounting auditor of the Company.
8. A person who receives significant donations (*6) from the Company Group (if the recipient of such donations is an organization, such as a corporation or partnership, this applies to executives of the organization).
9. A close relative (*7) of an executive of the Company Group.
10. A close relative of a person who falls under any of the conditions 2 to 8 above.
11. A person who, in the past three years, has fallen under any of conditions 2 to 9 above.
12. In addition to the above, any person who has any other specific reason that could create a conflict of interest with the Company, making it difficult to fulfill the duties of an independent Outside Director.

Even if an individual falls under any of the conditions 1 to 11 above, if the Company determines that the individual is substantially independent, the Company may judge the individual to be independent by explaining and disclosing the reasons at the time of the appointment of the Outside Director.

(*1) "Executive" refers to an executive as defined in Article 2, Item 6 of the Ordinance for Enforcement of the Companies Act, including executive directors, executive officers, and employees, but excluding non-executive directors and Audit & Supervisory Board members.

(*2) "A person for whom the Company Group is a major business partner" refers to a business partner whose payment amount from the Company Group in the most recent fiscal year exceeds 2% of their consolidated net sales.

"A major business partner of the Company Group" refers to a business partner whose payment amount to the Company Group in the most recent fiscal year exceeds 2% of the Company Group's consolidated net sales.

(*3) "Major lender" refers to a financial institution where the balance of the Company Group's borrowings exceeds 2% of the Company's consolidated total assets at the end of the most recent fiscal year. However, financial institutions listed as lenders in statutory documents such as securities reports or business reports, even if the percentage is 2% or less, are included as major business partners.

(*4) "Major shareholder" refers to a shareholder who holds 10% or more of the voting rights in their own name or another's name at the end of the most recent fiscal year.

- (*5) "Significant monetary or other property benefits" refers to benefits exceeding 10 million yen per year on average over the past three fiscal years from the Company Group.
- (*6) "Significant donations" refers to donations exceeding 10 million yen per year on average over the past three fiscal years from the Company Group.
- (*7) "Close relative" refers to a spouse or a relative within the second degree of kinship.

- (iii) Coordination among supervisions or audits by Outside Directors internal audits, audits by Audit & Supervisory Committee Members and accounting audits, and relations with the Internal Control Division
With regard to the supervision or audit by Outside Director or the relationship between audit and internal audit, Audit & Supervisory Committee Member audit and accounting audit, the Internal Audit Office implements internal audits based on the internal audit plan on business activities, effectiveness and accuracy of business implementation, compliance status, etc. The results are regularly reported to the President Representative Director, Audit & Supervisory Committee Members including outside Audit & Supervisory Committee Members, and Directors including Outside Directors, and at the same time, the Internal Audit Office explains the purpose of internal control and evaluation of control, etc., and provides specific advice and recommendations for business improvement and appropriate management. In addition, the Internal Audit Office, Audit & Supervisory Committee, and accounting auditor work closely with each other, and the Audit & Supervisory Committee and accounting auditor have a system that allows them to grasp the situation of internal audits in a timely manner. Audit & Supervisory Committee Members and the accounting auditor also share information on Audit & Supervisory Committee Member audits and accounting audits and coordinate with each other.

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

(3) Conditions of Audit

(i) Audit & Supervisory Committee's Audit

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

The rules of the Audit & Supervisory Committee stipulate that, generally, Audit & Supervisory Committee meetings shall be held once a month and additional meetings may be held as needed. In addition to determining audit policies, plans and allocation, the members will exchange opinions based on business operation audit reports developed by full-time (by selection) Audit & Supervisory Committee Members, deliberate on the legality of regular Board of Directors meeting proposals, and share information on risk cases, etc. In addition, the Audit & Supervisory Committee will regularly communicate with the accounting auditor and the Internal Audit Office, receive reports and explanations on the audit conditions and results, and exchange opinions.

Each Audit & Supervisory Committee Member will perform one's duties based on the plan throughout the period in accordance with the audit policies, allocation, etc. determined by the Audit & Supervisory Committee. In order to audit the execution of duties by the Board of Directors, each Audit & Supervisory Committee Member will ask questions and express opinions as appropriate in Board of Directors meetings. Throughout the year, the full-time (by selection) Audit & Supervisory Committee Member (1 person) will conduct on-site inspections at each division and subsidiary, attend major meetings such as the Management Committee, inspect various important documents, including significant meeting minutes and approval

requests, and receive explanations on questions as appropriate from directors and employees, request reports, and state opinions. In addition, he will attend accounting auditor inspections, conduct joint audits with the Internal Audit Office, and exchange opinions as appropriate to work closely with each other, making efforts to enhance the effectiveness of the audit.

During the fiscal year under review, Audit & Supervisory Committee meetings were held 13 times, and the main activities in each Audit & Supervisory Committee meeting are as follows.

A. Accounting audit

Audit & Supervisory Committee Members monitor whether the accounting auditor maintains an independent position, receive an explanation of the audit plan from accounting auditor, and verify whether an appropriate audit is being implemented. In addition, regarding the execution of duties, the Company receives non-consolidated and consolidated reviews and reviews report for each quarter, receives an audit results report at the end of the fiscal year, and requests explanations as necessary.

B. Business operation audit and internal control audit

Audit & Supervisory Committee Members coordinate with the Internal Audit Office and check the audit situation. If necessary, Audit & Supervisory Committee Members implement an audit, where important documents are inspected and visits to each department are conducted. Moreover, Audit & Supervisory Committee Members attend the Board of Directors meetings, audit the execution of duties of directors, the management of the meeting, the content of the resolution, etc., and express opinions as necessary.

C. Exchanging of views with President Representative Director

The Audit & Supervisory Committee holds regular meetings with the President Representative Director to exchange opinions on management issues, business plans, and other matters and communicate with each other.

D. Activities in the Audit & Supervisory Committee

Audit & Supervisory Committee Meetings are held once a month, where matters are reported such as deliberations on the Audit & Supervisory Committee Meeting's audit policy and audit plan, evaluations of the accounting auditor, etc., and the results of the Audit & Supervisory Committee Member audits and internal audits, and additional meetings are held as needed. A total of 13 meetings were held in this fiscal year and the attendance of each Audit & Supervisory Committee Member at the Audit & Supervisory Committee Meeting is as follows.

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

Attendance at Audit & Supervisory Board meetings

Category	Name	Attendance
Full-time Audit & Supervisory Committee Member	Shinichi Tominaga	13 times/13 times
Outside Audit & Supervisory Committee Member	Hidetaka Tanaka	13 times/13 times
Outside Audit & Supervisory Committee Member	Tsuneko Murata	13 times/13 times

(ii) Internal audit

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

report to the President Representative Director. In addition, the Company holds regular meetings with the Audit & Supervisory Committee and accounting auditor to exchange information and communicate with each other to coordinate and to ensure that internal checks and balances function adequately.

A. Internal audit policy

- The business audit shall objectively evaluate the rational and effective business activities of each department based on the management policy and laws and regulations, etc. In addition, with regard to the new system that will be implemented into operation, the status of the review of business processes shall be checked, and appropriate business activities shall be maintained and improved.
- Coordinate with the head of each department to solve problems and issues of the internal control system of each department.

B. Internal audit priority items

- Understanding the company policy and monthly schedule, and grasping the progress of specific action plans
- Correlation between approval documents such as request for approval and business execution/results
- Compliance with laws and regulations such as the Housing Construction Business Act, the Construction Business Act, the Financial Instruments and Exchange Act, the Crime Proceeds Transfer Prevention Act, and the Personal Information Protection Act
- Contents of training and education in each department and status of effectiveness confirmation

(iii) Accounting audit

A. Name of the Audit Corporation

BDO Sanyu

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

B. The number of consecutive years they have conducted audits

24 years from the year ended March 2001

C. Certified public accountants who performed the work

Hitoshi Torii, Engagement Partner, Designated Partner

Tomoharu Takashima, Engagement Partner, Designated Partner

The Engagement Partner rotation is appropriately implemented, and in principle, have not been involved in audit operations for more than seven consecutive accounting periods.

D. Composition of assistants who supported the audit work

5 Certified Public Accountants, Other 3 persons

Note: Other is those in charge of system audit.

E. Selection policy and reasons for the Audit Corporation

The Company has received an explanation from BDO Sanyu regarding the audit system, audit plan, etc. of the Audit Corporation. The Company has determined that it is appropriate to select the Corporation as the accounting auditor based on the “Accounting Auditor Selection and Evaluation Criteria” established by the Audit & Supervisory Committee as follows, comprehensively considering the independence of the Corporation, its quality control system, its presence or absence of expertise, its level of understanding of the Company’s business fields, audit remuneration, etc.

- Accounting Auditor selection and assessment criteria
 - (1) Audit system
 - (2) Audit project
 - (3) Quality of audit operations
 - (4) Results of audit operations
 - (5) Audit remuneration

F. Evaluations of Audit Corporations by Audit & Supervisory Committee

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

(iv) Details of audit remuneration, etc.

A. Details of remuneration to auditors

Category	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Remunerations for audit services (million yen)	Remunerations for non-audit services (million yen)	Remunerations for audit services (million yen)	Remunerations for non-audit services (million yen)
The Company	38	-	41	-
Consolidated subsidiaries	-	-	-	-
Total	38	-	41	-

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

B. Details of remuneration to individual member firms affiliated with the same network, to which auditors belong (excluding “(A)”)

Not applicable.

C. Other material remunerations for audit services

Not applicable.

D. Policy on determining audit remuneration

The Company's audit remuneration for the audit by the Certified Public Accountant, etc. has been determined by the Board of Directors with the consent of the Audit & Supervisory Committee as a result of confirming the transition of audit time and audit remuneration under the audit plan, as well as the status of the audit plan and actual results of this fiscal year, and examining the validity of the estimate of remuneration amount.

E. Reason for the Audit & Supervisory Committee giving consent to remuneration for the accounting auditors

The Audit & Supervisory Committee, based upon the “Practical Guidelines for Cooperation with Financial Auditors,” released by the Japan Audit & Supervisory Board Members Association, confirmed the actual number of audit hours and the amount of remuneration by audit category and hierarchy in the audit plan for the past years, as well as the status of the performance of duties by accounting auditor. As a result of examining the appropriateness of this fiscal year’s audit plan and the amount of remuneration, the Audit & Supervisory Committee gives consent in accordance with Article 399, Paragraph 1 of the Companies Act of Japan.

(4) Compensation

(i) Matters pertaining to the policy for determining the amount of officers’ remuneration, etc. or the methods for calculating such amount

The Company has established the following policies for determining the amount of remuneration, etc. for officers and the method of calculating such amount (policies for determining the details of individual remuneration, etc. for directors were resolved at Board of Directors on May 10, 2024).

The remuneration, etc., of the Company's directors (excluding outside directors) consists of fixed remuneration, performance-linked remuneration and stock-based compensation (compensation for restricted

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

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

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

As for stock remuneration for directors other than Audit & Supervisory Committee Members (excluding outside directors, hereinafter “Eligible Directors”), the Company has introduced the Restricted Stock (“RS”) remuneration system for the purpose of providing an incentive for sustainable enhancement of our corporate value and advancing a further sharing of value with the shareholders. The specific timing of payment and allocation to the Eligible Directors will be determined in the Board of Directors meetings after the Nomination and Compensation Committee’s deliberation respecting the contents discussed by them. At the 23rd Annual General Meeting of Shareholders held on June 21, 2022, it was resolved that the total number of the Company's common shares to be issued to the Eligible Directors or disposed of shall be no more than 50,000 shares per year and the total amount of such remuneration shall be no more than 36 million yen per year (the number of Eligible Directors at the conclusion of the said General Meeting of Shareholders was 6). With regard to the amount of remuneration, etc., for directors of the Company or the method of calculating such amount, the Company has established a voluntary Nomination and Compensation Committee consisting of the Chairman Representative Director and President Representative Director as well as two or more Outside Directors in order to ensure the objectivity and transparency of the procedures for determining remuneration for directors. The President Representative Director Seiichi Saito has the authority to prepare a draft of the calculation method and the basic policy for the amount of remuneration, etc., of the Company's directors. Based on the draft, the Nomination and Compensation Committee deliberates on the composition of remuneration, etc., the ratio thereof, the method for calculating the setting of indicators, etc. The Board of Directors has the authority to determine the policy regarding the determination of the amount of remuneration, etc., of the Company's directors or the method of calculating such amount. However, The Board of Directors allows the President Representative Director to determine the amount of remuneration, etc., of the Company's directors or the method of calculating such amount, while respecting the contents of discussions by the Nomination and Compensation Committee to the maximum extent possible.

The Company has held 14 Nomination and Compensation Committee meetings in total since its establishment on December 18, 2018. The Committee is attended by all members and deliberates matters related to the election and dismissal of the Company's director and matters related to the amount of remuneration, etc. Based on the deliberations of the Nomination and Compensation Committee, the Company's Board of Directors has made a resolution regarding the amount of remuneration, etc. for director or the method for calculating such amount.

In order to ensure the independency of the authority to make decisions regarding the amount of remuneration, etc. of the Company's Audit & Supervisory Committee Members or the method of calculating such amount, Audit & Supervisory Committee Members have the authority to make decisions on policies regarding the amount of remuneration, etc. of each Audit & Supervisory Committee Member.

Moreover, the consolidated ordinary profit, the target indicator for performance-linked remuneration this fiscal year, was 16,000 million yen with a total of 17,374 million yen. The decisions on the amount of individual fixed remuneration and performance-linked remuneration or the method of calculating such amount have been delegated to Chairman Representative Director, who can evaluate operations by each

director, through the participation of the Nomination and Compensation Committee. The Board of Directors received a report from the Nomination and Compensation Committee and determined that the contents of director's individual remuneration pertaining to this fiscal year, including the procedure and contents of the decision by the Chairman Representative Director Tomoaki Horiguchi, are in line with the above decision policy.

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

Classification	Total Amount of Remuneration, etc. Paid (million yen)	Total Amount by Type of Remuneration, etc. (million yen)			Number of Persons Paid
		Fixed Remuneration	Performance-linked remuneration	Stock Option	
Directors (excluding Audit & Supervisory Committee Members and Outside Directors)	257.2	160.2	70.0	27.0	6
Audit & Supervisory Committee Members (excluding Outside Directors)	12.0	12.0	-	-	1
Outside Officers	26.0	26.0	-	-	4

- (iii) Total amount of consolidated remuneration by officers

Not listed because there is no consolidated remuneration whose total amount is 100 million yen or more.

- (iv) Important employee salaries for officers who also serve as employees

Not listed because there are no officers who concurrently serve as employees.

(5) Status of shareholdings

- (i) Classification of investment shares

The Company classifies investment shares into those held for pure investment purposes and those held for purposes other than pure investment. Shares held solely for the purpose of gaining profits through fluctuations in share value or dividends associated with the shares are classified as held for pure investment purposes. Shares held for any other purposes are classified as held for purposes other than pure investment. All investment shares held by the Company are classified as held for purposes other than pure investment.

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

- a. Method for Verifying the Holding Policy and Rationality of Holdings, and the Content of Verification by the Board of Directors Regarding the Appropriateness of Holding Individual Stocks

The Company engages in strategic shareholding from a mid- to long-term perspective to enhance the Company's corporate value by maintaining and strengthening stable business relationships and close cooperative relationships. Holding shares of business partners, assuming continuous transactions, is considered an effective means of building stable relationships and contributing to the enhancement of corporate value in the long term.

The rationality of holding these shares is periodically verified by comprehensively considering the purpose and effects of the holdings. The appropriateness of holding individual stocks is examined annually by the Board of Directors, taking into account the purpose and effects of the holdings, as well as the recent status of the business relationship with the target company.

b. The number of stocks and the balance sheet amount

	The number	The balance sheet amount (JPY million)
Unlisted share	3	154
Shares other than unlisted share	1	7

c. Information on the Number of Shares, Balance Sheet Amounts, etc. for Each Issue of Specified Investment Stocks and Deemed Held Stocks
Not-applicable.

(iii) Investment shares for the pure investment investment
Not-applicable

(iv) Changes Made During the Fiscal Year to the Purpose of Holding Investment Stocks from Pure Investment Purposes to Non-Pure Investment Purposes
Not-applicable

(v) Changes Made During the Fiscal Year to the Purpose of Holding Investment Stocks from Non-Pure Investment Purposes to Pure Investment Purposes
Not-applicable

Item. 5 Financial Information

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

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

(2) The Company's non-consolidated financial statements are based on the "Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc." (Ordinance of the Ministry of Finance No. 59 of 1963. Hereinafter referred to as the "Ordinance on Financial Statements, etc.").

Also, the Company is qualified as a company submitting financial statements prepared in accordance with special provision and prepares financial statements in accordance with the provision of Article 127 of the Ordinance on Financial Statements, etc.

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year from April 1, 2023 to March 31, 2024 and the non-consolidated financial statements for the business year from April 1, 2023 to March 31, 2024 were audited by BDO Sanyu.

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

The Company carries out particular efforts to secure the appropriateness of consolidated financial statements, etc. Specifically, for the purpose of both ensuring that the Company has an appropriate grasp of the contents of Accounting Standards and related regulations, and properly preparing consolidated financial statements, etc., the Company joined to the Financial Accounting Standards Foundation, and participating in seminars and other events hosted by the foundation.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	42,016	47,867
Notes and accounts receivable - trade and contract assets	*1) 1,625	*1) 2,138
Real estate for sale	*2) 19,781	*2) 11,632
Real estate for sale in process	*2) 60,254	*2) 95,081
Costs of uncompleted construction contracts	57	50
Supplies	87	104
Other	2,080	2,680
Allowance for doubtful accounts	-18	-38
Total current assets	125,886	159,518
Non-current assets		
Property, plant and equipment		
Buildings	*5) 13,416	*5) 14,486
Accumulated depreciation	-3,878	-4,438
Accumulated impairment	-8	-8
Buildings (net amount)	*2) 9,528	*2) 10,038
Land	*2, *5) 10,117	*2, *5) 11,029
Other	1,767	2,587
Accumulated depreciation	-995	-1,325
Accumulated impairment	-6	-7
Other (net amount)	764	1,254
Total property, plant and equipment	20,410	22,323
Intangible assets		
Goodwill	343	579
Other	472	614
Total intangible assets	815	1,193
Investments and other assets		
Guarantee deposits	3,210	3,523
Deferred tax assets	2,033	1,644
Other	*3) 173	*3) 470
Allowance for doubtful accounts	-11	-13
Total investments and other assets	5,406	5,626
Total non-current assets	26,633	29,143
Total assets	152,519	188,661

(Unit: million yen)

As of March 31, 2023 As of March 31, 2024

Liabilities		
Current liabilities		
Accounts payable - trade	2,106	2,810
Short-term borrowings	50	62
Current portion of long-term borrowings	*2) 5,442	*2) 12,207
Income taxes payable	1,699	2,967
Provision for bonuses	237	279
Provision for bonuses for directors	73	80
Provision for fulfillment of guarantees	*4) 22	*4) 44
Other	6,731	6,314
Total current liabilities	16,363	24,767
Non-current liabilities		
Bonds payable	-	9,999
Long-term borrowings	*2) 50,170	*2) 57,272
Retirement benefit liability	5	1
Provision for share-based remuneration	83	97
Other	1,930	2,105
Total non-current liabilities	52,190	69,477
Total liabilities	68,553	94,244
Net assets		
Shareholders' equity		
Share capital	11,965	11,965
Capital surplus	6,445	6,433
Retained earnings	62,289	71,725
Treasury shares	-270	-233
Total shareholders' equity	80,430	89,889
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	2
Foreign currency translation adjustment	269	626
Total accumulated other comprehensive income	271	629
Share acquisition rights	30	30
Non-controlling interests	3,233	3,867
Total net assets	83,965	94,416
Total liabilities and net assets	152,519	188,661

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

(Unit: million yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Net sales	*1) 82,777	*1) 79,868
Cost of sales	*2) 59,971	53,462
Gross profit	22,805	26,405
Selling, general and administrative expenses	*3) 7,900	*3) 8,804
Operating profit	14,905	17,600
Non-operating income		
Interest and dividend income	55	71
Eviction fee received	-	97
Subsidy income	62	40
Foreign exchange gains	83	125
Income on investments based on equity method	-	12
Penalty income	133	-
Other	72	52
Total non-operating income	406	399
Non-operating expenses		
Interest expenses	477	539
Loss on liquidation of subsidiaries and associates	-	68
Loss on investments based on equity method	71	-
Other	41	17
Total non-operating expenses	589	625
Ordinary profit	14,722	17,374
Extraordinary income		
Government subsidy	232	41
Gain on liquidation of subsidiaries and associates	*4) 64	-
Gain on sale of shares of subsidiaries and associates	101	-
Other	1	-
Total extraordinary income	400	41
Extraordinary loss		
Impairment loss	*5) 27	*5) 48
Loss on reduction of fixed assets	232	41
Loss on retirement of non-current assets	12	30
Loss on devaluation of investment securities	104	-
Other	0	-
Total extraordinary loss	377	120
Profit before income taxes	14,745	17,295
Corporate tax, resident tax and business tax	3,876	4,808
Corporate tax adjustments	-852	464
Total income taxes	3,024	5,272
Profit	11,721	12,023
Profit attributable to non-controlling interests	108	106
Profit attributable to owners of parent	11,612	11,917

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Profit	11,721	12,023
Other comprehensive income		
Valuation difference on available-for-sale securities	-1	0
Foreign currency translation adjustment	259	351
Total other comprehensive income	*) 258	*) 351
Comprehensive income	11,980	12,375
()		
Owners of parent	11,861	12,279
Non-controlling interests	118	95

(iii) Consolidated Statement of Changes in Equity
For the fiscal year ended March 31, 2023

(Unit: million yen)

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

	Accumulated other comprehensive income			Share Acquisition Rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	3	19	22	30	3,139	74,452
Changes during period						
Dividends of surplus						-2,240
Profit attributable to owners of parent						11,612
Acquisition of treasury shares						-239
Disposal of treasury shares						36
Change in ownership interest of parent due to transactions with non-controlling interests						0
Net changes in items other than shareholders' equity	-1	250	249	-	94	343
Total changes during period	-1	250	249	-	94	9,513
Balance at end of the period	2	269	271	30	3,233	83,965

For the fiscal year ended March 31, 2024

(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	62,289	-270	80,430
Changes during period					
Dividends of surplus			-2,481		-2,481
Profit attributable to owners of parent			11,917		11,917
Acquisition of treasury shares				-0	-0
Disposal of treasury shares		14		37	51
Change in ownership interest of parent due to transactions with non-controlling interests		-27	0		-27
Net changes in items other than shareholders' equity, net					
Total changes during period	-	-12	9,435	37	9,459
Balance at end of the period	11,965	6,433	71,725	-233	89,889

	Accumulated other comprehensive income			Share Acquisition Rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	2	269	271	30	3,233	83,965
Changes during period						
Dividends of surplus						-2,481
Profit attributable to owners of parent						11,917
Acquisition of treasury shares						-0
Disposal of treasury shares						51
Change in ownership interest of parent due to transactions with non-controlling interests						-27
Net changes in items other than shareholders' equity, net	0	357	357	-	633	991
Total changes during period	0	357	357	-	633	10,450
Balance at end of the period	2	626	629	30	3,867	94,416

(iv) Consolidated Statements of Cash Flows

(Unit: million yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	14,745	17,295
Depreciation	*2) 1,968	*2) 2,124
Impairment loss	27	48
Amortization of goodwill	64	75
Loss (gain) on liquidation of subsidiaries and associates	-64	68
Loss on reduction of fixed assets	232	41
Government subsidy	-232	-41
Increase (decrease) in allowance for doubtful accounts	6	20
Increase (decrease) in provision for bonuses	-87	27
Increase (decrease) in provision for bonuses for directors	-0	6
Increase (decrease) in provision for fulfillment of guarantees	-17	21
Increase (decrease) in provision for share-based remuneration	15	13
Interest and dividend income	-55	-71
Subsidy income	-62	-40
Interest expenses	477	539
Loss (gain) on investments based on equity method	71	-12
Loss on retirement of non-current assets	12	30
Decrease (increase) in trade receivables	409	-1,187
Decrease (increase) in inventories	1,854	-26,770
Increase (decrease) in trade payables	1,155	114
Other	1,751	580
Subtotal	22,274	-7,115
Interest and dividends received	55	71
Interest paid	-490	-536
Income taxes refund (paid)	-5,729	-3,505
Proceeds from subsidy income	62	40
Proceeds from government subsidy	232	41
Proceeds from settlement	150	-
Other	-10	-
Net cash provided by (used in) operating activities	16,544	-11,003
Cash flows from investing activities		
Proceed from sales of shares of subsidiaries and associates	125	-
Payments into time deposits	-100	-0
Proceeds from withdrawal of time deposits	100	100
Purchase of property, plant and equipment	-7,531	-2,457
Proceeds from sales of property, plant and equipment	27	0
Purchase of intangible assets	-312	-275
Payments of guaranteed deposits	-692	-581
Proceeds from collection of lease and guarantee deposits	2,337	205
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-478	-954
Other	-155	-291
Net cash provided by (used in) investing activities	-6,681	-4,254

(Unit: million yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	20	8
Proceeds from long-term borrowings	23,261	32,558
Repayments of long-term borrowings	-18,691	-18,991
Dividends paid	-2,239	-2,481
Proceeds from issuance of bonds	-	9,999
Purchase of treasury shares	-239	-0
Proceeds from share issuance to non-controlling shareholders	1	46
Payments for refunds to non-controlling shareholders	-69	-94
Proceeds from sales of shares in subsidiaries not resulting in change in scope of consolidation	4	-
Other	-5	-5
Net cash provided by (used in) financing activities	2,039	21,040
Effect of exchange rate change on cash and cash equivalents	59	169
Increase (decrease) in cash and cash equivalents	11,962	5,951
Cash and cash equivalents at beginning of period	29,951	41,914
Cash and cash equivalents at end of period	*1) 41,914	*1) 47,866

Notes

(Notes on Going Concern Assumption)

Not applicable.

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

1. Scope of Consolidation

All subsidiaries are consolidated.

(1) Number of consolidated subsidiaries

26 companies

Names of major consolidated subsidiaries

SF Building Support Inc.

SF Building Maintenance Inc.

Sun Frontier Space Management Inc.

SF Engineering Inc.

Sun Frontier Hotel Management Inc.

Sky Heart Hotel Inc.

Sun Frontier Sado Inc.

Nihon Toshi Hotel Kaihatsu Co. Ltd.

Sun Frontier NY Co., Ltd.

The scope of consolidation included 3 companies acquired through stock acquisition and 2 companies newly established in the consolidated fiscal year under review. One of these companies was excluded from the scope of consolidation because it was dissolved by merger. In addition, one company was excluded from the scope of consolidation due to liquidation.

Nihon Toshi Hotel Kaihatsu Co. Ltd., whose shares were acquired in the current consolidated fiscal year, is only included in the consolidated balance sheet for the current consolidated fiscal year because the deemed date of acquisition is the end of the current consolidated fiscal year.

(2) Special purpose company subject to disclosure

An outline of the special purpose company subject to disclosure, an outline of transactions using the special purpose company subject to disclosure, and the transaction amount with the special purpose company subject to disclosure are described in “Notes on special purpose company subject to disclosure.”

2. Application of Equity Method

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

1 company

Name of equity-method affiliate

Power Consulting Networks Co., Ltd.

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

Not applicable.

3. Fiscal year of consolidated subsidiaries

Domestic consolidated subsidiaries and 1 foreign consolidated subsidiary close their books on March 31, and Sun Frontier NY Co., Ltd. and 9 other subsidiaries close their books on December 31.

In preparing the consolidated financial statements, the financial statements as of December 31 are used for the consolidated subsidiaries whose closing date is December 31, and necessary adjustments are made for significant transactions occurring between the consolidated closing date and December 31.

4. Matters concerning accounting policies

(1) Valuation standards and methods for significant assets

(i) Securities

Other securities (available-for-sale securities)

A. Other than shares without a market price

Mark-to-market accounting is adopted (Valuation differences are processed using the full net asset direct method, and the cost of sales is calculated using the moving average method)

B. Shares without a market price, etc.

Stated at cost determined by moving-average method.

(ii) Inventories

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

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

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

B. Costs of uncompleted construction contracts

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

C. Supplies

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

(2) Depreciation or amortization method for significant depreciable assets

(i) Property, plant and equipment

Using the declining-balance method. However, buildings (excluding facilities attached to buildings) and facilities attached to buildings acquired on or after April 1, 2016 are depreciated using the straight-line method.

The main estimated useful lives are as follows:

Buildings 3 to 29 years

Others 2 to 15 years

Small-amount depreciable assets with an acquisition cost of 100,000 yen or more than 100,000 yen but less than 200,000 yen are depreciated over 3 years on a straight-line basis.

(ii) Intangible assets

Using the straight-line method.

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

(3) Standards for significant provisions

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

In order to prepare for the payment of bonuses to employees, the Company records the portion of the estimated bonuses incurred at the end of the consolidated fiscal year under review.

(iii) Provision for bonuses for directors

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

(iv) Provision for fulfillment of guarantees

In order to prepare for losses related to Rent Guarantee Business operations, expenses for which the amount incurred can be estimated individually are recorded in the amount of such expenses, and for others are recorded in the estimated losses by taking into the historical loss rate.

(v) Provision for share-based remuneration

In order to prepare for the Company's shares to employees based on the Share Benefit Regulations, the provision is recorded based on the estimated amount of the share benefit obligation at the end of the consolidated fiscal year under review.

(4) Accounting treatment for retirement benefits

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

(5) Standards for recording significant revenues and expenses

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

(i) Real Estate Revitalization Business

Replanning Business

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

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

(ii) Real Estate Service Business

A. Property Management Business

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

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

B. Building Maintenance Business

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

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

C. Sales Brokerage Business

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

The performance obligation is satisfied at one point in time when the property related to the real estate sales contract concluded by the intermediary contract is hand overed, and revenue is recorded at the time of the delivery.

D. Leasing Brokerage Business

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

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

(iii) Hotel and Tourism Business

A. Hotel Operation Business

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

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

B. Hotel Development Business

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

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

(iv) Others

A. Overseas Development Business

Overseas Business is engaged in real estate development centered on condominiums and residents in Southeast Asian countries and sells them to customers in Japan and overseas. It is obligated to handover such properties based on real estate sales contracts with customers.

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

B. Construction Business

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

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

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

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

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates on the consolidated balance sheet date, and translation differences are charged or credited to income. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at the respective balance sheet dates of the foreign subsidiaries, and income and expenses are translated at the average exchange rate of the year. Translation differences are included in foreign currency translation adjustment and non-controlling interests in net assets.

(7) Amortization methods and periods for goodwill

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

(8) Scope of funds in the consolidated statements of cash flows

Cash on hand, deposits that can be withdrawn at any time, and short-term investments that are readily convertible into cash and that are subject to insignificant risk of changes in value and that mature or become due within 3 months of the date of acquisition.

(9) Significant matters for the preparation of other consolidated financial statements

(i) Non-deductible consumption tax accounting for assets

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

(ii) Application of Group Tax Sharing System

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

(Significant Accounting Estimates)

1. Assessment of real estate for sale, etc.

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

	Previous fiscal year	Current consolidated fiscal year
Real estate for sale	19,781 million yen	11,632 million yen
Real estate for sale in process	60,254 million yen	95,081 million yen

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

For real estate for sale, etc., if the net selling price falls below the acquisition cost, the net selling price is stated as the balance sheet amount. The net selling price is calculated by deducting the estimated future cost of construction work and the estimated selling expenses from the return value estimated based on the business plan.

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

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

2. Non-current assets impairment

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

	Previous fiscal year	Current consolidated fiscal year
Non-current assets related to Hotel Development Business and Hotel Operation Business	11,648 million yen	12,354 million yen

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

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

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

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

(Changes in Accounting Policies)

(Change in translation method for income and expenses of overseas subsidiaries)

Income and expenses of overseas subsidiaries were previously translated into Japanese yen at the spot exchange rates on the closing date of such subsidiary. From the beginning of the current fiscal year, the translation method was changed to use the average exchange rate of the fiscal year. This change was made in order to mitigate the effect of temporary fluctuations in foreign exchange rates on the profits and losses and more appropriately reflect the performance of overseas subsidiaries in the consolidated financial statements, as the impact on the profits and losses of overseas subsidiaries is expected to become more important due to the expansion of the Group's 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.

(Accounting standards not yet applied)

(“Accounting Standard for Current Income Taxes” etc.)

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

The purpose of these accounting standards is to determine the classification of corporate income taxes where tax is imposed on other comprehensive income and the treatment of tax effects related to the sale of shares of subsidiaries when the group tax sharing system is applied.

(2) Scheduled date of application

Application is scheduled from the beginning of the fiscal year ending March 31, 2025.

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

The amount of impact on the consolidated financial statements from the application of the “Accounting Standard for Current Income Taxes” and other standards has not been determined at this time.

(Change of Presentation Method)

(Consolidated Statement of Income)

“Loss on retirement of non-current assets,” which was included in “Other” under “Extraordinary loss” in the previous fiscal year, is presented separately from the current consolidated fiscal year because it exceeded 10/100 of the total amount of extraordinary loss. To reflect this change, consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 12 million yen, which was included in “Other” under “Extraordinary loss” in the previous fiscal year's Consolidated Statement of Income, has been reclassified as 12 million yen in “Loss on retirement of non-current assets” and 0 million yen in “Other.”

(Consolidated Statement of Cash Flows)

“Purchase of shares of subsidiaries resulting in change in scope of consolidation,” which was included in “Other” of “Cash flows from investing activities” in the previous fiscal year, is presented separately from the current consolidated fiscal year due to an increase in its financial significance. To reflect this change in presentation method, Consolidated Financial Statements has been reclassified for the previous fiscal year.

As a result, “Other” of -634 million yen in “Cash flows from investing activities” in the consolidated statement of cash flows for the previous fiscal year, have been reclassified as “Purchase of shares of subsidiaries resulting in change in scope of consolidation” of -478 million yen and “Other” of -155 million yen.

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

(ii) Own shares remaining in the trust

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

(Related to Consolidated Balance Sheet)

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

* 2 Collateralized assets and liabilities

(1) Assets pledged as collateral are as follows.

	For the year ended March 31, 2023	For the year ended March 31, 2024
Real estate for sale	18,060 million yen	9,109 million yen
Real estate for sale in process	55,880	87,692
Buildings	7,998	7,777
Land	9,772	10,236
Total	91,712 million yen	114,815 million yen

(2) Collateralized obligations are as follows.

	For the year ended March 31, 2023	For the year ended March 31, 2024
Long-term borrowings (including current portion of long-term borrowings)	52,333 million yen	66,349 million yen
Total	52,333 million yen	66,349 million yen

* 3 Items relating to affiliated companies are as follows.

	For the year ended March 31, 2023	For the year ended March 31, 2024
Other (shares of subsidiaries and affiliates)	30 million yen	43 million yen

* 4 Contingent liabilities

Liability guarantee by rent guarantee

	For the year ended March 31, 2023	For the year ended March 31, 2024
(Guarantee)		
Customers pertaining to Rent Guarantee Business (amount equivalent to the guaranteed limit)	47,416 million yen	50,535 million yen
Provision for fulfillment of guarantees	-22	-44
Total	47,393 million yen	50,490 million yen

* 5 Reduction entry amount

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

	For the year ended March 31, 2023	For the year ended March 31, 2024
Buildings	200 million yen	41 million yen
Land	32	-
Total	232 million yen	41 million yen

(Related to Consolidated Statement of Income)

* 1 Revenue arising from contracts with customers

Revenue arising from contracts with customers and other revenue are not presented separately for net sales. The amount of revenue arising from contracts with customers is shown in Consolidated Financial Statements “Notes (Segment Information, etc.) 3. Information on net sales, profit or loss, assets, liabilities and other items and disaggregation of revenue for each reportable segment.”

* 2 Ending inventory is the amount after write-down of book value by decline in profitability. The following loss on revaluation of inventories is included in cost of sales.

For the year ended March 31, 2023	For the year ended March 31, 2024
14 million yen	- million yen

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

	For the year ended March 31, 2023	For the year ended March 31, 2024
Sales commission	451 million yen	568 million yen
Salaries and allowances	2,560	2,817
Retirement benefit costs	74	85
Provision for bonuses provision	186	216
Provision for bonuses for directors (and other officers) provision	73	79
Provision for share-based remuneration provision	14	12
Allowance for doubtful accounts provision	13	3
Commission paid	1,076	1,371

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

	For the year ended March 31, 2023	For the year ended March 31, 2024
Other (vehicles)	64 million yen	- million yen
Total	64 million yen	- million yen

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

* 5 Impairment loss

The Company recorded impairment loss for the following asset groups.

For the year ended March 31, 2023

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

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

As a result of a review of the present value of common assets held by some consolidated subsidiaries in conjunction with the sale, the recoverable amount fell below the book value. Therefore, the book value was

reduced to the recoverable amount, and the decrease was recorded in extraordinary loss. The sale of the common assets was completed during the fiscal year under review.

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

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

For the year ended March 31, 2024

Location	Use	Type	Impairment loss (million yen)
Sumida-ku, Tokyo	Business assets	Goodwill	48

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

Regarding goodwill related to Japan System Service Inc. which was merged into SF Building Maintenance Inc., one of the Company's consolidated subsidiaries, in the fiscal year ended March 31, 2023, due to changes in the business environment and other factors, there was a discrepancy between the business plan at the time of the merger, which was the basis for the calculation of goodwill, and the actual results. Therefore, the book value of the goodwill was reduced to the recoverable amount and impairment loss was recorded under extraordinary loss.

The recoverable amount is measured based on the value in use, and the value in use is zero because no future cash flows are expected.

(Consolidated statements of Comprehensive Income)

* Reclassification adjustment and tax effect related to other comprehensive income

	For the year ended March 31, 2023	For the year ended March 31, 2024
Valuation difference on available- for-sale securities		
Current amount incurred	-1 million yen	0 million yen
Reclassification adjustment	-	-
Before tax effect adjustment	-1	0
Tax effect	0	-0
Valuation difference on available- for-sale securities	-1	0
Foreign currency translation adjustment		
Current amount incurred	366	284
Reclassification adjustment	-106	66
Foreign currency translation adjustment	259	351
Total other comprehensive income	258	351

(Notes to Consolidated Statement of Changes in Equity)

For the year ended March 31, 2023

1. Total number of issued shares

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

(Summary of Reasons for Change)

Not applicable.

2. Matters concerning Treasury shares

Type of shares	Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year
Common shares	56,644 shares	215,989 shares	35,464 shares	237,169 shares

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

(Summary of Reasons for Change)

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

3. Matters related to share acquisition rights

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

4. Matters concerning dividends

(1) Cash dividends paid

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

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

The total amount of dividends decided by the Board of Directors on November 10, 2022 includes dividends of 1 million yen for the Company's shares held by the trust account of the Employee stock ownership plan (J-ESOP).

(2) Dividends whose record date is in current consolidated fiscal year and whose effective date is in the following fiscal year

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

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

For the year ended March 31, 2024

1. Total number of issued shares

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

(Summary of Reasons for Change)

Not applicable.

2. Matters concerning Treasury shares

Type of shares	Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year
Common shares	237,169 shares	1,985 shares	35,946 shares	203,208 shares

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

(Summary of Reasons for Change)

The main reason for the change in the number of treasury shares in common shares is that there was an increase of 1,934 shares due to the purchase of treasury shares as eligible employees who were granted remuneration of restricted stock lost their rights and an increase of 51 shares due to the purchase of fractional shares, while there was a decrease of 35,946 shares due to the disposition of treasury shares for the issuance for remuneration of restricted stock.

3. Matters related to Share Acquisition Rights

Company Name	Breakdown	Type of shares to be issued	Number of shares to be issued (shares) Note 2				Balance at the end of the current consolidated fiscal year (million yen)
			Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year	
Submitting company	2018 Share Acquisition Rights as Stock Option	-	-	-	-	-	5
Submitting company	2019 Share Acquisition Rights as Stock Option	-	-	-	-	-	5
Submitting company	2020 Share Acquisition Rights as Stock Option	-	-	-	-	-	4
Submitting company	2021 Share Acquisition Rights as Stock Option	-	-	-	-	-	14
Submitting company	Share acquisition rights in 1st Series Unsecured Convertible	Common shares		6,434,900	-	6,434,900	Note 1

	Bonds with Share Acquisition Rights						
Total			-	6,434,900	-	6,434,900	30

Notes: 1. Convertible bonds with share acquisition rights are accounted for by the lump-sum method.

2. Number of shares to be issued is the number of shares assuming that the share acquisition rights have been exercised.

(Summary of Reasons for Change)

Increase due to issuance of share acquisition rights relating to 1st Series Unsecured Convertible Bonds with Share Acquisition Rights

6,434,900 shares

4. Matters concerning dividends

(1) Cash dividends paid

Resolution	Type of shares	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors, May 16, 2023	Common shares	1,216	25.00	March 31, 2023	June 28, 2023
Board of Directors, November 9, 2023	Common shares	1,265	26.00	September 30, 2023	December 5, 2023

Notes: 1. The total amount of dividends decided by the Board of Directors on May 16, 2023 includes dividends of 3 million yen for the Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

2. The total amount of dividends decided by the Board of Directors on November 9, 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 whose record date is in current consolidated fiscal year and whose effective date is in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors, May 21, 2024	Common shares	Retained earnings	1,553	32.00	March 31, 2024	June 26, 2024

Notes: 1. The total amount of dividends decided by the Board of Directors on May 21, 2024 includes dividends of 4 million yen for the Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

2. Dividends per share include the 25th anniversary commemorative dividend of 2 yen per share.

(Consolidated Statements of Cash Flows)

* 1 The relationship between cash and cash equivalents at end of period and amount in item listed in Consolidated Balance Sheet is as follows.

	For the year ended March 31, 2023	For the year ended March 31, 2024
Cash and deposits account	42,016 million yen	47,867 million yen
Time deposits with a deposit period of more than 3 months	-101	-1
Cash and cash equivalents	41,914 million yen	47,866 million yen

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

	For the year ended March 31, 2023	For the year ended March 31, 2024
	1,107 million yen	1,070 million yen

(Lease Transactions)

Operating lease transactions

(Lessee)

Future minimum lease payments for non-cancelable operating lease transactions

	For the year ended March 31, 2023	For the year ended March 31, 2024
Within one year	1,479 million yen	2,149 million yen
Over one year	10,564	15,945
Total	12,043 million yen	18,095 million yen

(Financial Instruments)

1. Items relating to financial instruments

(1) Policy on financial instruments

The Company limits its fund management to short-term deposits, etc. With regard to fund procurement, the Company's policy is to procure funds through indirect financing through bank loans and direct financing through issuance of bonds and shares, etc., taking into comprehensive consideration the characteristics of necessary fund demand, financial market environment, long and short-term redemption periods. Derivative transactions are used to avoid interest rate fluctuation risks borrowings or to limit them to a certain range, and the Company's policy is not to engage in speculative transactions.

(2) Content and risks of financial instruments

Trade receivables are exposed to customers' credit risk.

Borrowings raised funds mainly for investment in business purposes and business strategies. Variable borrowings are exposed to interest rate fluctuation risk. Borrowings, which procures funds mainly from financial institutions, is exposed to liquidity risks that restrict fund procurement due to changes in the stance of transactions with the Group.

Corporate bonds are procured mainly for capital investment and do not bear interest.

(3) Risk management system for financial instruments

(i) Management of credit risks (risks pertaining to non-performance of contracts by counterparties)

Based on the Management Regulations for Trade Receivables and other rules, the Company regularly monitors the business conditions of major business partners with regard to trade receivables, strives to identify and mitigate early concerns about collection of trade receivables due to deterioration in financial conditions and other factors.

- (ii) Management of market risks (risks related to market price fluctuations)

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

- (iii) Management of liquidity risk related to fund procurement (risk of inability to pay on the due date)

The Company aims to diversify its funding sources by accurately assessing the group's funding needs and financial position, and by strengthening relationships with financial institutions.

(4) Supplementary explanation of fair value of financial instruments

Since variable factors are incorporated in the calculation of the value, the value may fluctuate by adopting different assumptions, etc.

2. Fair value of financial instruments

The Consolidated Balance Sheet amount, market value and the difference between the two are as follows.

For the year fiscal year March 31, 2023

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

For the year fiscal year March 31, 2024

	Consolidated Balance Sheet amount (million yen)	Market value (million yen)	Difference (million yen)
Corporate bonds	9,999	9,156	-843
Long-term borrowings (including current portion)	69,479	67,288	-2,191
Total liabilities	79,479	76,444	-3,035

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

Assets

Cash and deposits

Information is omitted because it is cash, and the market value approximates the book value because the deposits are settled in a short period of time.

Liabilities

Corporate bonds and long-term borrowings

The market value of corporate bonds and long-term borrowings is calculated by discounting by the rate assumed in the case where the same financing is conducted for the bonds and long-term borrowings classified by a certain period.

Notes: 2. The Consolidated Balance Sheet amounts of financial instruments, such as stocks without market price are as follows:

(million yen)

Category	For the year ended March 31, 2023	For the year ended March 31, 2024
Shares of subsidiaries and affiliates	30	43
Shares of unlisted companies	158	155

The above items are not included in “2. Fair value of financial instruments” because there is no market price, and it is extremely difficult to grasp the fair value.

Notes: 3. Redemption schedule of cash receivables after consolidated close date

For the year ended March 31, 2023

	Within 1 year (million yen)	Over 1 year and within 5 years (million yen)	Over 5 years and within 10 years (million yen)	Over 10 years (million yen)
Cash and deposits	42,016	-	-	-
Total	42,016	-	-	-

For the year ended March 31, 2024

	Within 1 year (million yen)	Over 1 year and within 5 years (million yen)	Over 5 years and within 10 years (million yen)	Over 10 years (million yen)
Cash and deposits	47,867	-	-	-
Total	47,867	-	-	-

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

For the year ended March 31, 2023

	Within 1 year (million yen)	Over 1 year and within 2 years (million yen)	Over 2 years and within 3 years (million yen)	Over 3 years and within 4 years (million yen)	Over 4 years and within 5 years (million yen)	Over 5 years (million yen)
Short-term borrowings	50	-	-	-	-	-
Long-term borrowings	5,442	17,585	12,421	3,665	6,473	10,023
Total	5,492	17,585	12,421	3,665	6,473	10,023

For the year ended March 31, 2024

	Within 1 year (million yen)	Over 1 year and within 2 years (million yen)	Over 2 years and within 3 years (million yen)	Over 3 years and within 4 years (million yen)	Over 4 years and within 5 years (million yen)	Over 5 years (million yen)
Short-term borrowings	62	-	-	-	-	-
Corporate bonds	-	-	-	-	9,999	-
Long-term borrowings	12,207	12,762	18,100	5,149	9,465	11,794
Total	12,269	12,762	18,100	5,149	19,465	11,794

3. Matters concerning the breakdown of the market value of financial instruments by level

The market value of financial instruments is classified into the following three levels according to the input, observability and importance of Calculation of Market Value.

Level 1 market value: market value of the same asset or liability based on the quoted (unadjusted) price in an active market

Level 2 market value: market value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 market value: market value calculated using significant unobservable inputs

If multiple inputs that significantly affect the calculation of market value are used, the market value is classified at the lowest priority level in the calculation of market value among the levels to which each of those inputs belongs.

(1) Financial instruments recorded Consolidated Balance Sheet at market value

Previous consolidated fiscal year (March 31, 2023)

There are no applicable matters.

Current consolidated fiscal year (March 31, 2024)

There are no applicable matters.

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

Previous consolidated fiscal year (March 31, 2023)

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

Current consolidated fiscal year (March 31, 2024)

Category	Market value (million yen)			
	Level 1	Level 2	Level 3	Total
Corporate bonds	-	9,156	-	9,156
Long-term borrowings	-	67,288	-	67,288

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

1. Corporate bonds

The market value of the corporate bonds issued by Company are calculated using the discounted present value method based on the total amount of principal and interest, the interest rate taking into account the remaining period and the credit risk of the corporate bond. They are classified as Level 2 market value.

2. Long-term borrowings

These market values are calculated using the discounted present value method based on the total amount of principal and interest, the interest rate taking into account the remaining period and the credit risk of the liability. They are classified as Level 2 market value.

(Securities)

Other securities (available-for-sale securities)

For the year ended March 31, 2023

Omitted due to lack of importance.

For the year ended March 31, 2024

Omitted due to lack of importance.

(Derivative Transactions)

1. Derivative transactions for which hedge accounting is not applied
Not applicable.
2. Derivative transactions for which hedge accounting is applied
Interest rate related
For the year ended March 31, 2023
Not applicable.

For the year ended March 31, 2024
Not applicable.

(Retirement Benefits)

1. Overview of stated retirement benefit plans
The Company and certain of its consolidated subsidiaries implement the defined contribution pension plans. Certain consolidated subsidiaries implement the lump-sum retirement allowance plans and apply the simplified method for calculating retirement benefit liability and retirement benefit expenses.
2. Defined benefit plan applying simplified method
 - (1) Reconciliation of beginning and ending balances of retirement benefit liability under the system to which the simplified method is applied

	For the year ended March 31, 2023	For the year ended March 31, 2024
Retirement benefit liability at beginning of year	6 million yen	5 million yen
Payments for retirement benefits	1	3
Retirement benefit liability balance at end of year	5	1

- (2) Reconciliation between the balance of retirement benefit obligations at the end of the fiscal year and retirement benefit liability recorded in the Consolidated Balance Sheet

	For the year ended March 31, 2023	For the year ended March 31, 2024
Unfunded retirement benefit obligation	5 million yen	1 million yen
Net liabilities and assets recorded in Consolidated Balance Sheet	5	1
Retirement benefit liability	5	1
Net liabilities and assets recorded in Consolidated Balance Sheet	5	1

3. Defined Contribution Plan

The amount required to be contributed by the Company and its consolidated subsidiaries to the defined contribution plan was 74 million yen for the year ended March 31, 2023 and 84 million yen for the year ended March 31, 2024.

(Stock Options, etc.)

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

	For the year ended March 31, 2023	For the year ended March 31, 2024
Stock remuneration expenses of selling, general and administrative expenses	- million yen	- million yen

2. Details and size of stock options and changes in stock options

(1) Details of stock options

Company Name	Submitting company	Submitting company
Date of resolution	June 22, 2018	June 21, 2019
Category and number of grantees	4 Directors (excluding Outside Director) of the Company	4 Directors (excluding Outside Director) of the Company
Type and number of shares granted	Common shares 5,240 shares	Common shares 7,400 shares
Grant date	July 31, 2018	July 31, 2019
Vesting conditions	Share acquisition rights may be exercised only when the position as Director of the Company is lost. In this case, share acquisition right holders may exercise their share acquisition rights in a lump sum only during the period from the day following the day on which they lose their position as Director of the Company to the day on which ten days have elapsed.	Share acquisition rights may be exercised only when the position as Director of the Company is lost. In this case, share acquisition right holders may exercise their share acquisition rights in a lump sum only during the period from the day following the day on which they lose their position as Director of the Company to the day on which ten days have elapsed.
Applicable service period	There is no rule on applicable service periods.	There is no rule on applicable service periods.
Exercise period	August 1, 2018 to July 31, 2048	August 1, 2019 to July 31, 2049

Company Name	Submitting company	Submitting company
Date of resolution	June 30, 2020	June 22, 2021
Category and number of grantees	4 Directors (excluding Outside Director) of the Company	6 Directors (excluding Outside Director) of the Company
Type and number of shares granted	Common shares 11,120 shares	Common shares 21,550 shares
Grant date	July 31, 2020	July 30, 2021
Vesting conditions	Share acquisition rights may be exercised only when the position as Director of the Company is lost. In this case, share acquisition right holders may exercise their share acquisition rights in a lump sum only during the period from the day following the day on which they lose their position as Director of the Company to the	Share acquisition rights may be exercised only when the position as Director of the Company is lost. In this case, share acquisition right holders may exercise their share acquisition rights in a lump sum only during the period from the day following the day on which they lose their position as Director of the Company to the

	day on which ten days have elapsed.	day on which ten days have elapsed.
Applicable service period	There is no rule on applicable service periods.	There is no rule on applicable service periods.
Exercise period	August 1, 2020 to July 31, 2050	From July 31, 2021 to July 30, 2051

(2) Size and changes in stock options

As for stock options existing in current consolidated fiscal year (for the year ended March 31, 2024), the number of stock options is converted into the number of shares.

(i) Number of stock options

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

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

(ii) Unit price information

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

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

3. Method of estimating the fair value of stock options granted to current consolidated fiscal year
There are no applicable matters because the rights have been determined at the time of granting.

(Tax Effect Accounting)

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

	For the year ended March 31, 2023	For the year ended March 31, 2024
Deferred tax assets		
Inventories	1,102 million yen	1,034 million yen
Excess depreciation	326	423
Taxes and duties	62	68
Accounts payable	59	76
Accrued enterprise tax	104	167
Accrued expenses	77	90
Provision for bonuses	75	88
Long-term accounts payable	17	17
Loss carryforwards (Note 2)	1,244	439
Other	415	553
Subtotal deferred tax assets	3,484 million yen	2,961 million yen
Valuation allowance for loss carryforwards for tax purposes (Note 2)	-496	-334
Valuation allowance for future deductible temporary differences, etc.	-940	-968
Valuation allowance subtotal (Note 1)	-1,437	-1,302
Deferred tax assets total	2,047 million yen	1,659 million yen
Deferred tax liabilities		
Land valuation difference	19 million yen	18 million yen
Uncompleted construction expense	9	8
Other	8	8
Deferred tax liabilities total	37 million yen	34 million yen
Deferred tax assets net	2,010 million yen	1,624 million yen

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

(Change in presentation method)

“Excess depreciation,” which was included in “Other” of deferred tax assets in the previous fiscal year, is presented separately from current consolidated fiscal year due to its increased materiality. In order to reflect this change in presentation method, the notes related to Tax Effect Accounting in the previous consolidated fiscal year have been reclassified.

As a result, 742 million yen, which was included in “Other” in deferred tax assets, has been reclassified as “Excess depreciation” of 326 million yen and “Other” of 415 million yen.

Notes: 1. The valuation allowance decreased by 134 million yen. This decrease was mainly due to a decrease of 309 million yen in the valuation allowance for loss carryforwards for tax purposes in consolidated subsidiary Sun Frontier Hotel Management Inc. and an increase of 155 million yen in the valuation allowance at consolidated subsidiary Hotel Osado Co., Ltd. as a result of a change in the company classification for determining the recoverability of deferred tax assets.

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

For the year ended March 31, 2023

(Unit: million yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Tax loss carryforwards (a)	5	-	-	1	-	1,236	1,244
Valuation allowance	-	-	-	-1	-	-495	-496
Deferred tax assets (b)	5	-	-	-	-	741	747

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

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

For the year ended March 31, 2024

(Unit: million yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Tax loss carryforwards (a)	-	-	1	-	9	428	439
Valuation allowance	-	-	-1	-	-7	-324	-334
Deferred tax assets (b)	-	-	0	-	1	103	105

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

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

2. Reconciliation between the statutory effective tax rate and the corporate income tax rate after applying tax effect accounting

	For the year ended March 31, 2023	For the year ended March 31, 2024
Statutory effective tax rate	30.6 %	- %
(Adjustments)		
Entertainment expenses, etc. permanently excluded from deductible expenses	0.2 %	- %
Per capita inhabitant tax	0.2 %	- %
Change in valuation allowance	-9.7 %	- %
Difference in applicable tax rate from consolidated subsidiaries	0.2 %	- %
Tax credit	-0.4 %	- %
Effect of liquidation of overseas subsidiaries	-1.7 %	- %
Effect of group tax sharing system adoption	1.0 %	- %
Other	0.1 %	- %
Corporate income tax rate after applying tax effect accounting	20.5 %	- %

(Note) For this consolidated fiscal year, the difference between the statutory effective tax rate and the burden rate of corporate taxes after applying tax effect accounting is less than 5% of the effective tax rate, and therefore, the note is omitted.

3. Accounting treatment of corporate income taxes and local corporate taxes, or accounting treatment of related tax effect accounting

The Company and certain consolidated domestic subsidiaries have adopted the group tax sharing system. In addition, the Company and its consolidated subsidiaries have adopted the accounting treatment of corporate income taxes and local corporate taxes or the accounting treatment of related tax effect accounting in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021).

(Asset retirement obligations)

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

(Rental and other real estate)

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

For the year ended March 31, 2023, net rental income from such rental properties was 184 million yen (rent revenue is recorded in net sales and rental expenses are recorded in cost of sales).

For the year ended March 31, 2024, net rental income from such rental properties was 157 million yen (rent revenue is recorded in net sales and rental expenses are recorded in cost of sales).

The Consolidated Balance Sheet book value, increase/decrease during the period and market value of the rental properties are as follows.

		(Unit: million yen)	
		For the year ended March 31, 2023	For the year ended March 31, 2024
Consolidated Balance Sheet value	Beginning balance	6,659	8,225
	Increase/decrease during the period	1,565	435
	Year-end balance	8,225	8,660
Year-end market value		10,918	11,528

Notes: 1. The amount recorded in Consolidated Balance Sheet is acquisition cost less accumulated depreciation.

2. In increase/decrease during the period, the increase in the previous fiscal year is mainly due to new acquisitions (6,217 million yen), and the decrease is mainly due to transfer due to a change in the purpose of holding assets (4,507 million yen) and depreciation (143 million yen).

In the current consolidated fiscal year, the increase is mainly due to new acquisitions (665 million yen), while the decrease is due to retirements (31 million yen) and depreciation (199 million yen).

3. Fair values at the end of the fiscal period are amount based on real estate appraisal reports by external real estate appraisers or amount adjusted using certain appraisal values or indicators.

(Revenue Recognition)

1. Breakdown of revenue from contracts with customers

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

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

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

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

For the fiscal year ended March 31, 2023

(1) Balance of contract assets and contract liabilities

The contract balances of the Group are as follows.

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

Notes: 1. Claims arising from contracts with customers

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

2. Contract assets

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

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

3. Contract liabilities

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

Contract liabilities are included in Other current liabilities in the Consolidated Balance Sheet.

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

(2) Transaction price allocated to remaining performance obligations

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

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

For the fiscal year ended March 31, 2024

(1) Balance of contract assets and contract liabilities

The contract balances of the Group are as follows.

	(million yen)
	Current consolidated fiscal year (March 31, 2024)
Claims arising from contracts with customers (beginning of the fiscal year)	1,560
Claims arising from contracts with customers (end of the fiscal year)	1,938
Contract assets (beginning of the fiscal year)	35
Contract assets (end of the fiscal year)	134
Contract liabilities (beginning of the fiscal year)	1,649
Contract liabilities (end of the fiscal year)	674

Notes: 1. Claims arising from contracts with customers

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

2. Contract assets

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

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

3. Contract liabilities

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

Contract liabilities are included in Other current liabilities in the Consolidated Balance Sheet.

In the contract liabilities at the beginning of the current consolidated fiscal year, 1,612 million yen was recognized as the revenue for the current consolidated fiscal year. The increase in contract assets for the current consolidated fiscal year was mainly due to an increase in construction orders received in Construction Business while the decrease in contract liabilities was mainly due to a decrease in the balance of the earnest money for properties sold in Replanning Business.

(2) Transaction price allocated to remaining performance obligations

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

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

(Segment Information, etc.)

Segment information

1. Overview of Reportable Segments

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

The head office formulates comprehensive strategies for each type of product and service and conducts business activities.

Accordingly, the Company consists of three reportable segments: “Real Estate Revitalization Business”, “Real Estate Service Business”, and “Hotel and Tourism Business”, which are defined by the product and service segments established by the head office.

“Real Estate Revitalization Business” is engaged in Replanning Business and Rental Building Business.

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

2. Method of Calculating the Net Sales, Profit (loss), Assets, Liabilities and other items for Each Reportable Segment

The method of accounting for the reportable segments is the same as that described in “Significant basis for preparation of consolidated financial statements” in the Annual Securities Report. Reportable segment profits are based on ordinary profit.

3. Breakdown of the revenue and information on Net Sales, Profit (loss), Assets, Liabilities, and Others for each reportable segment
For the year ended March 31, 2023

(Unit: million yen)

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

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

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

- (1) Adjustment in segment profit of negative 7,514 million yen includes elimination of intersegment transactions of 3 million yen and company-wide expenses of negative 7,517 million yen not allocated to each reportable segment. Company-wide expenses are mainly selling, general and administrative expenses that are not attributable to reportable segments.
- (2) Adjustment in segment assets of 46,010 million yen include eliminations of intersegment transactions of negative 17,749 million yen and company-wide assets of 63,759 million yen that are not allocated to each

reportable segment. Company-wide assets consist mainly of surplus operating funds (cash and time deposits and available-for-sale securities) and administration department's assets that do not belong to any reportable segment.

- (3) Adjustment in segment liabilities of 6,621 million yen include elimination of intersegment transactions of negative 264 million yen and company-wide liabilities of 6,885 million yen that are not allocated to each reportable segment.
- (4) Adjustment of depreciation under "Other" of 151 million yen includes depreciation of company-wide assets not allocated to each reportable segment of 151 million yen.
- (5) Adjustment of income(loss) on investments based on equity method under "Other" of negative 71 million yen includes income(loss) on investments based on equity method of negative 71 million yen related to company-wide assets not allocated to each reportable segment.
- (6) Adjustment of increase in property, plant and equipment and intangible assets under "Other" of 431 million yen includes the 431 million yen increase in property, plant and equipment and intangible assets related to company-wide assets not allocated to each reportable segment.

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

For the year ended March 31, 2024

(Unit: million yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated financial statement (Note 3)
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total				
Net sales								
Revenue from contracts with customers	46,662	8,171	16,814	71,647	2,363	74,010	-	74,010
Other income	4,358	1,377	121	5,857	-	5,857	-	5,857
Net sales to external customers	51,020	9,548	16,936	77,504	2,363	79,868	-	79,868
Internal sales or transfers	6	948	41	997	46	1,043	-1,043	-
Subtotal	51,027	10,497	16,977	78,502	2,409	80,912	-1,043	79,868
Segment profit (loss)	15,602	5,612	4,369	25,583	301	25,885	-8,510	17,374
Segment assets	105,206	3,688	26,259	135,153	1,845	136,999	51,662	188,661
Segment liabilities	62,499	4,391	9,776	76,667	299	76,967	17,277	94,244
Others								
Depreciation	1,327	80	508	1,916	4	1,920	204	2,124
Amortization of goodwill	-	17	6	23	51	75	-	75
Interest expenses	426	7	60	493	-	493	45	539
Income(loss) on investments based on equity method	-	-	-	-	-	-	12	12
Increase in property, plant and equipment and intangible assets	614	302	1,716	2,633	1	2,635	394	3,029

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

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

- (1) Adjustment in segment profit of negative 8,510 million yen includes elimination of intersegment transactions of negative 25 million yen and company-wide expenses of negative 8,485 million yen not allocated to each reportable segment. Company-wide expenses are mainly selling, general and administrative expenses that are not attributable to reportable segments.
- (2) Adjustment in segment assets of 51,662 million yen include eliminations of intersegment transactions of negative 19,913 million yen and company-wide assets of 71,575 million yen that are not allocated to each reportable segment. Company-wide assets consist mainly of surplus operating funds (cash and time deposits and available-for-sale securities) and administration department’s assets that do not belong to any reportable segment.

- (3) Adjustment in segment liabilities of 17,277 million yen include elimination of intersegment transactions of negative 561 million yen and company-wide liabilities of 17,839 million yen that are not allocated to each reportable segment.
- (4) Adjustment of depreciation under “Other” of 204 million yen includes depreciation of company-wide assets not allocated to each reportable segment of 204 million yen.
- (5) Adjustment of income(loss) on investments based on equity method under “Other” of 12 million yen includes income(loss) on investments based on equity method of 12 million yen related to company-wide assets not allocated to each reportable segment.
- (6) Adjustment of increase in property, plant and equipment and intangible assets under “Other” of 394 million yen includes the 394 million yen increase in property, plant and equipment and intangible assets related to company-wide assets not allocated to each reportable segment.

Note 3. Segment profit is reconciled to ordinary profit in the consolidated statement income.

Related Information

For the fiscal year ended March 31, 2023

1. Information by product and service

Information by product and service is omitted because similar information is provided in “Segment information.”

2. Regional information

(1) Net sales

Net sales to external customers in Japan accounts for more than 90% of net sales in the Consolidated Statement of Income, so the description is omitted.

(2) Property, plant and equipment

Property, plant and equipment which is located in Japan, accounts for more than 90% of amount in property, plant and equipment in the Consolidated Balance Sheet, so the description is omitted.

3. Information by major customers

(Unit: million yen)

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

For the fiscal year ended March 31, 2024

1. Information by product and service

Information by product and service is omitted because similar information is provided in “Segment information.”

2. Regional information

(1) Net sales

Net sales to external customers in Japan accounts for more than 90% of net sales in Consolidated Statement of Income, so the description is omitted.

(2) Property, plant and equipment

Property, plant and equipment which is located in Japan, accounts for more than 90% of amount in property, plant and equipment in the Consolidated Balance Sheet, so the description is omitted.

3. Information by major customers

Sales to external customers are not disclosed because there is no customer that accounts for 10% or more of net sales in the Consolidated Statement of Income.

Information on non-current assets impairment loss by reportable segment
For the fiscal year ended March 31, 2023

(Unit: million yen)

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

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

For the fiscal year ended March 31, 2024

(Unit: million yen)

	Reportable segments				Other	Corporate and elimination	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total			
Impairment loss	-	48	-	48	-	-	48

Information on goodwill amortization and unamortized balance by reportable segment
For the fiscal year ended March 31, 2023

(Unit: million yen)

	Reportable segments				Other	Corporate and elimination	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total			
Balance at end of the period	-	65	-	65	277	-	343

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

For the fiscal year ended March 31, 2024

(Unit: million yen)

	Reportable segments				Other	Corporate and elimination	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total			
Balance at end of the period	-	-	308	308	270	-	579

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

Information on negative goodwill gain by report segment
For the fiscal year ended March 31, 2023

Not applicable.

For the fiscal year ended March 31, 2024

Not applicable.

(Related Party Information)

1. Transactions with related parties

(1) Transactions between the company submitting consolidated financial statements and related parties

(i) Non-consolidated subsidiaries and affiliates of the company submitting consolidated financial statements

For the fiscal year ended March 31, 2023

There are no important matters to be stated.

For the fiscal year ended March 31, 2024

There are no important matters to be stated.

(ii) Officers and major shareholders of the company submitting consolidated financial statements (limited to individuals), etc.

For the fiscal year ended March 31, 2023

There are no important matters to be stated.

For the fiscal year ended March 31, 2024

There are no important matters to be stated.

(2) Transactions between consolidated subsidiaries of the company submitting consolidated financial statements and related parties

For the fiscal year ended March 31, 2023

There are no important matters to be stated.

For the fiscal year ended March 31, 2024

Type	Name of the company, etc.	Location	Share capital or investment (million yen)	Contents of business or occupation	Percentage of voting rights owned (%)	Relationship with related parties	Contents of the transaction	Transaction amount (million yen)	Item	Year-end balance (million yen)
Companies in which the majority of voting rights are held by the officers and his/ her relatives	TH Kosan Co., Ltd.	Urayasu, Chiba	1	Asset management	None	None	Lease of real estate	12	Cost of sales	-

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

2. Notes on parent company and significant affiliated companies

Not applicable.

(Special Purpose Companies Subject to Disclosure)

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

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

In this business, sub-divided real estate investment product purchasers (hereinafter referred to as investors) will enter into an agreement with voluntary partnership to participate in the real estate specified business and make cash contribution or contribution in kind. Voluntary partnership is structured to receive distributions of profits and losses arising from the real estate purchased by investors in kind or cash. Profits and losses on leasing and sales of the real estate are attributable to investors.

As a Managing Partner (Chairman), the Company receives chairman compensation in accordance with the Voluntary Partnership Agreement, and also receives compensation from the voluntary partnership for entrusting building management in a lump sum. In the case of cash investment type, real estate transfer occurs between the Company and voluntary partnership.

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

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Number of Special Purpose Companies	9 partnerships	13 partnerships
Total assets as of the latest balance sheet date (simple sum)	6,140 million yen	7,725 million yen
Total liabilities (simple sum)	183 million yen	203 million yen

The total assets and total liabilities of one partnership for the previous fiscal year and of three partnerships for the fiscal year under review, are not included in the total amount above because the closing date has not yet arrived.

(2) Transaction amount with the special purpose company subject to disclosure

For the fiscal year ended March 31, 2023

	Amounts of major transactions	Major profit and loss	
		Item	Amount
Transfer of real estate (Note 1)	2,354 million yen	Net sales	2,354 million yen

Notes: 1. The transfer of real estate is stated at the transfer price at the time of transfer. The transfer of real estate is recorded in the net sales of the Consolidated Statement of Income.

2. Information on transactions other than the above is omitted as the transaction amount is immaterial.

For the fiscal year ended March 31, 2024

	Amounts of major transactions	Major profit and loss	
		Item	Amount
Transfer of real estate (Note 1)	1,758 million yen	Net sales	1,758 million yen

Notes: 1. The transfer of real estate is stated at the transfer price at the time of transfer. The transfer of real estate is recorded in the net sales of the Consolidated Statement of Income.

2. Information on transactions other than the above is omitted as the transaction amount is immaterial.

(Per share information)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Net assets per share	1,663.33 yen	1,864.36 yen
Earnings per share	238.98 yen	245.50 yen
Fully diluted earnings per share	238.76 yen	230.74 yen

Notes: 1. The basis for calculation of earnings per share and fully diluted earnings per share is as follows.

	For the year ended March 31, 2023	For the year ended March 31, 2024
Earnings per share		
Profit attributable to owners of parent company (million yen)	11,612	11,917
Amount not attributable to common shareholders (million yen)	-	-
Profit attributable to owners of parent company for common shares (million yen)	11,612	11,917
Average number of common shares (shares)	48,592,065	48,541,810
Fully diluted earnings per share		
Adjustment of profit attributable to owners of parent company (million yen)	-	-
Common shares increase (shares)	45,270	3,104,495
(including Convertible bonds with Share Acquisition Rights (shares))	(-)	(3,059,215)
(including Share Acquisition Rights (shares))	(45,270)	(45,280)
Outline of dilutive shares not included in the calculation of fully diluted earnings per share because they have no dilutive effect	-	-

2. The basis for calculation of net assets per share is as follows.

	For the year ended March 31, 2023	For the year ended March 31, 2024
Total net assets (million yen)	83,965	94,416
Amount of deduction from total net assets (million yen)	3,263	3,897
(including Share Acquisition Rights (million yen))	30	30
(including non-controlling interests (million yen))	3,233	3,867
Net assets at year-end available to common shares (million yen)	80,702	90,519
Number of common shares at year-end used for the calculation of net assets per share (shares)	48,518,331	48,552,292

3. The Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP) are included in weighted average number of shares for the period in common shares and treasury shares deducted in the calculation of the total number of outstanding shares at the end of the fiscal year under review. The weighted average number of shares for the period of the Company's shares held by the trust account is 62,921 shares for the previous fiscal year and 128,300 shares for the current fiscal year. The number of shares at the end of the fiscal year is 128,300 shares for the previous fiscal year and 128,300 shares for the current fiscal year.

(Significant Subsequent Events)

Not applicable.

(v) Consolidated supplementary schedule
Schedule of corporate bonds

Company Name	Brand	Date of issue	Balance at beginning of the period (million yen)	Balance at end of the period (million yen)	Interest rate (%)	Security	Maturity
Sun Frontier Fudousan Co., Ltd.	1st Series Unsecured Convertible Bonds with Share Acquisition Rights	October 6, 2023	-	9,999	Noninterest bearing	Unsecured corporate bond	October 6, 2028

Note: 1 Convertible bonds with Share Acquisition Rights

Details of shares to be issued	Issue price of Share Acquisition Rights	Issue price of shares (yen)	Total issue price (million yen)	Total issue price of shares issued upon exercise of Share Acquisition Rights (million yen)	Rate of Share Acquisition Rights granted (%)	Period for exercising Share Acquisition Rights	Matters relating to substitute payment
Sun Frontier Fudousan Co., Ltd. Common shares	Free of charge	1,554 (*1)	9,999	-	100	From October 10, 2023 to October 4, 2028	(*2)

(*1) Subject to adjustment as provided in the terms and conditions of issuance of the bonds with Share Acquisition Rights.

(*2) Upon the exercise of Share Acquisition Rights, the bonds pertaining to the Share Acquisition Rights shall be invested.

2. Total amount of redemption per year within five (5) years after closing book

Within one year (million yen)	More than one year but less than 2 years (million yen)	More than 2 years but less than 3 years (million yen)	More than 3 years but less than 4 years (million yen)	More than 4 years but less than 5 years (million yen)
-	-	-	-	9,999

Borrowings and other details

Classification	Balance at beginning of the period (million yen)	Balance at end of the period (million yen)	Average interest rate (%)	Due date
Short-term borrowings	50	62	1.00	-
Long-term borrowings due within one year	5,442	12,207	0.94	-
Long-term borrowings	50,170	57,272	0.95	2025-2046
Total	55,663	69,541	-	-

Notes: 1. The average interest rate is the weighted average interest rate on the year-end borrowings balance.

2. The repayment schedule for Long-term borrowings for five (5) years after the Consolidated

Balance Sheet date is as follows:

	Over 1 year and within 2 years (million yen)	Over 2 years and within 3 years (million yen)	Over 3 years and within 4 years (million yen)	Over 4 years and within 5 years (million yen)
Long-term borrowings	12,762	18,100	5,149	9,465

Asset retirement obligations

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

(2) Other

Quarterly information of current consolidated fiscal year

(Cumulative period)	1st Quarter	2nd Quarter	3rd Quarter	Current consolidated fiscal year
Net sales (million yen)	18,452	48,998	62,258	79,868
Quarterly profit before income taxes (million yen)	4,161	11,919	13,876	17,295
Quarterly profit attributable to owners of parent company (million yen)	3,134	8,463	9,744	11,917
Quarterly earnings per share (yen)	64.60	174.39	200.76	245.50

(Accounting Period)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Quarterly earnings per share (yen)	64.60	109.77	26.38	44.74

2. Non-Consolidated Financial Statements, etc.

(1) Non-Consolidated Financial Statements

(i) Non-Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	27,469	32,979
Account receivable - trade	*2) 397	*2) 448
Real estate for sale	*1) 16,301	*1) 11,612
Real estate for sale in process	*1) 52,019	*1) 83,087
Short-term loans to affiliates	680	1,003
Current portion of long-term loans receivable from subsidiaries and associates	2,000	908
Other	*2) 1,111	*2) 1,797
Allowance for doubtful accounts	-7	-54
Total current assets	99,971	131,782
Non-current assets		
Property, plant and equipment		
Buildings	*1) 7,849	*1) 7,659
Land	*1) 9,711	*1) 10,175
Other	121	146
Total property, plant and equipment	17,683	17,981
Intangible assets		
Other	395	541
Total intangible assets	395	541
Investments and other assets		
Shares of subsidiaries and affiliates	15,268	15,278
Long-term loans to affiliates	1,181	380
Deferred tax assets	1,032	1,203
Other	1,781	1,897
Allowance for doubtful accounts	-101	-93
Total investments and other assets	19,162	18,666
Total non-current assets	37,241	37,189
Total assets	137,212	168,972

(Unit: million yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	*2) 1,097	*2) 1,526
Current portion of long-term borrowings	*1) 3,531	*1) 11,377
Income taxes payable	1,441	2,104
Deposits payable	*2) 1,703	*2) 2,169
Provision for bonuses	138	151
Provision for bonuses for directors (and other officers)	65	70
Other	*2) 2,665	*2) 1,683
Total current liabilities	10,643	19,083
Non-current liabilities		
Corporate bonds	-	9,999
Long-term borrowings	*1) 44,982	*1) 52,599
Long-term deposits received	1,591	1,755
Provision for share-based remuneration	77	90
Other	56	60
Total non-current liabilities	46,709	64,505
Total liabilities	57,353	83,589
Net assets		
Shareholders' equity		
Share capital	11,965	11,965
Capital surplus		
Capital reserve	6,449	6,449
Other capital surplus	-	14
Total capital surplus	6,449	6,464
Retained earnings		
Legal reserve	13	13
Other retained earnings		
Retained earnings brought forward	61,669	67,141
Total retained earnings	61,682	67,154
Treasury shares	-270	-233
Total shareholders' equity	79,827	85,350
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1	2
Total valuation and translation adjustments	1	2
Share acquisition rights	30	30
Total net assets	79,859	85,382
Total liabilities and net assets	137,212	168,972

(ii) Non-consolidated Statement of Income

(Unit: million yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Net sales	*1) 52,097	*1) 52,929
Cost of sales	*1) 33,793	*1) 34,076
Gross profit	18,303	18,853
Selling, general and administrative expenses	*1, *2) 6,353	*1, *2) 6,909
Operating profit	11,949	11,944
Non-operating income		
Interest and dividend income	*1) 87	*1) 54
Foreign exchange gains	93	131
Reversal of allowance for doubtful accounts	30	9
Other	4	*1) 10
Total non-operating income	215	206
Non-operating expenses		
Interest expenses	395	481
Allowance for doubtful accounts provision	-	46
Other	*1) 15	8
Total non-operating expenses	411	536
Ordinary profit	11,753	11,614
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	11	-
Total extraordinary income	11	-
Extraordinary loss		
Loss on retirement of non-current assets	4	25
Loss on valuation of investments in subsidiaries	-	23
Loss on devaluation of shares of subsidiaries and affiliates	110	-
Loss on valuation of investment securities	104	-
Other	0	-
Total extraordinary loss	220	48
Profit before income taxes	11,545	11,565
Income taxes - current	3,531	3,783
Income taxes - deferred	142	-171
Total income taxes	3,673	3,611
Profit	7,871	7,953

Cost of sales specification

		For the year ended March 31, 2023		For the year ended March 31, 2024	
Classification	Note Number	Amount (million yen)	Composition ratio (%)	Amount (million yen)	Composition ratio (%)
Real Estate Revitalization Business cost					
Buildings and Land		30,894	91.4	30,610	89.8
Outsourcing costs		184	0.5	285	0.8
Expenses		1,316	3.9	1,527	4.5
(including taxes and duties)		(273)		(323)	
(including depreciation)		(826)		(995)	
Real Estate Revitalization Business cost total		32,395	95.9	32,423	95.1
Real Estate Service Business cost					
Outsourcing costs		583	1.7	549	1.6
Expenses		321	1.0	540	1.6
(including rent)		(275)		(306)	
Real Estate Service Business cost total		904	2.7	1,089	3.2
Hotel and Tourism Business cost					
Expenses		337	0.9	409	1.2
(including rent)		(110)		(110)	
(including depreciation)		(220)		(266)	
Hotel and Tourism Business cost total		337	0.9	409	1.2
Other Business cost					
Outsourcing costs		106	0.3	88	0.3
Labor costs		8	0.0	5	0.0
Expenses		40	0.1	59	0.2
Other Business cost total		155	0.5	153	0.5
Cost of sales		33,793	100.0	34,076	100.0

Note: Cost calculation is based on individual cost accounting.

(iii) Non-Consolidated Statement of Changes in Equity
For the year ended March 31, 2023

(Unit: million yen)

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

	Shareholders' equity	Valuation and translation difference		Share acquisition rights	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation difference		
Balance at beginning of the period	74,399	3	3	30	74,432
Changes during period					
Dividends of surplus	-2,240				-2,240
Profit	7,871				7,871
Purchase of treasury shares	-239				-239
Disposal of treasury shares	36				36
Transfer from retained earnings to capital surplus	-				-

	Shareholders' equity	Valuation and translation difference		Share acquisition rights	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation difference		
Net changes in items other than shareholders' equity		-1	-1	-	-1
Total changes during period	5,427	-1	-1	-	5,426
Balance at end of the period	79,827	1	1	30	79,859

For the year ended March 31, 2024

(Unit: million yen)

	Share capital	Shareholders' equity						
		Capital surplus			Retained earnings			Treasury shares
		Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at beginning of the period	11,965	6,449	-	6,449	13	61,669	61,682	-270
Changes during period								
Dividends of surplus						-2,481	-2,481	
Profit						7,953	7,953	
Purchase of treasury shares								-0
Disposal of treasury shares			14	14				37
Transfer from retained earnings to capital surplus								
Net changes in items other than shareholders' equity								
Total changes during period	-	-	14	14	-	5,471	5,471	37
Balance at end of the period	11,965	6,449	14	6,464	13	67,141	67,154	-233

	Shareholders' equity	Valuation and translation difference		Share acquisition rights	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation difference		
Balance at beginning of the period	79,827	1	1	30	79,859
Changes during period					
Dividends of surplus	-2,481				-2,481
Profit	7,953				7,953
Purchase of treasury shares	-0				-0
Disposal of treasury shares	51				51
Transfer from retained earnings to capital surplus	-				-
Net changes in items other than shareholders' equity		0	0	-	0
Total changes during period	5,522	0	0	-	5,523
Balance at end of the period	85,350	2	2	30	85,382

Notes

(Significant Accounting Policies)

1. Valuation standards and methods for assets

(1) Valuation standards and methods for securities

(i) Shares of subsidiaries and affiliates

Stated at cost using the moving-average method.

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

Securities other than securities without market price

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

Securities without market price

Stated at cost using the moving-average method.

(2) Valuation standards and methods for inventories

Real estate for sale and real estate for sale in process

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

Leased assets are depreciated in accordance with property, plant and equipment standards.

2. Depreciation of non-current assets

(1) Property, plant and equipment

The declining-balance method is applied. However, buildings (excluding facilities attached to buildings) and facilities attached to buildings acquired on or after April 1, 2016 are depreciated using the straight-line method.

The estimated useful lives are as follows:

Buildings 3 to 29 years

Other 2 to 15 years

Small-amount depreciable assets with an acquisition cost of 100,000 yen or more but less than 200,000

yen are depreciated over three years on a straight-line basis.

(2) Intangible assets

The straight-line method is used.

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

3. Standards for provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

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

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

(4) Provision for share-based remuneration

In order to prepare for the provision of the Company's shares to employees based on the Share Benefit Regulations, provision for share-based remuneration is recorded based on the estimated amount of the share benefit obligation at the end of the fiscal year under review.

4. Method of recording revenue and expenses

The details of the main performance obligations in major businesses related to the revenue arising from contracts with customers of the Company and the normal time at which such performance obligations are satisfied (normal time to recognize revenue) are as follows.

(a) Real Estate Revitalization Business

Replanning Business

In the Replanning Business, the Company buys existing office buildings, renovates the buildings and facilities, and sells them to customers in Japan and overseas with added value by attracting high-quality tenants. The Company is obligated to deliver the properties based on real estate sales contracts with customers.

The performance obligation is satisfied at the point the Company delivers the property. The Company records the revenue at the time of this delivery.

(b) Real Estate Service Business

(1) Property Management Business

In the Property Management Business, the Company concludes the property management agreement with customers and is obligated to perform various services related to real estate properties on behalf of customers, such as maintenance and management of properties and collection of rents from tenants. The performance obligation is satisfied when the Company provides services based on the property management contract. The Company records the revenue over the contract period.

(2) Sales Brokerage Business

In Sales Brokerage Business, the Company stands between the buyer and the seller at the time of sale and purchase of real estate property and engages in the conclusion of sales contracts. Based on the brokerage agreement with the customer, the Company has obligations related to a series of services, such as negotiation and adjustment of transaction terms to conclude the contract, delivery and explanation of important facts, preparation and delivery of contracts, and involvement in procedures for performance of agreements.

The performance obligation is satisfied at a point when the Company delivers the property related to

the real estate sales contract that has been concluded based on the brokerage agreement. The Company records the revenue at the time of this delivery.

(3) Leasing Brokerage Business

In the Leasing Brokerage Business, the Company stands between the lessee and lessor at the time of lease of real estate and engages in the conclusion of lease contracts. Based on the brokerage agreement with the customer, the Company has obligations related to a series of services, such as negotiation and adjustment of transaction terms to conclude the contract, delivery and explanation of important facts, preparation and delivery of contracts, and involvement in procedures for performance of agreements. The performance obligation is satisfied at a point the customer agrees to the real estate lease contract for the property rented per the brokerage agreement. The Company records the revenue at the time of the conclusion of this agreement.

(c) Hotel and Tourism Business

Hotel Development Business

In the Hotel Development Business, the Company engages in the development of new hotels starting from the purchase of land to the construction of buildings, and sells the developed hotels to customers. The Company is obligated to deliver the properties based on real estate sales contracts with customers. The performance obligation is satisfied at a point the Company delivers the property. The Company records the revenue at the time of this delivery.

(d) Other

Construction Business

The Company engages in renewal planning, repair and reform, telecommunications work of commercial buildings, and contracted interior construction work for large, medium, and small-sized facilities.

If control of goods or services is transferred to the customer over a certain period, the performance obligation is satisfied at a point the Company transfers the goods or services to the customer. Also, the Company records the revenue during this period.

In addition, the Company applies an alternative treatment to contracts with a very short period from the transaction start date to the point when the performance obligations are expected to be fully satisfied, or for construction work with a small amount of order per construction unit. The revenue is not recognized over the period of this alternative treatment, and the Company will record the revenue when the performance obligations are fully satisfied.

5. Other basis for preparation of financial statements

(1) Standards for translation of significant assets or liabilities denominated in foreign currencies into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing at the respective balance sheet dates, and translation differences are charged or credited to income.

(2) Accounting for non-deductible consumption taxes

Non-deductible consumption taxes related to assets are accounted for as expenses for the fiscal year they are incurred.

(3) Application of group tax sharing system

Group tax sharing system is applied.

(Notes on Accounting Estimates)

1. Assessment of the real estate for sale

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

	For the year ended March 31, 2023	For the year ended March 31, 2024
Real estate for sale	16,301 million yen	11,612 million yen
Real estate for sale in process	52,019 million yen	83,087 million yen

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

For real estate for sale, etc., if the net selling price falls below the acquisition cost, the net selling price is stated as the balance sheet value. The net selling price is calculated by deducting the estimated future cost of construction work and the estimated selling expenses from the return value estimated based on the business plan.

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

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

2. Non-current assets impairment

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

	For the year ended March 31, 2023	For the year ended March 31, 2024
Non-current assets related to Hotel Development Business	9,577 million yen	9,332 million yen

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

The non-current assets related to Hotel Development Business are leased to consolidated subsidiaries, and the rent is determined based on assumptions of the average unit price and occupancy rate of hotel rooms based on future market forecasts under the policy of long-term management. A determination of whether an impairment loss has been recognized in the event of an indication of impairment is made by comparing the carrying amount of the hotel with the estimated total amount of undiscounted future cash flows expected to result over the lease term based on the lease agreement.

In the following fiscal year and thereafter, the assumptions used in the calculation of rent may change if events that were not anticipated at the time of concluding the lease agreement occur.

This may have a material impact on the non-current asset amounts recognized in the financial statements for the following fiscal year and thereafter.

(Change of Presentation Method)

(Related to Non-consolidated Statement of Income)

“Loss on retirement of non-current assets,” which was included in “Other” under “Extraordinary loss” in the previous fiscal year, is presented separately from the fiscal year under review because it exceeded 10/100 of the total amount of extraordinary loss. To reflect this change, the Non-consolidated Financial Statements of the previous fiscal year has been reclassified.

As a result, 4 million yen, which was included in “Other” under “Extraordinary loss” in Non-consolidated Statement of Income in the previous fiscal year, has been reclassified as 4 million yen in “Loss on retirement of non-current assets” and 0 million yen in “Other.”

(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, including those for the future, with the money set in trust in advance and managed separately as trust assets.

The total amount method is applied to the Employee Stock Ownership Plan (J-ESOP) in accordance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc.

through Trusts” (ASBJ PITF No. 30, March 26, 2015).

(ii) Own shares remaining in the trust

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

(Related to Non-consolidated Balance Sheet)

*1 Assets pledged as collateral and corresponding liabilities are as follows.

(1) Assets pledged as collateral

	As of March 31, 2023	As of March 31, 2024
Real estate for sale	15,104 million yen	9,109 million yen
Real estate for sale in process	50,275	82,229
Buildings	7,556	7,298
Land	9,637	10,100
Total	82,573 million yen	108,737 million yen

(2) Liabilities for the above

	As of March 31, 2023	As of March 31, 2024
Long-term borrowings (including current portion of long-term borrowings)	47,504 million yen	63,362 million yen
Total	47,504 million yen	63,362 million yen

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

	As of March 31, 2023	As of March 31, 2024
Short-term monetary claim	130 million yen	208 million yen
Short-term monetary obligations	217	238

3. Debt Guarantees

Guarantees for affiliated companies’ borrowings from financial institutions

	As of March 31, 2023	As of March 31, 2024
Sun Frontier Hotel Management Inc.	5,355 million yen	3,250 million yen
Sun Frontier Sado Inc.	172	342
SF Communication Inc.	85	26
Hotel Osado Co., Ltd.	192	316

(Related to Non-consolidated Statement of Income)

*1 Total amount of operating transactions and non-operating transactions with affiliated companies

	For the year ended March 31, 2023	For the year ended March 31, 2024
Operating transactions (revenue)	447 million yen	514 million yen
Operating transactions (expenses)	746	1,003
Non-operating transactions (revenue)	87	55
Non-operating transactions (expenses)	6	-

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

	For the year ended March 31, 2023	For the year ended March 31, 2024
Sales commission	368 million yen	488 million yen
Commission paid	1,161	1,248
Salaries and allowances	1,887	2,020
Transfer to provision for bonuses	138	151
Transfer to provision for bonuses for directors (and other officers)	65	70
Transfer to provision for share-based remuneration	13	12
Allowance for doubtful accounts provision	13	3
Depreciation	119	164
Approximate percentage		
Selling costs	5.8%	7.1%
General and administrative expenses	94.2%	92.9%

(Securities)

For the year ended March 31, 2023

Since the shares of subsidiaries and affiliates are securities without market price, the market value of shares of subsidiaries and affiliates is not stated.

The non-consolidated balance sheet amounts of shares of subsidiaries and affiliates which are securities without market price are as follows.

Classification	As of March 31, 2023 (million yen)
Shares of subsidiaries	15,268
Shares of affiliates	0
Total	15,268

For the year ended March 31, 2024

Since the shares of subsidiaries and affiliates are securities without market price, the market value of shares of subsidiaries and affiliates is not stated.

The non-consolidated balance sheet amounts of shares of subsidiaries and affiliates which are securities without market price are as follows.

Classification	As of March 31, 2024 (million yen)
Shares of subsidiaries	15,278
Shares of affiliates	0
Total	15,278

(Tax Effect Accounting)

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

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets		
Inventories	520 million yen	636 million yen
Denial of loss on devaluation of shares of subsidiaries and affiliates	727	735
Accrued enterprise tax	86	114
Allowance for doubtful accounts	29	33
Taxes and duties	58	65
Accounts payable	53	75
Accrued expenses	31	38
Provision for bonuses	42	46
Long-term accounts payable	17	17
Denial of loss on devaluation of non-current assets	8	8
Excess depreciation	64	55
Other	113	101
Subtotal deferred tax assets	1,753 million yen	1,928 million yen
Valuation allowance	-714	-716
Total deferred tax assets	1,039 million yen	1,211 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale securities	0 million yen	1 million yen
Other	6	6
Total deferred tax liabilities	7 million yen	7 million yen
Net deferred tax assets	1,032 million yen	1,203 million yen

2. Reconciliation between the statutory effective tax rate and the corporate income taxes' effective tax rate after the adoption of tax effect accounting

For both the previous fiscal year and fiscal year under review, the difference between the statutory effective tax rate and the corporate income tax rate after the adoption of tax effect accounting is 5/100 or less of the statutory effective tax rate, so the description is omitted.

3. Accounting treatment of corporate income taxes and local corporate taxes, or accounting treatment of related tax effect accounting

The Company has adopted the group tax sharing system. In addition, the Company has adopted the accounting treatment of corporate income taxes and local corporate taxes or the accounting treatment of related tax effect accounting in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021).

(Revenue Recognition)

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

(Significant Subsequent Events)

Not applicable.

(iv) Non-Consolidated Supplementary Schedule

Detailed statement of property, plant and equipment, etc.

(Unit: million yen)

Category	Type of asset	Balance at beginning of the fiscal year	Increase during the fiscal year ended March 31, 2024	Decrease during the fiscal year ended March 31, 2024	Depreciation /amortization during the current fiscal year	Balance at end of the fiscal year	Accumulated depreciation/amortization
Property, plant and equipment	Buildings	7,849	300	22	468	7,659	1,238
	Land	9,711	463	-	-	10,175	-
	Other	121	92	4	62	146	169
	Total	17,683	856	26	531	17,981	1,407
Intangible assets	Other	395	233	1	85	541	-
	Total	395	233	1	85	541	-

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

Buildings	Real estate revitalization	Increase due to acquisition of Rental Building Business assets (office buildings)	150 million yen
Land	Real estate revitalization	Increase due to acquisition of Rental Building Business assets (office buildings)	463 million yen

Schedule of allowances

(Unit: million yen)

Item	Balance at beginning of the fiscal year	Increase during the fiscal year ended March 31, 2024	Decrease during the fiscal year ended March 31, 2024	Balance at end of the fiscal year
Allowance for doubtful accounts	108	48	9	147
Provision for bonuses	138	151	138	151
Provision for bonuses for directors (and other officers)	65	70	65	70
Provision for share-based remuneration	77	12	-	90

(2) Major assets and liabilities

This information is omitted because consolidated financial statements are prepared.

(3) Other

Not applicable.

Item. 6 Outline of the stock operations of the Company

Fiscal year	April 1 to March 31											
Annual General Meeting of Shareholders	During the month of June											
Record date	March 31											
Record date for dividends of surplus	September 30, March 31											
Number of shares per unit	100 shares											
Purchase of shares less than one unit												
Handling office	(Special Account) 1-3-3 Marunouchi, Chiyoda-ku, Tokyo, Mizuho Trust & Banking Co., Ltd., Securities Agency											
Administrator of the register of shareholders	(Special Account) 1-3-3 Marunouchi, Chiyoda-ku, Tokyo, Mizuho Trust & Banking Co., Ltd.											
Forward office	-											
Purchase and sales fee	Amount to be separately determined as the amount equivalent to the commission for the entrustment of the purchase and sale of shares											
Publication method	The Company’s method of public notice is electronic public notice. However, if it is not possible to make an electronic public notice due to an accident or other unavoidable circumstances, it will be published in the Nihon Keizai Shimbun. The URL for public notice of the Company is as follows. https://www.sunftr.co.jp/											
Special benefits to shareholders	The Company presents a “Complimentary Coupon” for hotels operated by the Group according to the number of shares held by shareholders listed on the shareholders’ register as of the end of March 2024 as follows. 1. Details of the complementary coupons <table><tr><th colspan="2">Type</th><th>Applicable hotels</th></tr><tr><td>(i)</td><td>Complimentary coupon 1,000 yen</td><td> • Shijo Kawaramachi Onsen Sora Niwa Terrace Kyoto Bettei • Shijo Kawaramachi Onsen Sora Niwa Terrace Kyoto • HIYORI Ocean Resort Okinawa • SADO NATIONAL PARK HOTEL OOSADO • SADO RESORT HOTEL AZUMA • Inawashiro Bandaisanroku Onsen Seifutei </td></tr><tr><td>(ii)</td><td>Complimentary coupon 5,000 yen</td><td> • HIYORI Hotel Maihama • HIYORI Hotel Osaka Namba Station • Spring Sunny Hotel Nagoya Tokoname Station • Tabino Hotel Lit Miyakojima • Tabino Hotel Villa Miyakojima • Tabino Hotel Lit Matsumoto • Tabino Hotel Hida-Takayama • Tabino Hotel Sado • Tabino Hotel Kurashiki Mizushima • Tabino Hotel Kashima • Tabi-no-Hotel EXpress Narita • DONDEN HIGHLAND LODGE </td></tr></table>			Type		Applicable hotels	(i)	Complimentary coupon 1,000 yen	• Shijo Kawaramachi Onsen Sora Niwa Terrace Kyoto Bettei • Shijo Kawaramachi Onsen Sora Niwa Terrace Kyoto • HIYORI Ocean Resort Okinawa • SADO NATIONAL PARK HOTEL OOSADO • SADO RESORT HOTEL AZUMA • Inawashiro Bandaisanroku Onsen Seifutei	(ii)	Complimentary coupon 5,000 yen	• HIYORI Hotel Maihama • HIYORI Hotel Osaka Namba Station • Spring Sunny Hotel Nagoya Tokoname Station • Tabino Hotel Lit Miyakojima • Tabino Hotel Villa Miyakojima • Tabino Hotel Lit Matsumoto • Tabino Hotel Hida-Takayama • Tabino Hotel Sado • Tabino Hotel Kurashiki Mizushima • Tabino Hotel Kashima • Tabi-no-Hotel EXpress Narita • DONDEN HIGHLAND LODGE
Type		Applicable hotels										
(i)	Complimentary coupon 1,000 yen	• Shijo Kawaramachi Onsen Sora Niwa Terrace Kyoto Bettei • Shijo Kawaramachi Onsen Sora Niwa Terrace Kyoto • HIYORI Ocean Resort Okinawa • SADO NATIONAL PARK HOTEL OOSADO • SADO RESORT HOTEL AZUMA • Inawashiro Bandaisanroku Onsen Seifutei										
(ii)	Complimentary coupon 5,000 yen	• HIYORI Hotel Maihama • HIYORI Hotel Osaka Namba Station • Spring Sunny Hotel Nagoya Tokoname Station • Tabino Hotel Lit Miyakojima • Tabino Hotel Villa Miyakojima • Tabino Hotel Lit Matsumoto • Tabino Hotel Hida-Takayama • Tabino Hotel Sado • Tabino Hotel Kurashiki Mizushima • Tabino Hotel Kashima • Tabi-no-Hotel EXpress Narita • DONDEN HIGHLAND LODGE										

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

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

2. Rank by number of shares held and holding period

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

*Regarding the number of shares held on the shareholder register as of the end of September and March of each year, if it can be confirmed that 500 shares or more are held seven or more times consecutively or 1,000 shares or more are held seven or more times consecutively under the same shareholder number, and if the shares are held continuously at the end of the first March thereafter, it will be recognized as long-term holding of the respective shares.

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

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

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

The right to receive the allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by each shareholder

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

Item. 7 Reference Information on the Company

1. Information on the Parent Company

The Company has no parent companies, etc. as stipulated in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The following documents have been submitted from the start date of the fiscal year ended March 31, 2024 to the filing date of the Annual Securities Report.

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

The 25th fiscal year (from April 1, 2023 to March 31, 2024)

Submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2024

(2) Internal Control Report and Documents Attached

Submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2024

(3) Quarterly Report and Confirmation Letter

First quarter for the 25th fiscal year (from April 1, 2023 to June 30, 2023)

Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2023

Second quarter for the 25th fiscal year (from July 1, 2023 to September 30, 2023)

Submitted to the Director-General of Kanto Local Finance Bureau on November 10, 2023

Third quarter for the 25th fiscal year (from October 1, 2023 to December 31, 2023)

Submitted to the Director-General of the Kanto Local Finance Bureau on February 9, 2024

(4) Extraordinary Report

Extraordinary Report pursuant to Article 19, Paragraph 2, Item 9-2 (Results of Exercise of Voting Rights in General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2024

(5) The Securities Registration Statement and Attached Documents

Securities Registration Statement concerning issuance by the method of third-party allotment of 1st series unsecured convertible bonds with share acquisition rights

Submitted to the Director-General of the Kanto Local Finance Bureau on September 20, 2023

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

Not applicable.

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

June 26, 2024

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

BDO Sanyu & Co.
Tokyo Office, Japan

Hitoshi Torii
Designated Partner
Engagement Partner
Certified Public Accountant

Tomoharu Takashima
Designated Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Sun Frontier Fudousan Co., Ltd. and its consolidated subsidiaries for the consolidated fiscal year from April 1, 2023 to March 31, 2024 provided in the "Financial Information" section in the Sun Frontier Fudousan's Annual Securities Report, which comprise the consolidated balance sheet, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, significant accounting policies for the preparation of consolidated financial statements, and notes to the consolidated financial statements and supplementary schedules, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sun Frontier Fudousan Co., Ltd. and its consolidated subsidiaries as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Assessment of real estate for sale	
Key Audit Matters and Reasons for Decisions	Audit Response
The Company owns real estate for sale and other properties in the Replanning Business of the Real Estate Revitalization Business segment and Hotel Development Business of the Hotel and Tourism Business segment. As described in notes to consolidated financial statements (significant accounting estimates), the Consolidated Balance Sheet for the current consolidated fiscal year recorded 11,632 million yen in real estate for sale and 95,081 million yen in real estate for sale in process, accounting for 56.6% of total assets. Real estate for sale, etc. are exposed to the risk of future changes in the real estate market due to fluctuations in the financial and foreign exchange markets and demand for office space by foreign investors, etc. There is a possibility that unrealized loss will occur due to a decline in net selling price. The net selling price is the amount obtained by deducting the estimated amount of construction costs to be incurred in the future and the estimated amount of sales expenses, etc. from the estimated sales amount, which is mainly the capitalization value calculated by dividing the expected future revenue based on the business plan formulated by the Company by the expected yield. The expected future revenue in the business plan, which serves as the basis for the calculation of the capitalization value, includes estimates of future tenant rents, average unit prices and occupancy rates of hotel rooms, etc., and involves management's assumptions and judgments as well as forecasts of future market conditions. Based on the above, the valuation of real estate for sale, etc. has a large potential impact on the consolidated financial statements and involves assumptions and judgments by the management. This requires a high level of judgment in the audit. Therefore, we have determined that this matter is a key audit matter.	We mainly implemented the following procedures for the evaluation of real estate for sale, etc. • The net selling price was compared with the book value for properties valued at the net selling price using the capitalization value estimated based on the business plan. • For real estate for sale, etc. sold in the current consolidated fiscal year, the net selling price evaluated in the previous consolidated fiscal year was compared with the actual selling price. • With respect to the future tenant rents, average unit prices and occupancy rates of hotel rooms, etc., which are important assumptions in the formulation of the business plan that serves as the basis for the calculation of the capitalization value, the reasonableness, feasibility, and degree of uncertainty of the estimate were evaluated by interviewing management and Executive Officers in charge about the estimation method, basis, and measures to achieve the target, comparing with the past performance and market prices in neighboring areas, and confirming the implementation status of the measures.

Other Information

Other information included in the Annual Securities Report is information other than the consolidated financial statements and non-consolidated financial statements and their audit reports. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Committee are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

The scope of our opinion on the consolidated financial statements does not include the other information, and we do not provide our opinion on the other information.

Our responsibility for the audit of the consolidated financial statements is to read the other information, and, in doing so, consider whether there is a material inconsistency between the other information and the consolidated financial statements, or our knowledge obtained during audit, and give attention to whether there are any other indications of material errors in the other information aside from such material inconsistency.

If, based on the audit work performed, we determine that there is a material misstatement in the other information, we are required to report such facts.

There are no matters to be reported by the audit corporation regarding the other information.

Responsibilities of Management and the Audit & Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements based on the going concern assumption, and in cases where it is necessary to disclose matters relating to the going concern assumption based on accounting principles generally accepted in Japan, the Company is responsible for disclosing such matters.

Audit & Supervisory Committee are responsible for overseeing the Directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements from an independent standpoint based on our audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements. In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a modified opinion on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the consolidated financial statements. We remain solely responsible for our opinion.

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

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, measures to eliminate disincentives or safeguards to reduce them to an acceptable level. From the matters communicated with the Audit & Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of the Company as of March 31, 2024, in accordance with Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as of March 31, 2024, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

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

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

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Committee are responsible for overseeing and examining the design and operation of internal control over financial reporting. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that expresses our opinion on the internal control report based on our audit from an independent point of view.

In accordance with internal control auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Review the overall presentation of the internal control report, including the management's descriptions regarding the scope, procedures, and results of the evaluation of internal controls related to financial reporting..
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision, and performance of the audit of the internal control report.

We remain solely responsible for our audit opinion.

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

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

Remuneration Information

The amounts of remuneration for audit services and non-audit services for the Company and its subsidiaries provided to the audit corporation and persons belonging to the same network as the audit corporation are stated in "Corporate Governance, etc. (3) Conditions of Audit" included in "Information on the Company."

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

There are no interests between the Company and its consolidated subsidiaries and our audit corporation or engagement partners that should be stated in accordance with the provisions of the Certified Public Accountant Act of Japan.

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- Notes: 1. The original copy of the above Audit Report is kept separately by the Company (Annual Securities Report Submission Company).
2. XBRL data is not included in audit coverage.

Independent Auditor's Report on the Financial Statements

June 26, 2024

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

BDO Sanyu & Co.
Tokyo Office, Japan

Hitoshi Torii
Designated Partner
Engagement Partner
Certified Public Accountant

Tomoharu Takashima
Designated Partner
Engagement Partner
Certified Public Accountant

Audit of the non-consolidated financial statements

Opinion

We have audited the non-consolidated financial statements of Sun Frontier Fudousan Co., Ltd. provided in the "Financial Information" section in the Sun Frontier Fudousan's Annual Securities Report, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, significant accounting policies, the related notes, and the supplementary schedules of Sun Frontier Fudousan Co., Ltd. as of March 31, 2024 and for the 25th fiscal year from April 1, 2023 to March 31, 2024, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sun Frontier Fudousan Co., Ltd. as of March 31, 2024, and its financial performance for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Assessment of real estate for sale	
Key Audit Matters and Reasons for Decisions	Audit Response
The Company owns real estate for sale and other properties in the Replanning Business of the Real Estate Revitalization Business segment. As described in notes to financial statements (significant accounting estimates), the non-consolidated balance sheet for the current fiscal year recorded 11,612 million yen in real estate for sale and 83,087 million yen in real estate for sale in process, accounting for 56.0% of total assets. Real estate for sale, etc. is exposed to the risk of future changes in the real estate market due to fluctuations in the financial and foreign exchange markets and demand for offices by foreign investors, etc. There is a possibility that unrealized loss will occur due to a decline in net selling price. The net selling price is the amount obtained by deducting the estimated amount of construction costs to be incurred in the future and the estimated amount of sales expenses, etc. from the estimated sales amount, which is mainly the capitalization value calculated by dividing the expected future revenue based on the business plan formulated by the Company by the expected yield. The expected future revenue in the business plan, which serves as the basis for the calculation of the capitalization value, includes estimates of future tenant rents, etc., and involves management's assumptions and judgments as well as forecasts of future market conditions. Based on the above, the valuation of real estate for sale, etc. has a large potential impact on the Non-consolidated Financial Statements and involves assumptions and judgments by the management. This requires a high level of judgment in the audit. Therefore, we have determined that this matter is a key audit matter.	We mainly implemented the following procedures for the evaluation of real estate for sale, etc. • The net selling price was compared with the book value for properties valued at the net selling price based on the capitalization value estimated based on the business plan. • For real estate for sale etc. sold in the current fiscal year, the net selling price evaluated in the previous fiscal year was compared with the actual selling price. • With respect to the future tenant rents, etc., which are important assumptions in the formulation of the business plan that serves as the basis for the calculation of the capitalization value, the reasonableness, feasibility, and degree of uncertainty of the estimate were evaluated by interviewing management and Executive Officers in charge about the estimation method, basis, and measures to achieve the target, comparing with the past performance and market prices in neighboring areas, and confirming the implementation status of the measures.

Other Information

Other information included in the Annual Securities Report is information other than the consolidated financial statements and non-consolidated financial statements and their audit reports. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Committee are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

The scope of our opinion on the non-consolidated financial statements does not include the other information, and we do not provide our opinion on the other information.

Our responsibility for the audit of the non-consolidated financial statements is to read the other information, and, in doing so, consider whether there is a material inconsistency between the other information and the non-consolidated financial statements or our knowledge obtained during audit, and give attention to whether there are any other indications of material errors in the other information aside from such material inconsistency.

If, based on the audit work performed, we determine that there is a material misstatement in the other information, we are required to report such facts.

We have no matters to report with respect to the other information.

Responsibilities of Management and the Audit & Supervisory Committee for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements based on the going concern assumption, and in cases where it is necessary to disclose matters relating to the going concern assumption based on the accounting principles generally accepted in Japan, the Company is responsible for disclosing such matters.

Audit & Supervisory Committee are responsible for overseeing the Directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the non-consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these non-consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- While the objective of the financial statement audit is not to express an opinion on the effectiveness of internal control, the auditor considers internal controls relevant to the audit in order to design appropriate audit procedures based on the assessed risks.
- Evaluate the appropriateness of the accounting policies adopted by management and their application, as well as the reasonableness of the accounting estimates made by management and the adequacy of the related disclosures.
- Conclude on the appropriateness of preparing the non-consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the non-consolidated financial statements or, if the notes to the non-consolidated financial statements on material uncertainty are inadequate, to express a modified opinion on the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as evaluate the presentation, structure, and content of the non-consolidated financial statements, including the related notes thereto, and whether the non-consolidated financial statements fairly present the underlying transactions and accounting events.

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

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

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

Remuneration Information

The amounts of remuneration for audit services and non-audit services for the Company and its subsidiaries for the fiscal year under review provided to the audit corporation and persons belonging to the same network as the audit corporation are stated in "Corporate Governance, etc. (3) Conditions of Audit" included in "Information on the Company."

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

Our firm and its designated engagement partners do not have any interest in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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- Notes: 1. The original copy of the above Audit Report is kept separately by the Company (Annual Securities Report Submission Company).
2. XBRL data is not included in audit coverage.