

Note: This document has been translated from the Japanese original for reference only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. Sun Frontier Fudosan Co., Ltd. Assumes no responsibility for this translation, and also for the damages directly, indirectly or other forms arising from the translation.

(Stock Exchange Code 8934)

June 5, 2023

**To Shareholders with Voting Rights:**

Sun Frontier Fudosan Co., Ltd.  
Seiichi Saito, President and Representative Director  
2-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo

**NOTICE OF  
THE 24<sup>th</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,


We would like to express our appreciation for your continued support and patronage.

Please be informed that the 24<sup>th</sup> Annual General Meeting of Shareholders of Sun Frontier Fudosan Co., Ltd. (the “Company”) will be held for purposes as described below.

For the convocation of this General Meeting of Shareholders, electronic provision of information (materials subject to electronic provision), which is the contents of the Reference Documents, etc., has been implemented and posted on the following websites. Please access them to check the related information.

<p>The Company's website : <a href="https://www.sunfrt.co.jp/">https://www.sunfrt.co.jp/</a></p> <p>(Please access the above website and select “Investor Relation” and “General Meeting of Shareholders ” from the menu in this order.)</p>	
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The materials subject to electronic provision also posted on the following website. Please check it too.

<p>Please access TSE website (TSE Listed Company Search) <a href="https://www2.jpx.co.jp/tseHpFront/JJK020030Action.do">https://www2.jpx.co.jp/tseHpFront/JJK020030Action.do</a></p> <p>(Please access the above TSE website (TSE Listed Company Search), enter the name of the stock (Sun Frontier Fudosan Co., Ltd.) or securities code (8934), select “Basic information”, “Documents for public inspection/PR information”, then check “Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting” section of “Filed information available for public inspection”.</p>	
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In lieu of attending the meeting, you may exercise your voting rights in writing or via the Internet, etc. Please review the Reference Documents listed in the “materials subject to electronic provision” and exercise your voting rights in accordance with the “Guide for Exercising Voting Rights” on page 3 by 6:00 p.m. on Monday, June 26, 2023 (JST).

**Information of the 24<sup>th</sup> Annual General Meeting of Shareholders**

1.	Date	2:30 p.m. (JST) on Tuesday, June 27, 2023 (The hall is scheduled to be opened at 1:30 pm.)		
2.	Location	Pulp & Paper Building, 2nd Floor #Phoenix Hall 2nd Floor 3-9-11, Ginza, Chuo-ku, Tokyo		
3.	Agenda	Materials to be reported	1. Business Report, Consolidated Financial Statements, and the Results of Audits of the Consolidated Financial Statements by the Accounting Auditors and the Audit & Supervisory Committee Board for 24th Fiscal Year (April 1, 2022 to March 31, 2023) 2. Non-consolidated Financial Statements for 24th Fiscal Year (April 1, 2022 to March 31, 2023)	
		Materials to be resolved	Proposal	Election of Eight (8) Directors who are not Audit & Supervisory Committee Members

## ■ Other Decisions Regarding the General Meeting of Shareholders

- “Social gathering with Shareholders”, which was previously held before the pandemic of COVID-19, will resume this year. We look forward to your participation.
- In order to provide information promptly, the contents of this notice are disclosed on the Company's website prior to the shipment of this notice.
- There are no souvenirs available for shareholders attending the General Meeting of Shareholders. Thank you for your understanding.
- When you attend the meeting, you will be kindly requested to present the enclosed Voting Rights Exercise Form at the reception.
- If the Shareholders is willing to exercise the voting rights by proxy, only 1 person per 1 shareholder who has voting rights may attend the General Meeting of Shareholders as a proxy. In this case, please submit a document certifying the authority of representation such as a power of attorney to the Company. (Poxy who is not a shareholder and accompanying persons are not allowed to attend the General Meeting of Shareholders.)
- If you exercise your voting rights both on the Voting Rights Exercise Form and via the Internet, the vote exercised via the Internet will be deemed valid.
- If the voting rights are exercised for multiple times via the Internet, the last vote exercised will be treated as valid.
- If you do not indicate your approval or disapproval of the proposal on the Voting Rights Exercise Form, it will be treated as a manifestation of your approval.
- The Shareholders who requested for documents delivery will receive this notice with materials subject to electronic provision. However, in accordance with laws and regulations and the provisions of Article 16 of the Company's Articles of Incorporation, the following materials are not stated in the document. Furthermore, the materials stated in the documents delivered to the shareholders who requested for documents delivery are a part of Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements audited by the Audit and Supervisory Committee in preparing the Audit Report, and a part of Consolidated Financial Statements and Non-consolidated Financial Statements, audited by the Accounting Auditor in preparing the Accounting Audit Report.
  - (1) “Matters related to the Company's share acquisition rights, etc.” and “System for Ensuring Proper Business Operations and Overview of Operation Status” in Business Report
  - (2) “Consolidated Statement of Changes in Equity” and “Notes to Consolidated Financial Statements” in the Consolidated Financial Statements
  - (3) “Non-Consolidated Statement of Changes in Equity” and “Notes to Non-Consolidated Financial Statements” in Non-consolidated Financial Statements

## ■ Information for Website Posting

- Any changes in the operation of the General Meeting of Shareholders will be posted on the Company's website at the following URL. (<https://www.sunfrt.co.jp/>)
- If there are any amendments made to the materials subject to electronic provision, such amendments will be posted on the respective websites listed.

## ■ Information for Preliminary Questions

To Shareholders who Has Questions

If the Shareholders have any opinions or questions regarding the agenda of this Annual General Meeting of Shareholders, please feel free to contact us. The Company plans to answer in advance the questions from the Shareholders which are

regarding the agenda of this Annual General Meeting of Shareholders, and the Company confirmed that are with high interests from shareholders and able to be answered. For the convenience of preparation, we would appreciate your cooperation in sending and reaching the questions by the following methods, date and time.

(Address) Corporate Planning Division of Sun Frontier Fudousan Co., Ltd.  
1-2-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006

(Email) [soukai2023@sunfrt.co.jp](mailto:soukai2023@sunfrt.co.jp)




<b>Deadline</b>	<b>6:00 p.m. on Wednesday, June 21, 2023</b>
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- Please note that we do not promise to answer all questions we receive.
- Please note that we will not be able to answer the questions individually.
- Questions that did not be answered at the General Meeting of Shareholders will be used for future reference.

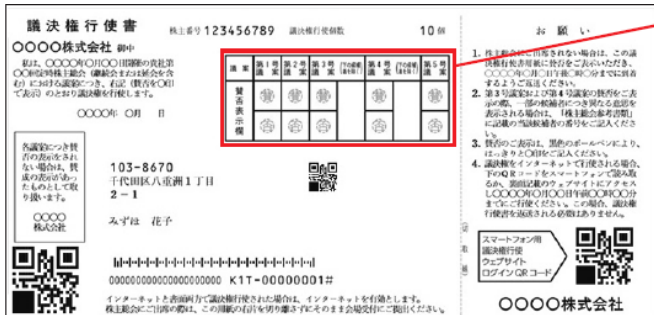
### Guide for Exercising Voting Rights

There are three ways to exercise the voting rights.

Please review the Reference Documents of the materials subject to electronic provision and exercise your voting rights.

Exercise the voting rights in writing	Exercise the voting rights via the Internet, etc.	Exercise the voting rights by attending on the day
		
<p>Please indicate your approval or disapproval of the proposals in the enclosed Voting Rights Exercise Form and send back to us.</p>	<p>Please review the information on page 5 of this notice, access the website for exercising voting rights from a smartphone or a computer, and indicate your approval or disapproval of the proposals.</p>	<p>Please bring and submit the enclosed Voting Rights Exercise Form to the reception desk when attending.</p>
<b>Expiration Date</b>	<b>Expiration Date</b>	<b>Date</b>
<p>By 6:00 p.m. on Monday, June 26, 2023</p>	<p>By 6:00 p.m. on Monday, June 26, 2023</p>	<p>2:30 p.m. on Tuesday, June 27, 2023</p>

\* Shareholders who are willing to exercise the voting rights by proxy, may delegate the person who is also a shareholder and with the voting rights in accordance with the provisions of Article 18 of the Company's Articles of Incorporation. However, the Shareholders shall submit a document certifying the authority of representation.



Please indicate your approval or disapproval of the proposals here.

**Proposal**


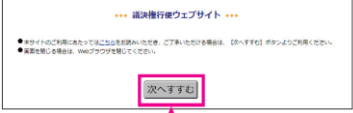
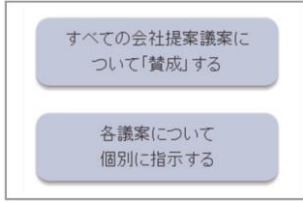
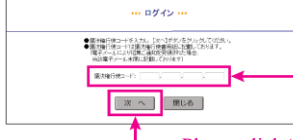
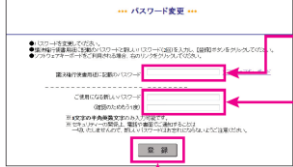
Approve everyone >> Circle the "賛"

Disapprove everyone >> Circle the "否"

Against some candidates >> Circle the "賛".  
And write down the number of the candidate you oppose

For institutional investors You can exercise your voting rights by electromagnetic means from the "Electronic Voting Rights Exercise Platform" operated by ICJ, Inc.

## Guide for Exercising the Voting Rights via Internet, etc.

How to read QR code by smartphone “Smart Exercise”	How to enter the code and password to exercise the voting rights
<p>This is a method to log-in to the website of exercising voting right without entering the code and password.</p>	<p>Website of exercising <a href="https://soukai.mizuho-tb.co.jp/">https://soukai.mizuho-tb.co.jp/</a> voting rights</p>
<p>1 Please read the QR code at the bottom right of the Voting Rights Exercise Form.</p>	<p>1 Please access the website for exercising the voting rights.</p>
	 <p>Please click “次へすすむ”.</p>
<p>* “QR code” is a registered trademark of DENSO WAVE INCORPORATED.</p> <p>2 Please follow the instructions on the screen to indicate your approval and disapproval.</p>	<p>2 Please enter the code written on the Voting Rights Exercise Form.</p>
	 <p>Please enter the “議決権行使コード”.</p> <p>Please click “次へ”.</p>
<p>Shareholders could exercise the voting rights by “Smart Exercise” <b>only one time</b>. Shareholders who is willing to change the vote, please access the website for PC, enter the code and password written on the Voting Rights Exercise Form to log-in, and exercise the voting rights again.</p> <p>* Reading the QR code again could bring you to the website for PC too.</p>	<p>3 Please enter the password written on the Voting Rights Exercise Form.</p>
	 <p>Please enter the “初期パスワード”.</p> <p>Please reset the password.</p> <p>Please click “登録”.</p>
	<p>4 Please follow the instructions on the screen to indicate your approval and disapproval.</p>

If there is any questions regarding the exercising of voting rights, please contact the address on the right side.

Internet Help Dial of Mizuho Trust & Banking Co., Ltd.  
 (TEL) **0120-768-524**  
 (Conncted from 9 a.m. to 9 p.m. except for New Year Holidays)

**Proposal Election of Eight (8) Directors who are not Audit & Supervisory Committee Member**

The terms of office of all eight (8) Directors who are not Audit & Supervisory Committee Member will expire at the conclusion of this general meeting of shareholders. Accordingly, the election is proposed. This proposal was discussed in the Audit & Supervisory Committee, and there were not particular opinions expressed.

The candidates for Directors who are not Audit & Supervisory Board Member are as follows.

Candidate No.	Name	Current Positions and Responsibilities	Candidate Attributes	Attendance Rate of Board of Directors
1	Tomoaki Horiguchi	Chairman Representative Director	Reappointment	94% (16 of 17 meetings attended)
2	Seiichi Saito	President Representative Director President Executive Officer	Reappointment	100% (17 of 17 meetings attended)
3	Izumi Nakamura	Vice President Director Vice President Executive Officer General Manager of Entrusted Asset Management Division	Reappointment	100% (17 of 17 meetings attended)
4	Yasushi Yamada	Senior Managing Director Senior Managing Executive Officer General Manager of Business Development Division	Reappointment	100% (17 of 17 meetings attended)
5	Mitsuhiro Ninomiya	Director / Executive Officer General Manager of Administration Division and General Affairs Division	Reappointment	100% (17 of 17 meetings attended)
6	Kenji Honda	Director / Executive Officer General Manager of Asset Management Division	Reappointment	100% (17 of 17 meetings attended)
7	Kazutaka Okubo	Outside Director	Reappointment Outside Independent	100% (17 of 17 meetings attended)
8	Keiichi Asai	Outside Director	Reappointment Outside Independent	100% (17 of 17 meetings attended)

(Notes) 1. There are no special interests between each candidate and the Company.

2. Mr. Kazutaka Okubo and Mr. Keiichi Asai are candidates for Outside Directors.

3. The term of office of Mr. Kazutaka Okubo as Outside Director of the Company is 4 years at the conclusion of this general meeting of shareholders.

4. The term of office of Mr. Keiichi Asai as Outside Director of the Company is 1 year at the conclusion of the shareholders' general meeting.

5. The Company has entered into a Liability Limitation Agreement with Mr. Kazutaka Okubo and Mr. Keiichi Asai pursuant to the provisions of Article 427 Paragraph 1 of Companies Act and the provisions of the Company's Articles of Incorporation so that they may fully perform the expected role as an Outside Director. The maximum amount of liability for damages under the agreement is the amount stipulated by laws and regulations. If they are elected as Directors, the Company plans to continue the agreement.

6. The Company has designated Mr. Kazutaka Okubo and Mr. Keiichi Asai as independent officers under the provisions of the Tokyo Stock Exchange, Inc. where has notified. If they are elected as Directors, the Company plans to continue designating them as independent officers.

7. The Company has entered into an Officers' Liability Insurance Agreement with all Director as insured persons. Any damage that may arise from the fact that the Director as insured person is responsible for the performance of his / her duties or from receiving a claim for pursuing such responsibility will be compensated. If each candidate is reappointed as a Director, he / she will become an insured person. The Agreement will be renewed with the same contents when the term coming. The outline of the Agreement is as stated in the "Outline of Officers' Liability Insurance Agreement" of the Business Report.



No.  
1

Tomoaki Horiguchi

reappointed

Born on April 21, 1958  
3,022,594 shares held

#### Biography, Positions and Responsibilities at the Company

- March 1990 President and Representative Director of Sun Frontier Co., Ltd. which is a merged company.
- April 1999 Company Establishment.  
President and Representative Director of the Company.
- April 2020 Chairman and Representative Director of the Company (present)

#### (Significant Concurrent Positions)

- Representative Director of Sun Frontier Hotel Management Inc.  
Representative Director of Sun Frontier Sado Inc.  
Representative Director of Sun Frontier Okinawa Co., Ltd.  
Representative Director of Okesa Kanko Taxi Co., Ltd.

#### ■Reasons for selection as a candidate for Director

Mr. Tomoaki Horiguchi is the founder of the Company. He has strong centripetal force as President and Representative Director, abundant experience in corporate management and has led the growth of the Company for many years. Ever since he changed from the President of the Company to the Chairman and Representative Director of the Company on April 1, 2020, he has been making efforts to improve initiatives and long-term sustainable corporate value by fostering human resources and lead the next generation and further strengthening the management foundation. The Company judges that his wealth of experience, achievements and high level of insight are indispensable for the management of the Company and requests his continued election as Director.



No.  
2

Seiichi Saito

reappointed

Born on June 9, 1960  
73,726 shares held

#### Biography, Positions and Responsibilities at the Company

September 2005	Joined the Company
November 2005	General Manager of Administration Division of the Company
June 2006	Director and General Manager of Administration Division of the Company
June 2008	Senior Managing Director and General Manager of Administration Division of the Company
June 2012	Executive Vice President, Vice President Executive Officer and General Manager of Administration Division of the Company
June 2014	Representative Executive Vice President, Vice President Executive Officer and General Manager of Administration Division of the Company
April 2015	Representative Executive Vice President, Vice President Executive Officer and General Manager of Asset Management Division of the Company
April 2020	President Representative Director and President Executive Officer (present)

#### (Significant Concurrent Positions)

Chairman of Sun Frontier Fudousan Taiwan Co., Ltd.  
Representative Director of SF Engineering Inc.

#### ■Reasons for selection as a candidate for Director

Mr. Seiichi Saito has a wealth of experience and achievements including the management of the Company as a President Representative Director and President Executive Officer. In addition, in the Board of Directors, as Chairman, he has managed important management issues and enhanced the management supervisory functions in the Board of Directors. After taking over the position of President from Mr. Tomoaki Horiguchi in 2020, he has been striving to further develop the Company and to strengthen the management foundation that will serve as a platform for growth for the next generation. The Company has judged that he is suitable for realizing the Management Principle of the Company and increasing its corporate value and requests his continued election as Director.



No.  
3

Izumi Nakamura

reappointed

Born on March 16, 1952  
56,079 shares held

#### Biography, Positions and Responsibilities at the Company

September 2006	Joined the Company Head of Sales Administration Entrusted Asset Management Division
June 2008	Director and General Manager of Entrusted Asset Management Division of the Company
June 2012	Managing Director, Managing Executive Officer and General Manager of Entrusted Asset Management Division of the Company
June 2016	Senior Managing Director, Senior Managing Executive Officer and General Manager of Entrusted Asset Management Division of the Company
April 2020	Executive Vice President, Vice President Executive Officer and General Manager of Entrusted Asset Management Division of the Company (present)

#### (Significant Concurrent Positions)

Representative Director of SF Building Support Inc.

Representative Director of SF Building Maintenance Inc.

#### ■Reasons for selection as a candidate for Director

Mr. Izumi Nakamura has led the management of the Real Estate Service Business such as leasing, property management and rent guarantee with strong leadership as the Executive Vice President, Vice President Executive Officer and General Manager of Entrusted Asset Management Division. In addition, he has assisted the President and making efforts to realize Management Principle and increase corporate value. The Company has determined that he is suitable for realizing the Company's business strategy for growth and supervising business divisions due to his wealth of business experience and knowledge regarding entrusted asset management and proposes his continued election as Director.





No.  
4

Yasushi Yamada

reappointed

Born on December 23, 1965  
18,363 shares held

#### Biography, Positions and Responsibilities at the Company

August 2010	Joined the Company General Manager of Corporate Planning Division
June 2012	Executive Officer and General Manager of Corporate Planning Division of the Company
April 2015	Executive Officer and General Manager of Administration Division of the Company
June 2015	Director, Executive Officer, General Manager of Administration Headquarters
June 2016	Managing Director, Managing Executive Officer and General Manager of Administration Division of the Company
April 2020	Senior Managing Director, Senior Managing Executive Officer and General Manager of Business Promotion Division of the Company (present)

(Significant Concurrent Positions)

Chairman of Board of Directors of SUN FRONTIER DANANG CO., LTD.

#### ■Reasons for selection as a candidate for Director

Mr. Yasushi Yamada has led new business areas in the Overseas Business and Environmental Business as the Senior Managing Director, Senior Managing Executive Officer, and General Manager of Business Promotion Division, and also promoting M&A. He is committed to the growth of businesses with his diverse knowledge and leadership. The Company has judged that he is an appropriate person to realize sustainable improvement of corporate value in response to changes in business environment and requests his continued election as Director.

No.  
5

Mitsuhiro Ninomiya

reappointed

Born on March 1, 1969  
34,032 shares held**Biography, Positions and Responsibilities at the Company**

September 2003	Joined the Company in Leasing Business Division
March 2006	General Manager of Property Management Business Division of the Company
October 2010	General Manager of Human Resources General Affairs Division of the Company
June 2014	Executive Officer of the Company (present)
April 2018	Deputy General Manager of Administration Division and General Manager of Corporate Planning Division of the Company
April 2019	Deputy General Manager of Administration Division, General Manager of Corporate Planning Division and General Manager of Information System Division of the Company
July 2019	Deputy General Manager of Administration Division, General Manager of General Affairs Division (present) and General Manager of Information System Division of the Company
April 2020	General Manager of Administration Division of the Company (present)
June 2020	Director of the Company (present)

(Significant Concurrent Positions)

None

**■Reasons for selection as a candidate for Director**

Mr. Mitsuhiro Ninomiya has led the Administration Division as the Director, Executive Officer, and General Manager of Administration Division and worked to resolve management issues. Mr. Ninomiya has also contributed to the creation of a corporate culture by leading the development of human resources through the diffusion and retention of the Company Philosophy, which is the foundation of the Company. Based on his wealth of knowledge and business experience, the Company has judged that he is an appropriate person who can support the development and growth of the Company's business from the perspective of management and contribute to the realization of sustainable enhancement of corporate value and proposes his continued election as Director.



No.  
6

Kenji Honda

reappointed

Born on March 5, 1967  
6,032 shares held

#### Biography, Positions and Responsibilities at the Company

April 2006	Joined the Company in Entrusted Asset Management Division Corporate Sales Section
October 2010	General Manager of Property Management Business Division of the Company
June 2014	Executive Officer (present) and General Manager of Property Management Business Department of the Company
April 2018	Deputy General Manager of Entrusted Asset Management Division and General Manager of Property Management Business 1st Division of the Company
April 2020	General Manager of Asset Management Division of the Company (present)
June 2020	Director of the Company (present)

(Significant Concurrent Positions)

Representative Director of SF Communication Inc.

#### ■Reasons for selection as a candidate for Director

Mr. Kenji Honda has led the core businesses of the Company, such as Real Estate Revitalization Business and specified joint real estate ventures and has contributed to the growth of the Company's business division as Director, Executive Officer, and General Manager of Asset Management Division. Accordingly, the Company has judged that he is an appropriate person to utilize his wealth of knowledge and operational experience to develop and grow the Company's businesses and realize sustainable enhancement of corporate value and requests his continued election as Director.



候補者番号

7

Kazutaka Okubo

reappointed

Outside

Independent

Born on March 22, 1973

2,900 shares held

### Biography, Positions and Responsibilities at the Company

November 1995	Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC)
April 1999	Registered as Certified Public Accountant
June 2006	Partner of ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC)
July 2012	Senior Partner of ShinNihon LLC (currently Ernst & Young ShinNihon LLC)
February 2016	Senior Managing Director and General Manager of ERM of the same audit corporation
June 2019	President and Representative Director of Okubo Associates Co., Ltd. (present)
June 2019	Director of the Company (present)
June 2019	Outside Audit & Supervisory Board Member of SEGA SAMMY HOLDINGS INC. (present)
December 2019	Outside Director of LIFULL Co., Ltd. (present)
February 2020	Outside Director of SALA Corp. (present)
June 2020	Outside Director of The Shoko Chukin Bank, Ltd. (present)
June 2020	Outside Director of Musashi Seimitsu Industry Co., Ltd. (present)
November 2020	President Representative Director of SS Dnaform Co., Ltd. (present)
September 2021	Outside Director of BrainPad Inc. (present)
June 2022	Outside Audit & Supervisory Board Member of SEGA SAMMY HOLDINGS Inc. (Audit & Supervisory Committee Member) (present)

#### (Significant Concurrent Positions)

President Representative Director of Okubo Associates Co.  
 Outside Audit & Supervisory Board Member of SEGA SAMMY HOLDINGS Inc. (Audit & Supervisory Committee Member)  
 Outside Director of LIFULL Co., Ltd.  
 Outside Director of SALA Corp.  
 Outside Director of The Shoko Chukin Bank, Ltd.  
 Outside Director of Musashi Seimitsu Industry Co., Ltd. (Audit & Supervisory Committee Member)  
 President Representative Director of SS Dnaform Co., Ltd.  
 Outside Director of BrainPad Inc. (Audit & Supervisory Committee Member)

#### ■Reasons for selecting him as a candidate for Outside Director and an outline of his expected role

Mr. Kazutaka Okubo, in addition to being well versed in governance and finance based on his audit experience at a major audit corporation, has abundant knowledge and experience in a wide range of fields including corporate compliance and CSR. He is expected to provide management oversight and advice based on his extensive knowledge and experience, and actively provides advice and suggestions in the Board of Directors meetings. The Company expects that he will supervise the management of the Company toward the sustainable improvement of its corporate value and requests his continued election as Outside Director.



候補者番号

8

Keiichi Asai

reappointed

Outside

Independent

Born on September 29, 1954

0 share held

#### Biography, Positions and Responsibilities at the Company

April 1978	Joined Mitsubishi Corporation
April 2009	Executive Officer, CEO of the Energy Business Group, and Office Chief of the same company
April 2013	Vice President Director of Lithium Energy Japan Co., Ltd.
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. (present)
June 2022	Director of the Company (current position)

#### (Significant Concurrent Positions)

Outside Director of Cosmo Energy Holdings Co., Ltd. (Audit & Supervisory Committee Member)

#### ■Reasons for selecting him as a candidate for Outside Director and an outline of his expected role

After joining Mitsubishi Corporation, Mr. Keiichi Asai has worked in various divisions of the oil business, including oil sales, supply and demand, and refining. He has been involved in international business in the energy sector for the most part, with assignments in the United States and India. Appointed Vice President Director of Lithium Energy Japan Co., Ltd. in 2013 and President Representative Director of KH Neochem Co.,Ltd. in 2014, engaged in corporate management in general, and has abundant knowledge and experience. From his wealth of knowledge and experience, the Company has determined that he can be expected to supervise the Company's management and appropriately perform his duties and proposes that he is elected as Outside Director again.

(Reference)

Management System after the Proposal is approved (Planned).

Main expertise and experience we expect from Directors who are not an Audit & Supervisory Committee Member are as follows.

Name	Sex	Expected expertise and experience. * Listing up to 4 main items.								
		Corporate management	Real estate	Accounting Finance	Legal Compliance Risk Management	HR Labor HR Dev.	IT Digital	CSR ESG Sustainability	M&A	Overseas
Tomoaki Horiguchi	Male	•	•			•			•	
Seiichi Saito	Male	•	•	•			•			
Izumi Nakamura	Male	•	•	•					•	
Yasushi Yamada	Male	•	•						•	•
Mitsuhiro Ninomiya	Male				•	•		•		
Kenji Honda	Male		•			•				
Kazutaka Okubo	Male			•	•		•	•		
Keiichi Asai	Male	•							•	•

Main expertise and experience we expect from Directors who are an Audit & Supervisory Committee Member are as follows.

Name	Sex	Expected expertise and experience. * Listing up to 4 main items.								
		Corporate management	Real estate	Accounting Finance	Legal Compliance Risk Management	HR Labor HR Dev.	IT Digital	CSR ESG Sustainability	M&A	Overseas
Shinichi Tominaga	Male		•	•	•					
Hidetaka Tanaka	Male	•		•				•		•
Tsuneko Murata	Female				•			•	•	•

The above expertise and experience are not represented to all of the knowledge and experience of each Director.

## 1. Status of the Corporate Group

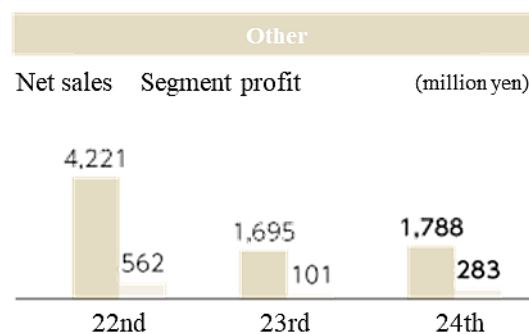
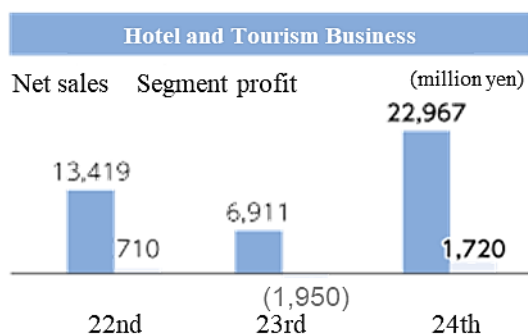
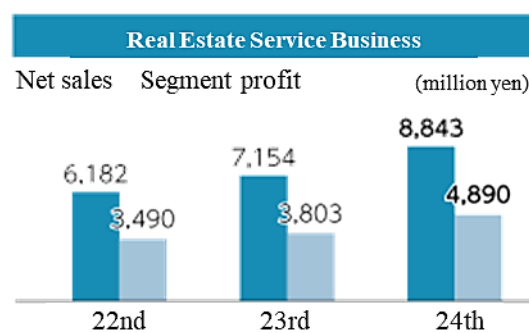
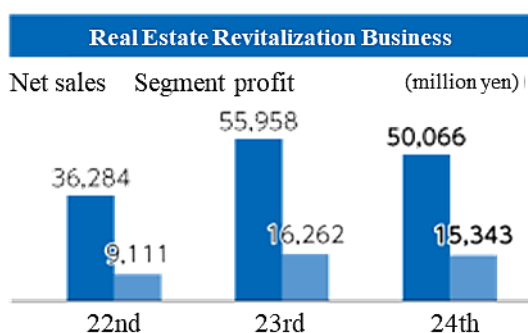
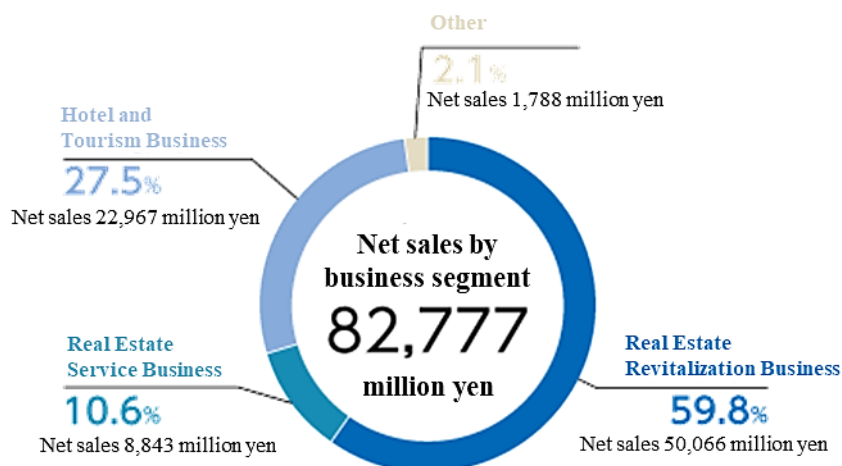
### (1) Progress and Results of Operations

The Japanese economy continued to recover, mainly in personal consumption and capital investment as restrictions on socio-economic activities further eased under coexisting with COVID-19. With regard to the global economy, there are concerns that the Ukraine problem will be prolonged, inflation in various countries will remain high, and interest rate hikes will lead to economic slowdown.

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

In Real Estate Revitalization Business, our core business of the Group, the number of sales increased compared to the same period of the previous fiscal year. However, sales of relatively large-scale properties owned over the medium to long term decreased compared to the same period of the previous fiscal year. As a result, net sales and profits decreased. At the same time, Real Estate Service Business continued to perform well. In Hotel Development Business, sales and profit increased significantly compared to the same period of the previous year due to the completion of sales of two hotels. In Hotel Operation Business, which has been greatly affected by the pandemic of COVID-19, demand continued to increase due to the easing of restrictions on socioeconomic activities. In addition, sales recovered sharply due to the Nationwide Travel Subsidy Program, which was launched in October to promote domestic tourism, and the lifting of the ban on personal travel from abroad.

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



## (2) Capital Expenditures

The Company's capital investment in the fiscal year ended March 31, 2023 was 7,844 million yen, mainly for the acquisition of rental office buildings (6,216 million yen) and hotel facilities (1,031 million yen).

## (3) Financing Activities

During the fiscal year ended March 31, 2023, the Company has not made any noteworthy fund procurement.



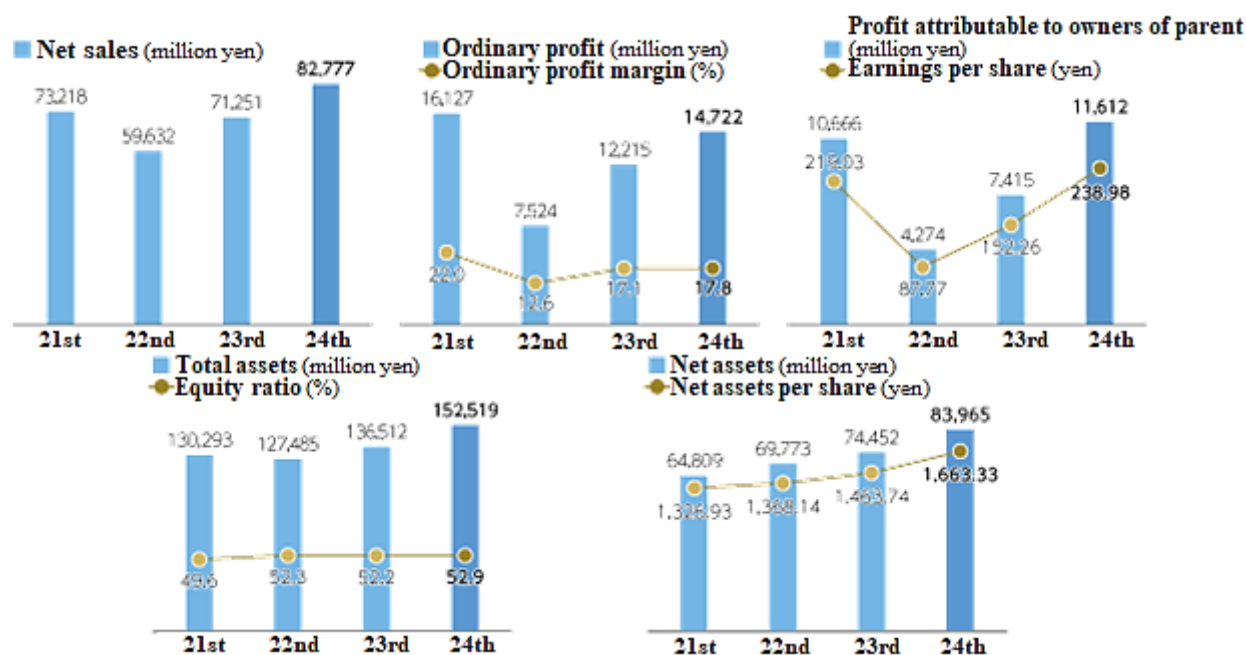
(4) Trends in Assets and Income

(i) Consolidated Assets and Income of the Corporate Group

		FY2020/3	FY2021/3	FY2022/3	FY2023/3 (current period)
Net Sales	(million yen)	73,218	59,632	71,251	82,777
Ordinary Profit	(million yen)	16,127	7,524	12,215	14,722
Ordinary Profit Ratio	(%)	22.0	12.6	17.1	17.8
Profit Attributable to Owners of Parent	(million yen)	10,666	4,274	7,415	11,612
Earnings per Share	(yen)	219.03	87.77	152.26	238.98
Total Assets	(million yen)	130,293	127,485	136,512	152,519
Equity Ratio	(%)	49.6	52.3	52.2	52.9
Net Assets	(million yen)	64,809	69,773	74,452	83,965
Net Assets per Share	(yen)	1,326.93	1,368.14	1,463.74	1,663.33

Note 1. 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. Moreover, the number of the Company's shares held by the trust account at the end of the fiscal year under review was 128,300 shares.

Note 2. "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the 23rd fiscal year. The figures for assets and profit and loss from the 23rd fiscal year on are after the application of the above accounting standards.



## (ii) Non-consolidated Assets and Income of the Company

		FY2020/3	FY2021/3	FY2022/3	FY2023/3 (current period)
Net Sales	(million yen)	64,472	42,002	59,563	52,097
Ordinary Profit	(million yen)	16,822	7,994	14,356	11,753
Profit	(million yen)	11,122	5,314	9,284	7,871
Earnings per Share	(yen)	228.39	109.12	190.65	161.98
Total Assets	(million yen)	121,708	114,729	124,800	137,212
Net Assets	(million yen)	64,934	68,204	74,432	79,859
Net Assets per Share	(yen)	1,333.15	1,400.21	1,527.80	1,645.34

Note 1. 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. Moreover, the number of the Company's shares held by the trust account at the end of the fiscal year under review was 128,300 shares.

## (5) Material Subsidiaries

Name	Share capital	Investment ratio	Major businesses
SF Building Support Inc.	50 million yen	100 %	Rent guarantee business
SF Building Maintenance Inc.	20 million yen	100 %	Building maintenance business
Sun Frontier Space Management Inc.	50 million yen	100 %	Conference room rental business, rental office business
SF Engineering Inc.	20 million yen	100 %	Construction and interior finishing business
Sun Frontier Hotel Management Inc.	100 million yen	100 %	Hotel planning, development and management business
Sky Heart Hotel Inc.	10 million yen	100 %	Hotel Planning and Operation Business
Sun Frontier Sado Inc.	100 million yen	100 %	Hotel Planning and Operation, Regional Revitalization Business
Sun Frontier NY Co., Ltd.	3 million U.S. dollar	100 %	Real estate revitalization business in the United States

## (6) Issues to be Addressed

The impact of the spread of COVID-19 since the beginning of 2020 has significantly changed the business environment in which the Company operates. Against the backdrop of these changes in the business environment and the shift to a new state (new normal), the Company reviewed the medium-term management plan in May 2021 in order to re-establish a sustainable growth path. The quantitative target set forth in this plan has not changed, and the final year has been extended for two years to the year ending March 2025. Basic policy is set to provide “places where people gather and communicate with each other, and create social development and happiness for people.” We will redefine the value of the place where people gather amid the great changes in values with the pandemic of COVID-19, and solve new social issues through offices and hotels.

## &lt;Initiatives for Sustainability&gt;

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

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

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

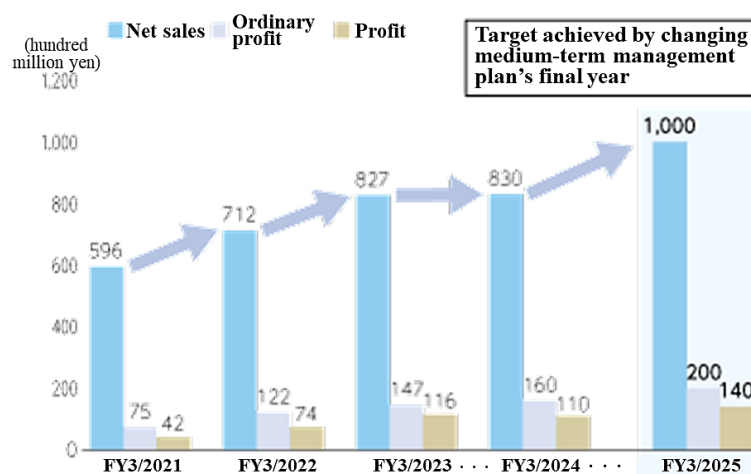
This concept of the Group was redefined as our Sustainability Vision. We have identified three important issues (materiality), namely environmental protection, regional revitalization and human resource development, and are promoting sustainable management that integrates with the spirit of altruism.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

#### <Initiatives of Digital Transformation>

Digitization is another important point. The digitization of entire society has progressed rapidly and been forced because of the pandemic of COVID-19. In addition, society as a whole is facing a labor shortage due to the decreasing of productive age population caused by the declining birthrate. At the same time, there is a need to improve labor productivity. In this changing social environment, digital transformation (DX) in companies has become an urgent need. In April 2022, we reorganized the existing Digital Transformation Promotion Office into the DX Business Division with the aim of speeding up the use of digital technology and our expertise. We will promote the realization of data-driven management and the implementation of DX by combining our expertise with digital.




FY ending March 31, 2025  
(Quantitative target)

Net Sales	100 billion yen
Ordinary Profit	20 billion yen
Profit	14 billion yen
Equity Ratio	20% or more
Ordinary Profit Ratio	50% level
Return on Equity	10% or more



## Sustainability Vision and Important Issues (Materiality)

1. Sustainability Vision  
We will contribute to the realization of a sustainable society through business activities while respecting the heart of altruism, the Company policy.
2. Important sustainability issues  
We have identified three important issues that must be addressed to realize our Sustainability Vision. We will implement specific measures in the three areas of environmental protection, regional revitalization, and human resource development. Specific measures will be reviewed as appropriate in response to future environmental and social trends and changes in the business environment.

Important issues	Vision	Policy	Relevant SDGs
Environmental protection	Increase environmental sustainability by significantly reducing waste and greenhouse gas emissions, as a frontier of Real Estate Revitalization Business	<ul style="list-style-type: none"> <li>■ Extend the life and health of real estate</li> <li>■ Energy conservation and reduction of environmental impact by Real Estate Revitalization Business</li> <li>■ Expanded use of renewable energy</li> </ul>	
Regional revitalization	Create sustainable growth of regional economies through offices, hotels, and tourism, as a frontier for sustainable regional revitalization	<ul style="list-style-type: none"> <li>■ Create buildings, offices, and spaces with “job satisfaction” and “creativity” that contribute to economic growth</li> <li>■ Prevent and mitigate disaster through regional cooperation</li> <li>■ Solve regional issues through community activation and creation</li> </ul>	
Human resource development	Spread the concept of “altruism” that is indispensable for realizing a sustainable society, as a frontier of philosophy management	<ul style="list-style-type: none"> <li>■ Create workplaces with job satisfaction, creativity and growth opportunities</li> <li>■ Respect and utilize diversity</li> <li>■ Disseminate information on philosophy management to foster next-generation managers</li> </ul>	

## (7) Principal Business Segment of the Corporate Group (As of March31, 2023)

Business segment		Major businesses
Real Estate Revitalization Business	Replanning Business	Purchase of existing commercial buildings and rebuilding them as buildings with a new concept, attract tenants and sell them with increased real estate value
	Rental Building Business	Leasing of own properties
Real Estate Service Business	Property Management Business	Property management business for management of buildings and tenants
	Building Maintenance Business	Building maintenance business such as building cleaning, facility management, security, waterproofing, and exterior wall repair
	Sales Brokerage Business	Brokerage of real estate for business
	Leasing Brokerage Business	Leasing of offices and stores
	Rent Guarantee Business	Provide a rent guarantee for the delinquency of rent of a tenant of real estate for building owners
	Conference Room Rental Business	Plan and operate vacant office buildings in central Tokyo as rental conference room, rental office, and coreworking space
Hotel and Tourism Business	Hotel Operation Business	Planning and management of accommodation facilities such as hotels
	Hotel Development Business	Development of new hotels, refurbishing existing hotels, and selling them as investment products
Other	Overseas Development Business	Real estate development business in Vietnam, etc.
	Construction Business	Carry out interior finishing work, telecommunications work, and renewal planning, repair, and reform for business buildings

## (8) Principal Business Office (As of March 31, 2023)

Name	Place
Headquarters	Chiyoda-ku, Tokyo
Ginza Branch	Chuo-ku, Tokyo
Nihonbashi Branch	Chuo-ku, Tokyo
Kodendma-cho Branch	Chuo-ku, Tokyo
Kanda Branch	Chiyoda-ku, Tokyo
Kojimachi Branch	Chiyoda-ku, Tokyo
Shinjuku Branch	Shinjuku-ku, Tokyo
Shibuya Branch	Shibuya-ku, Tokyo
Gotanda Branch	Shinagawa-ku, Tokyo
Hamamatsucho Branch	Minato-ku, Tokyo
Yokohama Branch	Yokohama-shi, Kanagawa
Property Management Business Department	Chiyoda-ku, Tokyo
SF Building Support Inc.	Chiyoda-ku, Tokyo
SF Building Maintenance Inc.	Sumida-ku, Tokyo
Sun Frontier Space Management Inc.	Minato-ku, Tokyo
SF Engineering Inc.	Sumida-ku, Tokyo
SF Communication Inc.	Chuo-ku, Tokyo
Navd Inc.	Chuo-ku, Tokyo
Sun Frontier Hotel Management Inc.	Chiyoda-ku, Tokyo
Sky Heart Hotel Inc.	Chiyoda-ku, Tokyo
Sun Frontier Sado Inc.	Sado-shi, Niigata
Hotel Oosado Inc.	Sado-shi, Niigata
Okesa Kanko Taxi Co., Ltd.	Sado-shi, Niigata
Sun Frontier Okinawa Co., Ltd.	Naha-shi, Okinawa
Sun Frontier Fudousan Taiwan Co., Ltd.	Taiwan
SUN FRONTIER DANANG CO., LTD.	Socialist Republic of Vietnam
Sun Frontier NY Co., Ltd.	United States of America

(9) Employees (As of March 31, 2023)

(i) Employees of the Corporate Group

Number of Employees	Increase/Decrease Compared to end of previous FY
702	6 increase

Note. The above number of employees does not include 601 temporary employees (part-timers and temporary employees).

(ii) Employees of the Company

Number of Employees	Increase/Decrease Compared to end of previous FY	Average Age	Average number of years of Continuous Service
329	7 increase	36.4 years old	6.7 years

Note. The above number of employees does not include employees transferred from the Company to other companies.

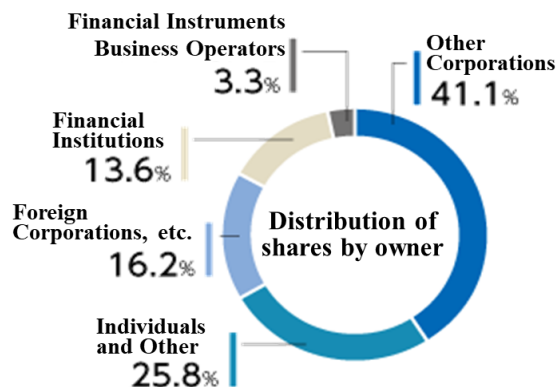
(10) Principal Lenders (As of March 31, 2023)

Lender	Loan amount (million yen)
Sumitomo Mitsui Banking Corporation	12,087
MUFG Bank, Ltd.	6,189
Resona Bank, Limited	5,751
Mizuho Bank, Ltd.	4,864
Aozora Bank, Ltd.	3,575
Sumitomo Mitsui Trust Bank, Limited.	3,319

## 2. Status of Shares

### (1) Shares (As of March 31, 2023)

(i) Number of Authorized Shares	91,200,000
(ii) Number of Outstanding Shares	48,755,500
	(includes 108,869 of treasury shares)
(iii) Number of Shareholders	13,971



### (iv) Principal Shareholders (top10)

Name	Number of shares held	Percentage of shares held (%)
Houon Co., Ltd	17,957,500	36.91
The Master Trust Bank of Japan Co., Ltd. (Trust Account)	4,115,100	8.46
Tomoaki Horiguchi	3,022,594	6.21
Custody Bank of Japan, Ltd. (Trust Account)	1,708,000	3.51
S Kawagoe Co., Ltd	1,566,400	3.22
THE BANK OF NEW YORK MELLON 140044	745,800	1.53
Morgan Stanley MUFG Securities Co., Ltd.	590,866	1.21
JP Morgan Securities Co., Ltd.	549,872	1.13
DFA INTL SMALL CAP VALUE PORTFOLIO	422,998	0.87
Keiko Horiguchi	416,500	0.86

Note 1. The percentage of shares held is calculated after exclusion of treasury shares (108,869 shares).

Note 2. The percentage of shares held is calculated including 128,300 shares of the Company held by Mizuho Trust & Banking Co., Ltd as the trust account of the Employee Stock Ownership Plan (J-ESOP.)

### (2) Shares Delivered to Directors as Consideration for Execution of Duties During the Fiscal Year

Director category	Number of shares	Number of recipients (persons)
Directors who are not Audit & Supervisory Committee Members (excluding Outside Directors)	19,326	6

### (3) Other Significant Matters concerning the Shares

Not applicable.



### 3. Matters Concerning Share Acquisition Rights

#### (1) Share acquisition rights granted as part of the compensation held by the Company's officers

(1) Name of share acquisition rights	Share-based compensation type stock option for FY2018/3 (Share acquisition rights)	Share-based compensation type stock option for FY2019/3 (Share acquisition rights)	Share-based compensation type stock option for FY2020/3 (Share acquisition rights)	Share-based compensation type stock option for FY2021/3 (Share acquisition rights)
(2) Date of issuance	June 22, 2018 (the Board of Directors Resolution)	June 21, 2019 (the Board of Directors Resolution)	June 30, 2020 (the Board of Directors Resolution)	June 22, 2021 (the Board of Directors Resolution)
(3) Number of share acquisition rights	524	740	1,112	2,155
(4) Status of share acquisition rights ownership	4 Directors (excluding Audit & Supervisory Committee Members and Outside Directors) 524	4 Directors (excluding Audit & Supervisory Committee Members and Outside Directors) 740	4 Directors (excluding Audit & Supervisory Committee Members and Outside Directors) 1,112	6 Directors (excluding Audit & Supervisory Committee Members and Outside Directors) 2,155
(5) Class and number of shares to be issued upon	5,240 shares in common shares (10 stocks per 1 share acquisition right)	7,400 shares in common shares (10 stocks per 1 share acquisition right)	11,120 shares in common shares (10 stocks per 1 share acquisition right)	21,550 shares in common shares (10 stocks per 1 share acquisition right)
(6) Amount to be paid in share acquisition rights	1,019 yen per 1 share	789 yen per 1 share	438 yen per 1 share	657 yen per 1 share
(7) Value of property to be contributed upon exercise of share acquisition rights	1 yen per 1 share to be delivered upon exercise of share acquisition rights			
(8) Date of allotment of share acquisition rights and period for exercise	Date of allotment: July 31, 2018 Exercise period: From August 1, 2018 until July 31, 2048	Date of allotment: July 31, 2019 Exercise period: From August 1, 2019 until July 31, 2049	Date of allotment: July 31, 2020 Exercise period: From August 1, 2020 until July 31, 2050	Date of allotment: July 30, 2021 Exercise period: From July 31, 2021 until July 30, 2051
(9) Conditions for exercise of rights	A holder of share acquisition rights may exercise their share acquisition rights in a lump sum only when they lose their position as a Director of the Company and only on the following day from losing their position until 10 days after.			
(10) Restrictions on transfer of share acquisition rights	Any acquisition of share acquisition rights by transfer shall require approval by resolution of the Company's Board of Directors.			

Note 1. At the 19th Annual General Meeting of Shareholders held on June 22, 2018, a resolution was passed to allocate share acquisition rights to Directors (excluding Audit & Supervisory Committee Members and Outside Directors) as share-based compensation type stock options to be exercised upon retirement, within the range of 36 million yen per year.

Note 2. Conditions for the exercise of other rights other than those described in (9) shall be in accordance with the "Share Acquisition Rights Application Form (Application Guidelines)" submitted to the Company.

(2) Share acquisition rights delivered to employees as consideration for execution of duties during the fiscal year under review

Not applicable.

(3) Other significant matters concerning the share acquisition rights

Not applicable.

#### 4. Company Officers

##### (1) Directors (As of March 31, 2023)

Position	Name	Areas of Responsibility and Important Concurrent Positions
Chairman and Representative Director	Tomoaki Horiguchi	Representative Director of Sun Frontier Hotel Management Inc. Representative Director of Sun Frontier Sado Inc. Representative Director of Sun Frontier Okinawa Co., Ltd. Representative Director of Okesa Kanko Taxi Co., Ltd.
President and Representative Director President and Executive Officer	Seiichi Saito	Chairman of Sun Frontier Fudousan Taiwan Co., Ltd. Representative Director of SF Engineering Inc.
Vice President and Director Vice President and Executive Officer	Izumi Nakamura	General Manager of Entrusted Asset Management Division Representative Director of SF Building Support Inc. Representative Director of SF Building Maintenance Inc. Representative Director of Sun Frontier Space Management Inc.
Senior Managing Director Senior Managing Executive Officer	Yasushi Yamada	General Manager of Business Development Division Chairman of the Board of SUN FRONTIER DANANG CO.LTD.
Director Executive Officer	Mitsuhiro Ninomiya	General Manager of Administration Division and General Affairs Manager
Director Executive Officer	Kenji Honda	General Manager of Asset Management Division Representative Director of SF Communication Inc.
Director	Kazutaka Okubo	President and Representative Director of Okubo Associates Co., Ltd. Outside Director (Audit & Supervisory Committee Member) of SEGA SAMMY HOLDINGS INC. Outside Director (Audit & Supervisory Committee Member) of BrainPad Inc. Outside Director of LIFULL Co., Ltd. Outside Director of SALA Corporation Outside Director of The Shoko Chukin Bank, Ltd. Outside Director (Audit & Supervisory Committee Member) of Musashi Seimitsu Industry Co., Ltd. President and Representative Director of SS Dnaform Co., Ltd.
Director	Keiichi Asai	Outside Director (Audit & Supervisory Committee Member) of Cosmo Energy Holdings Co., Ltd.
Director (Full-time Audit & Supervisory Committee Member)	Shinichi Tominaga	
Director (Audit & Supervisory Committee Member)	Hidetaka Tanaka	Auditor of NPO JAPAN PLATFORM Executive Director of Japan Credit Rating Association
Director (Audit & Supervisory Committee Member)	Tsuneko Murata	Outside Director of Milbon Co., Ltd. Outside Director of Kakuyasu Group Co., Ltd. Outside Director (Audit & Supervisory Committee Member), Tokyo Seimitsu Co., Ltd.

Note 1. Directors Kazutaka Okubo, Keiichi Asai, Hidetaka Tanaka and Tsuneko Murata are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act. The Company has designated the four (4) individuals as independent officers under the provisions of the Tokyo Stock Exchange and has notified the Tokyo Stock Exchange of the designation.

Note 2. The Company appoints full-time Audit and Supervisory Committee Members since full-time persons who have thorough knowledge of the Company conduct effective audits through attendance at important meetings and close cooperation with the Internal Audit Department.

Note 3. Director Kazutaka Okubo has qualifications as certified public accountants and have expertise and abundant experience in finance and accounting.

## (2) 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 and Article 30, Paragraph 2 of our Company's Articles of Incorporation with all Outside Directors.

The maximum amount of liability for damages under the agreement is the amount stipulated by laws and regulations.

## (3) Outline of Officers' Liability Insurance Contract

The Company has entered into liability insurance contracts for officers, etc. as stipulated in Article 430 (3), Item 1 of the Companies Act with the Company's and its subsidiaries' Directors, Audit & Supervisory Board Member, executive officers and other employees as insured persons.

Claims for damages arising from an act performed by an insured person in relation with the business of the Company (including inaction) are covered by compensation for damages and court costs incurred by the insured.

The Company pays all insurance premiums for all insured persons, but damage caused by criminal acts or intentional illegal acts is excluded so as not to impair the appropriateness of the execution of duties.

## (4) Remuneration for Directors for the Fiscal Year under review

### (i) Matters concerning the policy for determining the contents of individual compensation, etc. for Directors

#### (a) Determination method

At the meeting held in the Board of Directors on May 12, 2023, the Company resolved a policy for determining the details of individual compensation for Directors who are not Audit & Supervisory Committee Members. An outline of the policy is as described in (b) to (g) below.

(b) Fixed remuneration shall be an amount considered to be at an appropriate level in comparison with the performance of other companies in the real estate industry in Japan, etc., in consideration of the content of duties of Directors and the Company's situation, etc.

(c) Performance-linked remuneration shall be determined from the perspective of reflecting the results of the improvement in performance by taking into consideration the status of achievement against the target based on the consolidated performance (ordinary profit) of the relevant fiscal year.

(d) Directors (excluding outside directors) shall be granted restricted shares remuneration through resolution by the Board of Directors to provide an incentive to Directors to continuously improve corporate value and to further share value with shareholders.

(e) As a guideline for the ratio of individual remuneration, etc. for Directors, excluding Outside Directors, if the target for the performance-linked remuneration indicator is 100%, fixed remuneration will be 60%, performance-linked remuneration will be 30%, and restricted shares remuneration will be 10%. With regard to Outside Directors, only fixed remuneration will be provided.

(Revised on May 12, 2023. Ratio before revision: fixed remuneration 65%, performance-linked remuneration 30%, restricted shares remuneration 5%)

(f) The timing of payment of remuneration, etc. shall be as follows.

- |                                    |   |
|------------------------------------|---|
| a. Fixed compensation              | It is provided every month.   |
| b. Performance-linked compensation | Payment shall be made once a year after the end of the Annual General Meeting of Shareholders pertaining to the relevant fiscal year.   |
| c. Restricted shares remuneration  | The amount shall be determined and granted by the resolution of the Board of Directors held once a year after the end of the Annual General Meeting of Shareholders and the transfer restriction shall be lifted at the time of resignation or retirement of each Director. |

(g) Matters concerning delegation pertaining to determination of contents of remuneration, etc. for individual Directors

The amount of fixed remuneration and performance-linked remuneration for each individual or the determination of the methods for calculating such amounts shall be determined by resolution at the Board of Directors and delegated to the Chairman and Representative Director.

In order to improve the objectivity and transparency of the procedures for determining remuneration of Directors, the Company has established a Nomination and Compensation Committee consisting of the Chairman and Representative Director and President and Representative Director as well as 2 or more Outside Directors as a voluntary advisory body. The Nomination and Compensation Committee considers and deliberates on the amount of remuneration for Directors, the calculation method, the composition of remuneration, the ratio, and the setting of indicators, and the Chairman and Representative Director makes decisions with maximum respect for the deliberation contents.

(h) Status of the above decision policy for the fiscal year under review

The target for performance (consolidated ordinary profit (loss)), which is an indicator of performance-linked compensation for the fiscal year under review, was 12,800 million yen, while the actual performance was 14,722 million yen. The determination of the amount of fixed remuneration and performance-linked remuneration for each individual or the calculation method thereof has been delegated to the Chairman Representative Director, who can evaluate the projects which each Director oversees, with the involvement of the Nomination and Remuneration Committee. The Board of Directors, upon receiving reports from the Nomination and Remuneration Committee, has determined that the details of individual compensation for Directors who are not Audit and Supervisory Committee Members for the fiscal year under review, including the procedures and details of decisions made by the Chairman and Representative Director, Tomoaki Horiguchi, are in line with the above decision policies.

(ii) Matters concerning resolutions of the Annual General Meeting of Shareholders regarding remuneration, etc. for Directors

(a) At the 23rd Annual General Meeting of Shareholders held on June 21, 2022, it was resolved that the amount of monetary remuneration (fixed remuneration and performance-linked remuneration) for Directors who are not Audit & Supervisory Committee Members to be no more than 360 million yen per year (including no more than 36 million yen for Outside Directors, but excluding employee salaries for Directors who concurrently serve as employees). The number of Directors at the conclusion of the said Annual General Meeting of Shareholders was eight (including two Outside Directors). Separately from this monetary remuneration, at the 23rd Annual General Meeting of Shareholders held on June 21, 2022, it was resolved that the annual amount of restricted shares remuneration for Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors) should not exceed 36 million yen. The number of Directors (excluding Outside Directors) at the conclusion of the said Annual General Meeting of Shareholders was six.

(b) At the 23rd Annual General Meeting of Shareholders held on June 21, 2022, it was resolved that the amount of monetary remuneration (fixed remuneration only) for Directors who are Audit & Supervisory Committee Members should be no more than 36 million yen per year including those for Outside Directors. The number of Directors who are Audit & Supervisory Committee Members at the conclusion of the said Annual General Meeting of Shareholders was three (including two Outside Directors).

(iii) Total Amount of Remuneration of Directors and Audit & Supervisory Board Members

Director category	Amount paid (million yen)	Amount paid by type (million yen)			Number of qualified officers
		Basic compensation	Performance-linked compensation, etc.	Restricted shares remuneration	
Directors who are not Audit & Supervisory Committee Members (of which, Outside Directors)	256 (13)	171 (13)	65 (-)	20 (-)	9 (3)
Directors who are Audit & Supervisory Committee Members (of which, Outside Directors)	18 (9)	18 (9)	- (-)	- (-)	3 (2)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	5 (3)	5 (3)	- (-)	- (-)	3 (2)

Note 1. Based on the resolution made at the 23rd Annual General Meeting of Shareholders held on June 21, 2022, the Company made the transition to a company with Audit & Supervisory Committee as of the same date.

- Note 2. Bonuses are paid to Directors as performance-linked remuneration.
- Note 3. Performance-linked remuneration indicates the provision for the current period in provision for bonuses for Directors (and other officers) for the fiscal year under review.
- Note 4. As non-monetary remuneration, restricted shares remuneration is provided to Directors, excluding Outside Directors and Audit & Supervisory Committee Members. “Restricted shares remuneration” above indicates the amount recorded as expenses in the fiscal year under review.
- Note 5. 70 million yen was paid to six Directors who are not Audit and Supervisory Committee Members, excluding Outside Directors, in the current fiscal year as bonuses for the 23rd fiscal year. This compensation for Directors is included in the 70 million yen of provision for bonuses for Directors (and other officers) for the 23rd fiscal year and is not included in the performance-linked compensation.
- Note 6. The above number of directors and remuneration amounts include one director and three Audit & Supervisory Board Members who retired at the conclusion of the 23rd Annual General Meeting of Shareholders held on June 21, 2022. One Outside Director took office as a Director who is not an Audit and Supervisory Committee Member, and one outside auditor took office as a Director who is an Audit and Supervisory Committee Member.
- Note 7. The amount to be paid to Audit & Supervisory Board Members relates to the period before the transition to a company with Audit & Supervisory Committee.

#### (5) Matters regarding Outside Officers

- (i) Relationship between the Company and corporations which are significant concurrent positions
- Director Kazutaka Okubo concurrently serves as the President and Representative Director of Okubo Associates Co., Ltd., President and Representative Director of SS Dnaform Co., Ltd., Outside Director of SEGA SAMMY HOLDINGS Inc., Outside Director of LIFULL Co., Ltd., Outside Director of SALA Corporation, Outside Director of The Shoko Chukin Bank, Ltd., Outside Director of Musashi Seimitsu Industry Co., Ltd., and Outside Audit & Supervisory Board Member of BrainPad Inc. There is no important relationship to be disclosed between the Company and the said corporations.
  - Director Keiichi Asai also serves as an Outside Director of Cosmo Energy Holdings Co., Ltd. However, there is no material relationship that should be disclosed between the Company and the said other corporation.
  - Director (Audit & Supervisory Committee Member) Hidetaka Tanaka concurrently serves as Auditor of Authorized NPO Japan Platform, and Executive director of Japan Credit Rating Agency, Ltd., but there is no important relationship to be disclosed between the Company and the said corporation.
  - Director (Audit & Supervisory Committee Member) Tsuneko Murata concurrently serves as Outside Director of Milbon Co., Ltd., Outside Director of Kakuyasu Group Co., Ltd., and Outside Director (Audit & Supervisory Committee Member) of Tokyo Seimitsu Co., Ltd. There is no important relationship to be disclosed between the Company and the said corporations.

#### (ii) Major Activities during the Fiscal Year ended March 31,2023

##### (a) Attendance at the Board of Directors and the Audit & Supervisory Committee meetings

	Board of Directors (held 17 times)		Audit & Supervisory Committee (held 10 times)	
	Attendance (times)	Attendance Rate (%)	Attendance (times)	Attendance Rate (%)
Director Kazutaka Okubo	17 / 17	100.0	-	-
Director Keiichi Asai	14 / 14	100.0	-	-
Director (Audit & Supervisory Committee Member) Hidetaka Tanaka	14 / 14	100.0	10 / 10	100.0
Director (Audit & Supervisory Committee Member) Tsuneko Murata	14 / 14	100.0	10 / 10	100.0

Note. In addition to the above-mentioned Board of Directors, there were 4 written resolutions deemed to have been adopted by the Board of Directors Resolution pursuant to Article 370 of the Companies Act and Article 27, Paragraph 2 of the Articles of Incorporation of the Company.

- (b) Activities of Outside Directors and outline of duties performed in relation to expected roles
- Director Kazutaka Okubo attended all Board of Directors meetings and, as a Certified Public Accountant, provided advice to ensure the reasonableness and appropriateness of decision-making based on his extensive knowledge in the areas of governance, compliance and CSR, as well as a wide range of recommendations for improving future corporate value.
  - Director Keiichi Asai provided effective advice through his experience in international business. In particular, he provided effective advice based on his insight into overall corporate management and a wealth of knowledge about the energy industry. He is responsible for improving the corporate value of the Company, deliberating important management matters in the Board of Directors, and supervising

- management.
- Director (Audit & Supervisory Committee Member) Hidetaka Tanaka attended all Board of Directors meetings and appropriately expressed opinions based on his expertise in international finance, wealth of business experience as a corporate manager, and extensive knowledge in the field of sustainability. He is responsible for enhancing the corporate value of the Company, as well as deliberating important management matters in the Board of Directors and supervising the management.
  - Director (Audit & Supervisory Committee Member) Tsuneko Murata attended all Board of Directors meetings and appropriately expressed opinions based on her experience and wealth of knowledge of governance, legal affairs, compliance and CSR in corporate management. She is responsible for enhancing corporate governance and the corporate value of the Company, as well as deliberating important management matters in the Board of Directors and supervising the management.

## 5. Accounting Auditor

(1) Name of the Accounting Auditor: BDO Sanyu

(2) Remuneration to be Paid to the Accounting Auditor

	Amount paid (million yen)
Amount of remuneration, etc. as an accounting auditor for the fiscal year under review	38
Total amount of cash and other proprietary benefits that the Company and its subsidiaries should pay to the accounting auditor	38

Note 1. In the audit agreement between the Company and the accounting auditor, the amount of audit fees for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act is not clearly distinguished and cannot be substantially distinguished. Therefore, the amount of remuneration, etc. for the fiscal year under review is the sum of these amounts.

Note 2. Reasons for the Audit & Supervisory Committee's agreement on remuneration, etc. for the accounting auditor Based on the "Practical Guidelines for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Committee has confirmed the results of the audit time and the amount of remuneration for each audit item and hierarchy in the audit plan for the past fiscal year, as well as the status of the accounting auditor's performance of duties, and examined the appropriateness of the audit plan and the amount of remuneration for the fiscal year under review. As a result, the Audit & Supervisory Board has given its consent to the remuneration, etc. of the accounting auditor under Article 399, Paragraph 1 of the Companies Act.

(3) Policy on Decision of Dismissal and Refusal of Reappointment of the Accounting Auditor

When it is considered that the accounting auditor falls under any of the items stipulated in Article 340, Paragraph 1 of the Companies Act and if deemed necessary, the Audit & Supervisory Committee will dismiss the accounting auditor subject to the unanimous consent of Audit & Supervisory Committee Members. In this case, the Audit & Supervisory Committee Member selected by the Audit & Supervisory Committee will report the dismissal of the accounting auditor and the reason thereof at the first General Meeting of Shareholders Meeting convened after the dismissal. In addition, if it is determined that it is difficult for the accounting auditor to properly perform their duties, the Audit & Supervisory Committee will decide on the content of a proposal concerning the dismissal of the accounting auditor or refusal of reappointment to be submitted to the General Meeting of Shareholders.

## 6. System for Ensuring Proper Business Operations and Overview of Operation Status

- (1) Systems to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation.

The outline of the system to ensure the appropriateness of the business of other companies is as follows.

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

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

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

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

- (iii) Regulations concerning the management of risk of loss and other systems.

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

- (iv) Systems to ensure efficient execution of duties by directors.

As an indicator for establishing and implementing the corporate vision of the entire corporation, the Company has formulated a medium-term management policy and a single-year management plan. In order to realize the management policy and the management plan, the Board of Directors has clarified the executive authority and responsibilities of directors and has increased the efficiency of the execution of duties. In addition, with regard to matters for which decisions on business execution have been delegated to the President and Representative Director and directors in charge of business execution of other matters, necessary decisions shall be made based on the “Organization Regulations” or the “Regulations for Management of Affiliated Companies” including group companies. These regulations shall also be timely and appropriately reviewed based on revisions and abolition of laws and regulations and for the purpose of improving the efficiency of the execution of duties.

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

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

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



In the event that Audit & Supervisory Committee request that an employee be assigned to assist them in performing their duties, such employee shall be assigned as an Audit & Supervisory Committee's assistant. The 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. In addition, the assistant shall also serve as the secretariat of the Audit & Supervisory Committee.

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

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

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

The assistant in Paragraph 6 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 and 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 assistant are carried out smoothly.

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

All directors and department heads shall report on the status of the execution of their duties from time to time at meetings of the Board of Directors and other meetings attended by Audit & Supervisory Committee Members. Audit & Supervisory Committee Members shall be permitted to attend any Company meetings they request to attend. All directors and employees of the Company and its group companies shall report to the Audit & Supervisory Committee 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

- (x) 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.

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

The President and 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 and audits by the accounting auditor are conducted efficiently and effectively.

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

(i) Directors’ execution of duties

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

(ii) Execution of duties by Audit & Supervisory Committee Members

During the fiscal year under review, the Audit & Supervisory Committee Members held 10 Audit & Supervisory Committee meetings and implemented audits based on the audit plan stipulated by the Audit & Supervisory Committee. In addition, the Audit & Supervisory Committee Members attended Board of Directors meetings and other important meetings and regularly exchanged information with the President and Representative Director, the accounting auditor, and the Internal Audit Office to audit the execution of duties by the directors and to confirm the development and operational status of the internal control system.

(iii) Ensuring the appropriateness of operations at the Company’s subsidiaries

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

(iv) Compliance and Risk Management

The Company has established the “Corporate Ethics Help Line” to ensure that employees who have reported compliance violations or acts are not treated unfavorably for the reason of the report. The Company ensures that employees who report compliance violations or questionable acts are not treated unfavorably for the reason of the report.

In addition, we are preparing for unexpected situations such as training for countermeasures against large-scale disasters and securing supplies for people with difficulty in returning home.

## 7. Policy on the Determination of Dividends of Surplus, etc.

The Group's basic policy is to contribute to the interests of shareholders in a comprehensive manner while (i) striving to provide long-term and stable profit returns to shareholders, (ii) securing investment funds to aggressively challenge businesses for future growth, and (iii) strengthening financial stability.

In the case of dividends of surplus, principally the Company pays dividends twice a year through interim dividends and year-end dividends, which is stipulated in the Company's Articles of Incorporation. The Company also provides in its Articles of Incorporation that dividends of surplus may be determined by the Board of Directors pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act of Japan.

The year-end dividend for the fiscal year under review was 25 yen per share, 2 yen higher than the dividend forecast announced on May 13, 2022. As the interim dividend for the fiscal year under review was 23 yen, cash dividends per share for the year increased by 4 yen from 44 yen in the previous fiscal year to 48 yen.

The Company plans to pay an interim dividend of 26 yen per share and a year-end dividend of 26 yen per share for the next fiscal year.

## Consolidated Balance Sheet

(As of March 31, 2023)

(Unit: million yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
Current assets	125,886	Current liabilities	16,363
Cash and time deposits	42,016	Accounts payable - trade	2,106
Notes and accounts receivable and contract assets	1,625	Short-term borrowings	50
Real estate for sale	19,781	Current portion of long-term borrowings	5,442
Real estate for sale in process	60,254	Income taxes payable	1,699
Costs of uncompleted construction contracts	57	Provision for bonuses	237
Supplies	87	Provision for bonuses for directors (and other officers)	73
Other	2,080	Provision for fulfillment of guarantees	22
Allowance for doubtful accounts	-18	Other	6,731
Non-current assets	26,633	Non-current liabilities	52,190
Property, plant and equipment	20,410	Long-term borrowings	50,170
Buildings	9,528	Retirement benefit liability	5
Land	10,117	Provision for share-based remuneration	83
Other	764	Other	1,930
Intangible assets	815	<b>Total liabilities</b>	<b>68,553</b>
Goodwill	343	<b>Net assets</b>	
Other	472	Shareholders' equity	80,430
Investments and other assets	5,406	Share capital	11,965
Guarantee deposits	3,210	Capital surplus	6,445
Deferred tax assets	2,033	Retained earnings	62,289
Other	173	Treasury shares	-270
Allowance for doubtful accounts	-11	Accumulated other comprehensive income	271
		Valuation difference on available-for-sale securities	2
		Foreign currency translation adjustment	269
		Share acquisition rights	30
		Non-controlling interests	3,233
		<b>Total net assets</b>	<b>83,965</b>
<b>Total assets</b>	<b>152,519</b>	<b>Total liabilities and net assets</b>	<b>152,519</b>

## Consolidated Statement of Income

(From April 1, 2022 to March 31, 2023)

(Unit: million yen)

Item	Amount	
Net sales		82,777
Cost of sales		59,971
Gross profit		22,805
Selling, general and administrative expenses		7,900
Operating profit		14,905
Non-operating income		
Interest and dividend income	55	
Penalty income	133	
Subsidy income	62	
Foreign exchange gains	83	
Other	72	406
Non-operating expenses		
Interest expenses	477	
Loss on investments based on equity method	71	
Other	41	589
Ordinary profit		14,722
Extraordinary income		
Government subsidy	232	
Gain on liquidation of subsidiaries and associates	64	
Gain on sales of shares of subsidiaries and associates	101	
Other	1	400
Extraordinary loss		
Loss on reduction of fixed assets	232	
Loss on devaluation of investment securities	104	
Impairment loss	27	
Other	12	377
Profit before income taxes		14,745
Income taxes - current	3,876	
Income taxes - deferred	-852	3,024
Profit		11,721
Profit attributable to non-controlling interests		108
Profit attributable to owners of parent		11,612

**Consolidated Statement of Changes in Equity**  
(From April 1, 2022 to 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

## Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

### 1. Scope of Consolidation

All subsidiaries are consolidated.

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

Number of consolidated subsidiaries	23 companies
Names of major consolidated subsidiaries	SF Building Support Inc. SF Building Maintenance Inc. Sun Frontier Space Management Inc. SF Engineering Inc. Sun Frontier Hotel Management Inc. Sky Heart Hotel, Inc. Sun Frontier Sado Inc. Sun Frontier NY Co., Ltd.

Four companies newly established during the consolidated fiscal year under review are included in the scope of consolidation. Three subsidiaries previously consolidated were excluded from the scope of consolidation due to liquidation and other factors.

#### (2) Name of companies the Company did not make into its subsidiaries since the company held the majority voting rights on its own account.

Not applicable.

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

Not applicable.

#### (4) Special purpose company subject to disclosure

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

### 2. Application of Equity Method

#### (1) Number of affiliated companies accounted for by the equity method and names of major companies

Number of equity-method affiliates	1 company
Names of equity-method affiliates	Power Consulting Networks Co., Ltd.

In the consolidated fiscal year under review, one company, which was an affiliated company accounted for by the equity method, was sold, so it is excluded from the scope of application of the equity method.

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

Not applicable.

#### (3) Special note regarding application of the equity method

Not applicable.

### 3. Matters concerning Accounting Policies

#### (1) Valuation standards and methods for significant assets

##### (i) Valuation standards and methods for securities

Other securities (available-for-sale securities)

Shares other than those with no market price	Stated at market (Valuation difference is reported as a component of net assets. The cost of sale is calculated using the moving-average method.)
Shares with no market price	Stated at cost using the moving-average method.

- (ii) Inventories
1. Real estate for sale and Real estate for sale in process Stated at cost determined by the specific identification method  
(The figures shown in the balance sheet have been calculated by writing them down based on decline in profitability.)  
Leased assets are amortized in accordance with property, plant and equipment standards.
  2. Costs of uncompleted construction contracts Stated at cost determined by the specific identification method  
(The figures shown in the balance sheet have been calculated by writing them down based on decline in profitability.)
  3. Supplies The most recent purchase cost method  
(The figures shown in the balance sheet have been calculated by writing them down based on decline in profitability.)
- (2) Depreciation or amortization method for significant depreciable assets
- (i) Property, plant and equipment
 

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

Buildings	3 to 29 years
Other	2 to 15 years

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

The straight-line method is used.  
Software for internal use is amortized on a straight-line basis over the estimated internal useful life (5 years).
- (3) Significant provisions
- (i) Allowance for doubtful accounts
 

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

To prepare for the payment of bonuses to employees, the Company records the portion of the estimated bonuses to be paid during the current consolidated fiscal year.
  - (iii) Provision for bonuses for directors (and other officers)
 

Provision for directors' bonuses is provided based on the estimated amount to be paid during the current consolidated fiscal year.
  - (iv) Provision for fulfillment of guarantees
 

In order to prepare for losses related to Rent Guarantee Business operations, costs for which the amount incurred can be estimated individually are recorded in the amount of such costs, and for others, the estimated losses are recorded by taking into account the past guarantee fulfillment rate.
  - (v) Provision for share-based remuneration
 

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



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

(i) Fiscal year of consolidated subsidiaries

Consolidated domestic subsidiaries and one overseas consolidated subsidiary close their books on March 31, and Sun Frontier NY Co., Ltd., and eight other companies close their books on December 31.

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

(ii) Standards for recording significant revenues and expenses

The major performance obligations of the Company and its consolidated subsidiaries in their principal businesses with respect to revenue arising from contracts with clients and the normal time at which such performance obligations are met (normal time at which revenue is recognized) are as follows.

(a) Real Estate Revitalization Business

Replanning Business

Replanning Business purchases existing office buildings and refurbishes buildings and facilities and attracts excellent tenants to sell buildings with added value to clients in Japan and overseas. The business is obligated to deliver these properties based on real estate sales agreements with clients.

The performance obligation is fulfilled at the time the property is delivered and revenue is recorded at the time of delivery of the property.

(b) Real Estate Service Business

(1) Property Management Business

Property Management Business enters into property management agreements with clients and is obligated to perform various operations related to real estate properties on behalf of clients, including maintenance and management of properties and collection of rent for tenants.

The performance obligation is fulfilled at the time service provision based on the property management agreement, and revenue is recorded over the contract period.

(2) Building Maintenance Business

Building Maintenance Business mainly is obligated to inspect building facilities by entering into various agreements with clients or by entering into purchase orders and order contracts.

The performance obligation is fulfilled upon completion of the work under the agreement, and revenue is recorded at the time of issuance of the completion report for the work and construction.

(3) Sales Brokerage Business

Sales Brokerage Business stands between the buyer and the seller at the time of purchase and sale of real estate and is responsible for executing the sales agreement. Based on the intermediary agreement with the client, the Company is responsible for a series of operations including negotiation and adjustment of transaction terms and conditions, delivery and explanation of important matters, preparation and delivery of the agreement, and involvement in procedure for performance of agreements.

The performance obligation is fulfilled at the time when the property related to the real estate sales contract established by the intermediary agreement is delivered, and revenue is recorded at the time of delivery.

(4) Leasing Brokerage Business

Leasing Brokerage Business stands between the lessee and the lessor when leasing real estate and is responsible for concluding lease agreements. Based on intermediary agreements with clients, the business has obligations related to a series of operations including negotiations and adjustments of transaction terms and conditions, delivery and explanation of important matters, preparation and delivery of agreements, and involvement in procedures for performance of agreements.

The performance obligation is fulfilled at the time when the real estate lease agreement for the property brokered by the intermediary agreement is concluded, and revenue is recorded at the time of conclusion of the agreement.

(c) Hotel and Tourism Business

(1) Hotel Operation Business

Hotel Operation Business is primarily responsible for the operation of hotels owned or leased by the Company and is obligated to provide hotel services for clients to stay or provide meals at restaurants located within the hotel.

These performance obligations are fulfilled at the time service is provided to clients, and revenue is recorded when clients check in.

(2) Hotel Development Business

Hotel Development Business is a business engaging in the purchase of land and the construction of hotel buildings, which are then sold to clients, and is obligated to deliver the property based on the real estate sales agreement with the clients.

The performance obligation is fulfilled at the time the property is delivered and revenue is recorded at the time of delivery.

(d) Others

(1) Overseas Development Business

Overseas Business is engaged in real estate development mainly for condominiums and houses in Southeast Asia and sells these properties to clients in Japan and overseas. The business is obligated to deliver these properties based on real estate sales agreements with clients.

The performance obligation is fulfilled at the time the property is delivered, and revenue is recorded at the time of delivery.

(2) Construction Business

Construction Business is engaged in renovation planning, repair and renovation related to renewal planning, repair and renovation work for commercial buildings, telecommunications work, contracted interior construction for large, medium, and small facilities, etc.

When control over goods or services is transferred to clients over a certain period, revenue is recorded over a certain period as the performance obligation to transfer goods or services to clients is fulfilled.

Contracts with a very short period between the transaction start date and the time when the performance obligation is expected to be fulfilled, or contracts with a small order amount received per unit of construction are subject to alternative treatment. Revenue is not recognized over a certain period but is recognized when the performance obligation is fulfilled.

(iii) Accounting treatment for retirement benefits

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

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

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

(v) Non-deductible consumption tax accounting

Non-deductible consumption tax and local consumption tax on assets are charged to income in the year in which they are incurred.

(vi) Amortization methods and periods for goodwill

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

(vii) Application of group tax sharing system

The Company and certain consolidated domestic subsidiaries apply the group tax sharing system.

## (Change of Presentation Method)

### Consolidated Statement of Income

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

“Loss on retirement of non-current assets” (20 million yen in the previous fiscal year), which was presented separately under “Extraordinary loss” in the previous fiscal year, has been included in “Other” in the current fiscal year due to its decreasing financial materiality.

## (Notes on Accounting Estimates)

### 1. Assessment of the real estate for sale

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

Real estate for sale	19,781 million yen
Real estate for sale in process	60,254 million yen

#### (2) Other information

For real estate for sale, etc., if the net selling price falls below the acquisition cost, the net selling price is stated as the balance sheet amount. The net selling price is calculated by deducting the estimated future cost of construction work and the estimated selling expenses from the return value estimated based on the business plan. The expected future revenue of the business plan, that forms the basis for the value of the return to profit, includes future tenant rent, expected average unit price, occupancy rate, etc. of hotel rooms, and is formulated based on important assumptions such as forecasts of future market conditions.

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

### 2. Non-current assets impairment

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

Non-current assets related to Hotel Development Business and Hotel Operation Business : 11,648 million yen

#### (2) Other information

If a hotel shows signs 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.

## (Additional Information)

### Change in holding purpose of assets

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

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

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

#### (i) Overview of transaction

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

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

The total amount method is applied to the Employee Stock Ownership Plan (J-ESOP) in accordance with the “Practical Solution on Transactions of Delivering the Company’s Own Shares to Employees etc. through Trusts”

(ASBJ PITF No. 30, March 26, 2015).

(ii) Own shares remaining in the trust

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

Accounting treatment and disclosure with the application of the group tax sharing system

The Company and certain domestic consolidated subsidiaries have shifted from the consolidated taxation system to the group tax sharing system from the current fiscal year. Accordingly, the accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021, hereinafter referred to as "ASBJ PITF No. 42"). In addition, based on Paragraph 32 (1) of ASBJ PITF No. 42, it is deemed that there will be no impact due to the change in accounting policy accompanying the adoption of ASBJ PITF No. 42.

(Notes to Consolidated Balance Sheet)

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

(i) Assets pledged as collateral are as follows:

Real estate for sale	18,060 million yen
Real estate for sale in process	55,880 million yen
Buildings	7,998 million yen
Land	9,772 million yen
<u>Total</u>	<u>91,712 million yen</u>

(ii) Secured obligations are as follows:

<u>Long-term borrowings</u>	<u>52,333 million yen</u>
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(2) Accumulated depreciation of property, plant and equipment 4,890 million yen  
Note. The above amounts include accumulated impairment losses.

(3) Contingent liabilities

Debt guarantee

Liability guarantee by rent guarantee	
Customers pertaining to Rent Guarantee Business (amount equivalent to the guarantee limit)	47,416 million yen
<u>Provision for fulfillment of guarantees</u>	<u>-22 million yen</u>
Total	47,393 million yen

(4) Reduction entry amount

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

Buildings	200 million yen
Land	32 million yen

(Notes to Consolidated Statement of Income)

Extraordinary income

Gain on liquidation of subsidiaries and associates is associated with the liquidation of one U.S. subsidiary (RIVERSIDE STUDIOS LLC).

(Notes to Consolidated Statement of Changes in Equity)

(1) Total number of issued shares

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

(2) Matters concerning treasury shares

Type of shares	Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year
Common shares	56,644 shares	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 increase/increase in the number of treasury shares of common shares was mainly 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 concerning dividends of surplus

(i) Cash dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Base date	Effective date
June 21, 2022 Annual general meeting of shareholders	Common shares	1,121	23.00	March 31, 2022	June 22, 2022
November 10, 2022 Board of Directors	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 at 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).

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

The following resolution is scheduled.

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

Note. The total amount of dividends decided at the Board of Directors Resolution on May 12, 2023, includes dividends of 3 million yen for the Company's shares held by the Employee Stock Ownership Plan (J-ESOP).

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

Breakdown	Type of shares to be issued	Number of shares to be issued (shares)				Balance at the end of the current consolidated fiscal year (Millions of yen)
		Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year	
2018 share acquisition rights as stock option	-	-	-	-	-	5
2019 share acquisition rights as stock option	-	-	-	-	-	5
2020 share acquisition rights as stock option	-	-	-	-	-	4
2021 share acquisition rights as stock option	-	-	-	-	-	14
Total		-	-	-	-	30

## (Notes on Financial Instruments)

## (1) Items relating to financial instruments

## (i) Policy on financial instruments

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

## (ii) Content as well as risks of financial instruments

Trade receivables are exposed to customers' credit risk.

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

## (iii) Risk management system for the financial instruments

## A. Management of credit risks (risks pertaining to non-performance of contracts by counterparties)

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

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

The Company will not conduct derivative transactions for speculative purposes not stipulated in the derivative transaction management regulations.

## C. Management of liquidity risk related to fund procurement (risk of inability to pay on the due date)

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

## (iv) Supplementary explanation of fair value of financial instruments

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

(2) Fair value of financial instruments

On March 31, 2023, the book values of the consolidated balance sheet, fair values and differences between them are as follows.

	Consolidated balance sheet amount (Millions of yen)	Market value (Millions of yen)	Difference (Millions of yen)
Long-term borrowings (including current portion)	55,613	54,240	(1,373)
Total liabilities	55,613	54,240	(1,373)

Note1. The description “cash and time deposits” is omitted because the market value approximates the book value since it is cash and deposits are settled in a short period of time.

Note 2. Shares with no market price

Category	Consolidated balance sheet value (Millions of yen)
Shares of subsidiaries and affiliates	30
Unlisted shares	158

Note 3. Scheduled repayment amount of short-term and long-term borrowings after the consolidated balance sheet date

Category	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

(3) Breakdown of market value of financial instruments by appropriate category, etc.

The market values of financial instruments are classified into the following three levels according to the inputs, observability and materiality related to the calculation of market values.

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

Level 2 Market Value: Market value calculated using direct or indirect observable inputs other than Level 1 inputs

Level 3 Market Value: Market value calculated using significant unobservable inputs

When multiple inputs that have a significant impact on the calculation of market value are used, market value is classified to the lowest level to which each of these inputs belongs that has the lowest priority for calculating market value.

Financial assets and liabilities not recognized in consolidated balance sheet at market value

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

Note. Explanation of valuation techniques used for market value calculation and input related to market value calculation

Long-term borrowings

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

(Notes on Lease and Real Estate)

The Company operates rental office buildings (including land) as well as hotel facilities (including land) in Tokyo and other areas. For the fiscal year ended March 31, 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).

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

Consolidated balance sheet amount (Millions of yen)			Market value at the end of the current consolidated fiscal year (Millions of yen)
Balance at the beginning of the current consolidated fiscal year	Fiscal year under review Increase/Decrease	Balance at the end of the current consolidated fiscal year	
6,659	1,565	8,225	10,918

Note 1. The amount recorded in the Consolidated balance sheet is the acquisition cost excluding the accumulated depreciation.

Note 2. Among increases/decreases during the fiscal year under review, the major increase was due to new acquisitions (6,217 million yen) and the major decreases were due to transfers as a result of changes in the asset holding purpose (4,507 million yen) and depreciation (143 million yen).

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

(Notes on Revenue Recognition)

1. Breakdown of information regarding revenue generated from contracts with clients

(Unit: million yen)

	Reportable segments				Other (Note 1)	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total		
Real Estate Revitalization Business net sales	45,635			45,635		45,635
Hotel Development Business net sales			13,500	13,500		13,500
Hotel Operation Business net sales			9,282	9,282		9,282
Other Business net sales	51	6,714	25	6,792	1,774	8,566
Revenue from contracts with clients	45,687	6,714	22,808	75,211	1,774	76,985
Other income (Note 2)	4,362	1,299	129	5,792	-	5,792
Net sales to external clients	50,050	8,014	22,938	81,003	1,774	82,777

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. Other income includes rental income, etc. under Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

(Changes in Presentation Methods)

In the previous fiscal year, all operating net sales other than “Real Estate Revitalization Business net sales” included in “Revenue from contracts with customers” were included in “Revenue from contracts with customers” due to their decreased financial materiality. In the current fiscal year, however, “Hotel Development Business net sales” and “Hotel Operation Business net sales” have become increasingly important. Therefore, “Real Estate Revitalization Business net sales”, “Hotel Development Business net sales”, and “Hotel Operation Business net sales” are presented separately, and “Other Business net sales” includes operating net sales with decreased financial materiality.



## 2. Basic information to understand the revenue generated from contracts with clients

Basic information for understanding revenue is as described in “Notes Regarding Significant Accounting Policies for the Preparation of Consolidated Financial Statements (4) Other significant matters for preparation of consolidated financial statements (ii) Standards for recording significant revenues and expenses.”

## 3. Information to understand the amount of revenue for the current period and subsequent periods

### (1) Balance of contract assets and contract liabilities, etc.

The Company’s contract balance is as follows.

	(Millions of yen)
	Current consolidated fiscal year (March 31, 2023)
Receivables arising from contracts with clients (at beginning of the period)	854
Receivables arising from contracts with clients (at end of the period)	1,560
Contract assets (at beginning of the period)	18
Contract assets (at end of the period)	35
Contract liabilities (at beginning of the period)	561
Contract liabilities (at end of the period)	1,649

#### Note 1. Receivables arising from contracts with clients

Receivables arising from contracts with clients are mainly uncollected proceeds for room charges, etc. and rights to clients arising from the performance of contracts in Real Estate Service Business. The collection period for these receivables is mainly within one to three months.

#### Note 2. Contract assets

Contract assets relates to the rights to clients arising from the receipt of payments from clients in the course of performance recognized in connection with contract work agreements in Construction Business. Contract assets for completed work are recognized in advance and are transferred to trade receivables upon acceptance by clients and invoicing.

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

#### Note 3. Contract liabilities

Contract liabilities mainly consist of earnest money received at the time of execution of sales contracts in Replanning Business, consideration received prior to performance under construction contracts in Construction Business, and room charges received in advance, etc. in Hotel Operation Business. These are transferred to income when the Company performs under contracts.

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

Of the contract liabilities at the beginning of current consolidated fiscal year, the amount recognized in revenue in current consolidated fiscal year was 535 million yen.

The decrease in contract assets in current consolidated fiscal year was mainly due to a decrease in construction orders.

The decrease in contract liabilities in current consolidated fiscal year was mainly due to a decrease in deposit balance in Replanning Business.

### (Notes on Per Share Information)

(1) Net assets per share	1,663.33 yen
(2) Earnings per share	238.98 yen
(3) Fully diluted earnings per share	238.76 yen

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

(Notes on Special Purpose Companies subject to Disclosure)

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

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

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

As a Managing Partner (Chairman), the Company receives chairman compensation in accordance with the Voluntary Partnership Agreement, and also receives compensation from voluntary partnership for entrusting building management in a lump sum.

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

	Fiscal year under review (March 31, 2023)
Number of Special Purpose Companies	9 unions
Total assets as of the latest balance sheet date (simple sum)	6,140 million yen
Total liabilities (simple sum)	183 million yen

For the fiscal year under review, the total amount of assets and liabilities of one of the above units is not included in the total amount because the closing date has not arrived yet.

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

	Major transaction amount	Main profit and loss	
		Item	Amount
Transfer amount of real estate (Note 1)	2,354 million yen	Net sales	2,354 million yen

Note 1. Transfer amount of real estate is stated at the transfer price at the time of transfer. The transfer amount of real estate is shown in net sales in the Consolidated Statement of Income.

Note 2. Transactions other than above have been omitted due to lack of importance.

(Note on Significant Subsequent Events)

Not applicable.

(Other Note)

Not applicable.

## Non-consolidated Balance Sheet

(As of March 31, 2023)

(Unit: million yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
Current assets	99,971	Current liabilities	10,643
Cash and time deposits	27,469	Accounts payable - trade	1,097
Accounts receivable	397	Current portion of long-term borrowings	3,531
Real estate for sale	16,301	Income taxes payable	1,441
Real estate for sale in process	52,019	Deposits payable	1,703
Short-term loans to affiliates	680	Provision for bonuses	138
Long-term loans to affiliates to be collected within one year	2,000	Provision for bonuses for directors (and other officers)	65
Other	1,111	Other	2,665
Allowance for doubtful accounts	- 7	Non-current liabilities	46,709
Non-current assets	37,241	Long-term borrowings	44,982
Property, plant and equipment	17,683	Long-term deposits received	1,591
Buildings	7,849	Provision for share-based remuneration	77
Land	9,711	Other	56
Other	121		
Intangible assets	395	<b>Total liabilities</b>	<b>57,353</b>
Other	395	<b>Net assets</b>	
Investments and other assets	19,162	Shareholders' equity	79,827
Shares of subsidiaries and affiliates	15,268	Share capital	11,965
Long-term loans to affiliates	1,181	Capital surplus	6,449
Deferred tax assets	1,032	Capital reserve	6,449
Other	1,781	Retained earnings	61,682
Allowance for doubtful accounts	-101	Legal reserve	13
		Other retained earnings	61,669
		Retained earnings brought forward	61,669
		Treasury shares	-270
		Valuation and translation adjustments	1
		Valuation difference on available-for-sale securities	1
		Share acquisition rights	30
		<b>Total net assets</b>	<b>79,859</b>
<b>Total assets</b>	<b>137,212</b>	<b>Total liabilities and net assets</b>	<b>137,212</b>

## Non-consolidated Statement of Income

(From April 1, 2022 to March 31, 2023)

(Unit: million yen)

Item	Amount	
Net sales		52,097
Cost of sales		33,793
Gross profit		18,303
Selling, general and administrative expenses		6,353
Operating profit		11,949
Non-operating income		
Interest and dividend income	87	
Foreign exchange gains	93	
Reversal of allowance for doubtful accounts	30	
Other	4	215
Non-operating expenses		
Interest expenses	395	
Other	15	411
Ordinary profit		11,753
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	11	11
Extraordinary loss		
Loss on devaluation of subsidiaries' and affiliates' stocks	110	
Loss on valuation of investment securities	104	
Other	4	220
Profit before income taxes		11,545
Income taxes - current	3,531	
Income taxes - deferred	142	3,673
Profit		7,871

## Non-consolidated Statement of Changes in Equity

(From April 1, 2022 to March 31, 2023)

(Unit: million yen)

	Shareholder's equity						
	Share capital	Capital surplus			Legal reserve	Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings	Total retained earnings
					Retained earnings brought forward		
Balance at beginning of the period	11,965	6,449	-	6,449	13	56,039	56,052
Changes during period							
Dividends of surplus						-2,240	-2,240
Profit						7,871	7,871
Purchase of treasury shares							
Disposal of treasury shares			-0	-0			
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
Balance at end of the period	11,965	6,449	-	6,449	13	61,669	61,682

	Shareholders' equity		Valuation and translation difference		Share acquisition rights	Net assets total
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation difference		
Balance at beginning of the period	-67	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				-239
Disposal of treasury shares	36	36				36
Transfer from retained earnings to capital surplus						-
Net changes in items other than shareholders' equity			-1	-1	-	-1
Total changes during period	-202	5,427	-1	-1	-	5,426
Balance at end of the period	-270	79,827	1	1	30	79,859

## Notes to Non-consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Matters Concerning 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)

Shares other than those with no market price, etc. Stated at market (Valuation difference is reported as a component of net assets. The cost of sale is calculated using the moving-average method.)

Shares with no market price, etc. Stated at cost using the moving-average method.

#### (2) Assessment criteria and assessment methods of Inventories

Real estate for sale and Real estate for sale in process Stated at cost determined by the specific identification method

(The figures shown in the balance sheet have been calculated by writing them down based on decline in profitability.)

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

### 2. Depreciation of non-current assets

#### (1) Property, plant and equipment

The declining-balance method is applied.

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

The estimated useful lives are as follows:

Buildings	3 to 29 years
Other	2 to 15 years

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

#### (2) Intangible assets

The straight-line method is used.

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

### 3. Standards for provisions

#### (1) Allowance for doubtful accounts

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

#### (2) Provision for bonuses

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

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

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

#### (4) Provision for share-based remuneration

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

#### 4. Method of recording revenue and expenses

The major performance obligations in principal businesses related to revenue arising from contracts with the Company's clients and the normal time at which such performance obligations are satisfied (normal time at which revenue is recognized) are as follows.

##### (a) Real Estate Revitalization Business

###### Replanning Business

Replanning Business purchases existing office buildings, refurbishes buildings and facilities, and attracts excellent tenants to sell added value to clients in Japan and overseas. The Company is obligated to deliver these properties based on real estate sales agreements with clients.

The performance obligation is fulfilled at the time the property is delivered and revenue is recorded at the time of delivery of the property.

##### (b) Real Estate Service Business

###### (1) Property Management Business

Property Management Business enters into property management agreements with clients and is obligated to perform various operations related to real estate properties on behalf of clients, including maintenance and management of properties and collection of rent for tenants.

The performance obligation is fulfilled at the time service is provided based on the property management agreement, and revenue is recorded over the contract period.

###### (2) Sales Brokerage Business

Sales Brokerage Business stands between the buyer and the seller at the time of purchase and sale of real estate and is responsible for executing the sales agreement. Based on the intermediary agreement with the client, the Company is responsible for a series of operations including negotiation and adjustment of transaction terms and conditions, delivery and explanation of important matters, preparation and delivery of the agreement, and involvement in the execution of the agreement.

The performance obligation is fulfilled at the time when the property related to the real estate sales agreement established by the intermediary contract is delivered, and revenue is recorded at the time of delivery.

###### (3) Leasing Brokerage Business

Leasing Brokerage Business is a business that stands between the lessee and the lessor when leasing real estate and is responsible for concluding lease agreements. Based on intermediary agreements with clients, the business is responsible for a series of operations including negotiations and adjustments of transaction terms and conditions to conclude agreements, delivery and explanation of important matters, preparation and delivery of agreements, and involvement in procedures for performance of agreements.

The performance obligation is fulfilled at the time when the real estate lease agreement for the property brokered by the intermediary agreement is concluded, and revenue is recorded at the time of conclusion of the agreement.

##### (c) Hotel and Tourism Business

###### Hotel Development Business

Hotel Development Business is a business engaging in the purchase of land and the construction of hotel buildings, which are then sold to clients, and is obligated to deliver the property based on the real estate sales agreement with the clients.

The performance obligation is fulfilled at the time the property is delivered and revenue is recorded at the time of delivery.

##### (d) Others

###### Construction Business

Construction Business is engaged in renovation planning, repair and renovation related to renewal planning, repair and renovation work for commercial buildings, telecommunications work, contracted interior construction for large, medium, and small facilities, etc.

When control over goods or services is transferred to clients over a certain period, revenue is recorded over a certain period as the performance obligation to transfer goods or services to clients is fulfilled.

Contracts with a very short period between the transaction start date and the time when the performance obligation is expected to be fulfilled, or contracts with a small order amount received per unit of construction are subject to

alternative treatment. Revenue is not recognized over a certain period but is recognized when the performance obligation is fulfilled.

#### 5. Basis for preparation of other financial statements

- (1) Standards for translation of significant assets or liabilities denominated in foreign currencies into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing at the respective balance sheet dates, and translation differences are charged or credited to income.

- (2) Non-deductible consumption tax accounting

Non-deductible consumption tax on assets is charged to income in the year in which it is incurred.

- (3) Application of group tax sharing system

Group tax sharing system is applied.

#### (Notes on Changes in Presentation Methods)

##### Non-consolidated Balance Sheet

“Loans to subsidiaries and associates to be collected within one year” (104 million yen in the previous fiscal year), which was included in “Other in current assets” in the previous fiscal year, is presented separately in the fiscal year under review due to its increased materiality.

##### Non-consolidated Statement of Income

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

#### (Notes on Accounting Estimates)

##### 1. Assessment of the real estate for sale

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

Real estate for sale	16,301 million yen
Real estate for sale in process	52,019 million yen

- (2) Other information

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

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

In the following fiscal year 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 financial statements for the following fiscal year and thereafter.

##### 2. Non-current assets impairment

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

Non-current assets related to hotel development business 9,577 million yen

- (2) Other information

The non-current assets related to Hotel Development Business are leased to consolidated subsidiaries. The rent is determined based on assumptions such as the average unit price and occupancy rate of hotel rooms based on future market forecasts under the long-term management policy. If signs of impairment are shown, the determination of impairment loss recognition is based on the rental contracts and a comparison of the estimated undiscounted future cash flows over the contract period with the carrying amounts of the hotels.

In the following fiscal year and thereafter, the assumptions used in calculating rents may change in the events that were not anticipated when the rental contracts were formulated. This may have a material impact on the non-



current assets amounts recognized in the financial statements for the following fiscal year and thereafter.

(Additional Information)

Change in holding purpose of assets

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

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

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

(i) Overview of transaction

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

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

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

(ii) Own shares remaining in the trust

The book value of the Company’s shares remaining in the trust (excluding the amount of incidental expenses) is included in net assets. The book value and number of shares of the treasury shares were 270 million yen and 128,300 shares.

(Notes to Balance Sheet)

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

(i) Assets pledged as collateral are as follows:

Real estate for sale	15,104	million yen
Real estate for sale in process	50,275	million yen
Buildings	7,556	million yen
Land	9,637	million yen
<u>Total</u>	<u>82,573</u>	<u>million yen</u>

(ii) Secured liabilities are as follows:

Long-term borrowings	47,504	million yen
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(2) Accumulated depreciation of property, plant and equipment 910 million yen

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

Short-term monetary receivables	130	million yen
Short-term monetary debt	217	million yen

(4) Monetary obligations to directors 56 million yen

(5) Guarantee obligations

Guarantees for borrowings loans by financial institutions of affiliated companies

Sun Frontier Hotel Management Inc.	5,355	million yen
Sun Frontier Sado Inc.	172	million yen
SF Communication Inc.	85	million yen
Hotel Osado Co., Ltd	192	million yen

(Notes to Statement of Income)

Transactions with affiliated companies

Transaction volume from operating transactions

Net sales	447 million yen
Cost of sales and selling, general and administrative expenses	746 million yen

Non-operating transactions

Non-operating income	87 million yen
Non-operating expenses	6 million yen

(Notes to Statement of Changes in Equity)

Matters concerning treasury shares

Type of shares	Beginning of the current fiscal year	Increase	Decrease	End of the current 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 increase/decrease in the number of treasury shares of common shares was mainly 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.

(Notes on Tax Effect Accounting)

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

(Unit: million yen)

Deferred tax assets

Inventory assets	520
Disallowed unrealized loss on shares of affiliates	727
Accrued enterprise tax	86
Allowance for doubtful accounts	29
Taxes and duties	58
Accounts payable	53
Accrued expenses	31
Provision for bonuses	42
Long-term accounts payable	17
Excess depreciation	64
Disallowed unrealized loss on land	8
Other	113
Subtotal	1,753
Valuation allowance	-714
Deferred tax assets total	1,039
Deferred tax liabilities	
Valuation difference on available-for-sale securities	0
Other	6
Deferred tax liabilities total	7
Deferred tax assets net	1,032

Accounting treatment of corporate tax and local corporate tax or accounting treatment of related tax effect accounting  
The Company has adopted the group tax sharing system from the fiscal year under review. Also, in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August

12, 2021), the Company practices accounting treatment and disclosure of corporate tax and local corporate tax or related tax effect accounting.

(Notes on Transactions with Related Parties)

1. Subsidiaries and affiliates

(Unit: million yen)

Type	Company name	Percentage of voting rights held	Relationship with related parties	Contents of the transaction	Transaction amount	Subject	Year-end balance
Subsidiary	Sun Frontier Hotel Management Inc.	Possession Direct 100% Indirect -	<ul style="list-style-type: none"> <li>• Lease transaction</li> <li>• Management</li> <li>• Concurrent appointment posts</li> <li>• Loan of funds</li> </ul> Debt guarantee	Receipt of building rent (Note 1 (i))	358	Current liabilities Other (Advances received)	39
				Receipt of administrative service expenses (Note 1 (ii))	7	Current assets Other (Advance)	0
				Receipt of interest (Note 1 (iii))	40	Long-term loans to affiliates	2,000
				Debt Guarantee (Note 1 (iv))	5,355	-	-

Note 1. Transaction terms and policy for determining transaction terms

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

2. Officers and individual major shareholders, etc.

There are no significant transactions that should be noted.

(Notes on Per Share Information)

(1) Net assets per share	1,645.34 million yen
(2) Earnings per share	161.98 million yen
(3) Fully diluted earnings per share	161.83 million yen

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

(Notes on Significant Subsequent Events)

Not applicable.

## Audit Report on Consolidated Financial Statements

### Independent Auditor's Report

May 16, 2023

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

BDO Sanyu  
Tokyo Office, Japan

Hitoshi Torii  
Designated Partner  
Engagement Partner  
Certified Public Accountant

Satoshi Morita  
Designated Partner  
Engagement Partner  
Certified Public Accountant

#### **Opinion**

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to consolidated financial statements of Sun Frontier Fudousan Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively referred to as the “Group”) for the fiscal year from April 1, 2022 to March 31, 2023 in accordance with Article 444, Paragraph 4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, 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 Group 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

Other information consists of the business report and supplementary schedules. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Committee is 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 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 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 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 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, including the design, implementation and maintenance of such internal control as management determines is necessary to enable the preparation and fair presentation of 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 with the assumption of the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives 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 includes our opinion on the 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 economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected to be applied depend on the auditor's judgment. In addition, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, in making those risk assessments, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the consolidated financial statements is not to express 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 and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements 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 related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to express a qualified opinion with exceptions 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 and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated

financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and the designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

## Audit Report on the Non-consolidated Financial Statements

### Independent Auditor's Report

May 16, 2023

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

BDO Sanyu  
Tokyo Office, Japan

Hitoshi Torii  
Designated Partner  
Engagement Partner  
Certified Public Accountant

Satoshi Morita  
Designated Partner  
Engagement Partner  
Certified Public Accountant

#### **Opinion**

We have audited the non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity and the notes to non-consolidated financial statements, and the supplementary schedules (the “financial statements and others”) of Sun Frontier Fudousan Co., Ltd. (the “Company”) for the 24th fiscal year from April 1, 2022 to March 31, 2023 in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.

In our opinion, the financial statements and others referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and others were prepared, 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 Financial Statements and Others 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.

#### **Other Information**

Other information consists of the business report and supplementary schedules. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Committee is 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 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 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 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 Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the financial statements and others in accordance with accounting principles generally accepted in Japan, including the design, implementation and maintenance of and for such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements and others that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and others, management is responsible for assessing whether it is appropriate to prepare the financial statements and others with the assumption of the Company's ability to continue as a going concern, disclosing matters related to going concern, as applicable in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements and Others**

Our objectives are to obtain reasonable assurance about whether the financial statements and others as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the financial statements and others 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 economic decisions of users taken on the basis of these financial statements and others.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and others, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected to be applied depend on the auditor's judgment. In addition, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, in making those risk assessments, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the financial statements and others is not to express an opinion on the effectiveness of the Company'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 and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the financial statements and others and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 related disclosures in the financial statements and others or, if such disclosures are inadequate, to express a qualified opinion with exceptions on the financial statements and others. 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 Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and others are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial



statements and others, including the disclosures, and whether the financial statements and others represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and the designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

## Audit Report of the Audit & Supervisory Committee

### Audit Report

The Audit & Supervisory Committee have audited directors' performance of their duties during the 24th fiscal year from April 1, 2022 to March 31, 2023. We hereby report the method and results of the audit as follows.

#### **1. Auditing method and its contents**

The Audit and Supervisory Committee regularly received reports on the details of the resolutions of the Board of Directors concerning the matters listed in Article 399-13, Paragraph 1, Item 1 (b) and (c) of the Companies Act of Japan and the status of the construction and operation of the system established based on such resolutions (internal control system) from Directors and employees, etc., requested explanations as necessary, expressed opinions, and conducted audits by the method described below.

- (i) Audit & Supervisory Committee Members attended important meetings, received reports from Directors and employees on matters related to the execution of their duties, requested explanations as necessary, inspected important approval documents, etc., and investigated the status of business and assets at the head office and major business offices in accordance with the standards for Audit & Supervisory Committee Audits established by the Audit & Supervisory Committee and in accordance with auditing policies and the division of duties, in cooperation with the internal audit department of the Company. With regard to subsidiaries, the Audit & Supervisory Committee worked to communicate and exchange information with the Directors and Audit & Supervisory Board Members, etc. of the subsidiaries, and received reports on the business from the subsidiaries as necessary.
- (ii) We monitored and verified whether or not the accounting auditor has properly carried out audits while maintaining its independence. We also received reports from the accounting auditor on the performance of its duties and have asked it to provide explanations when necessary. In addition, we sought explanations as necessary, upon having received notice from the accounting auditor that the "systems for ensuring that the performance of the duties is being carried out properly" (matters stipulated in each item of Article 131 of the Regulation on Corporate Accounting) have been developed in accordance with the "Quality Control Standard for Audit" (Business Accounting Council, October 28, 2005), etc. With regard to key audit matters (KAMs), the Audit & Supervisory Committee consulted with BDO Sanyu and received reports on the implementation status of the audit and requested explanations as necessary.

Based on the methods described above, we reviewed the business report and supplementary schedules, the Non-consolidated Financial Statements (Non-consolidated balance sheet, Non-consolidated statement of income, Non-consolidated statement of changes in equity, and Notes to non-consolidated financial statements), supplementary schedules attached thereto, and the Consolidated Financial Statements (Consolidated balance sheet, Consolidated statement of income, Consolidated statement of changes in equity, and Notes to consolidated financial statements).

## 2. Audit Results

### (1) Audit results of the Business Report, etc.

- (i) We deem that the Business Report and supplementary schedules attached thereto fairly represent the situation of the Company in accordance with relevant laws and regulations, and the Articles of Incorporation.
- (ii) We deem there to be no misconduct or material fact constituting a violation of relevant laws and regulations, or the Articles of Incorporation, regarding the Directors in performing their duties.
- (iii) We deem that resolutions of the content of the Business Report and Board of Directors regarding the internal control systems are appropriate in content. We also deem there to be no issues to be pointed out with respect to the Directors in performing their duties regarding the internal control systems.

### (2) Audit results of the Non-consolidated Financial Statements and supplementary schedules attached thereto

We deem that the methods and results of audits performed by the accounting auditor, BDO Sanyu are appropriate.

### (3) Audit results of the Consolidated Financial Statements

We deem that the methods and results of audits performed by the accounting auditor, BDO Sanyu are appropriate.

May 16, 2023

Sun Frontier Fudousan Co., Ltd. Audit & Supervisory Committee

Audit & Supervisory Committee Member (full-time) Shinichi

Tominaga

Audit & Supervisory Committee Member

Hidetaka Tanaka

Audit & Supervisory Committee Member

Tsuneko Murata

Note 1. Audit and Supervisory Committee Members Hidetaka Tanaka and Tsuneko Murata are Outside Directors as stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

Note 2. At the 23rd Annual General Meeting of Shareholders held on June 21, 2022, the Company passed a resolution to become a company with an Audit and Supervisory Committee as of the same date. However, from April 1, 2022 to the time when the Annual General Meeting of Shareholders was held on June 21, 2022, Audit & Supervisory Board Members performed their duties in accordance with the Companies Act of Japan. The Audit & Supervisory Committee received a report from the Audit & Supervisory Board Members on the content and results of the audit implemented by the Audit & Supervisory Board Members and accepted the contents.