

# **Annual Securities Report**

The 22nd                      From April 1, 2020  
Business Year                to March 31, 2021

Sun Frontier Fudousan Co., Ltd.

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

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

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

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## Cover

Document title	Annual Securities Report
Clause of stipulation	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	June 23, 2021
Fiscal year	The 22nd Fiscal Year (from April 1, 2020 to March 31, 2021)
Company name	Sun Frontier Fudousan Kabushiki Kaisha
Company name in English	Sun Frontier Fudousan Co., Ltd.
Title and name of representative	President Representative Director Saito Seiichi
Address of registered head office	1-2-2 Yurakucho, Chiyoda-ku, Tokyo, Japan
Telephone number	+81 (0)3 5521-1301
Name of contact person	Takeshi Hirahara, Executive Officer, General Manager of Corporate Planning Division
Nearest place of contact	1-2-2 Yurakucho, Chiyoda-ku, Tokyo, Japan
Telephone number	+81 (0)3 5521-1301
Name of contact person	Takeshi Hirahara, Executive Officer, General Manager of Corporate Planning Division
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan)

## Part I Corporate Information

### Item 1. Overview of the Company and Its Consolidated Subsidiaries

#### 1. Summary of Business Results

(1) Consolidated

Fiscal year		18th	19th	20th	21st	22nd
Year ended		March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Net sales	(Millions of yen)	40,394	47,463	53,291	73,218	59,632
Ordinary profit	(Millions of yen)	8,894	10,755	12,813	16,127	7,524
Profit attributable to owners of parent company	(Millions of yen)	6,452	7,420	8,783	10,666	4,274
Comprehensive Income	(Millions of yen)	6,601	7,361	8,563	10,632	4,006
Net Assets amount	(Millions of yen)	35,686	48,849	55,860	64,809	69,773
Total Assets amount	(Millions of yen)	63,654	91,761	110,898	130,293	127,485
Net Assets amount per share	(Yen)	834.40	1,003.05	1,145.34	1,326.93	1,368.14
Profit per share	(Yen)	150.92	167.62	180.35	219.03	87.77
Diluted Profit per share	(Yen)	-	-	180.33	218.97	87.73
Equity Ratio	(%)	56.0	53.2	50.3	49.6	52.3
Capital profit margin	(%)	19.6	17.6	16.8	17.7	6.5
Price / earnings ratio	(Times)	6.4	7.0	6.6	3.7	11.0
Cash flows from operating activities	(Millions of yen)	4,353	(6,989)	(5,988)	(2,697)	4,733
Cash flows from investing activities	(Millions of yen)	(4,764)	(2,443)	(4,258)	(4,441)	451
Cash flows from financing activities	(Millions of yen)	1,984	17,235	6,599	5,535	(1,150)
Cash and cash equivalents at end of period	(Millions of yen)	14,871	22,682	18,933	17,394	21,319
Number of employees [Number of temporary employees]	(Persons)	329 [233]	381 [335]	522 [307]	612 [401]	641 [475]

- Notes:
1. Consumption tax is not included in net sales.
  2. Diluted profit per share for the 19th and earlier periods is not stated because there are no dilutive shares.
  3. The Company has adopted the Employee Stock Ownership Plan (J-ESOP) since the 19th fiscal year, and the Company's shares held by the trust account of the Employee Stock Ownership Plan are included as treasury shares in the consolidated financial statements for the 19th fiscal year and thereafter. Therefore, when calculating profit per share, the weighted average number of shares for the period in common shares is calculated including the number of the said shares in treasury share. In calculating the amount of net assets per share, the said number of shares is included in the number of treasury shares to be deducted from the total number of issued shares at the end of the period.

## (2) The Company

Fiscal year		18th	19th	20th	21st	22nd
Year ended		March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Net sales	(Millions of yen)	38,504	44,254	48,722	64,472	42,002
Ordinary profit	(Millions of yen)	8,818	10,761	12,846	16,822	7,994
Profit	(Millions of yen)	6,366	7,444	8,806	11,122	5,314
Share capital	(Millions of yen)	8,387	11,965	11,965	11,965	11,965
Total number of shares outstanding	(Shares)	42,755,500	48,755,500	48,755,500	48,755,500	48,755,500
Net assets amount	(Millions of yen)	35,252	48,502	55,683	64,934	68,204
Total assets amount	(Millions of yen)	62,363	89,467	104,548	121,708	114,729
Net assets amount per share	(Yen)	824.52	995.97	1,143.30	1,333.15	1,400.21
Dividends per share (including interim dividends per share)	(Yen)	30.00 (-)	33.50 (-)	38.50 (-)	42.00 (-)	42.00 (-)
Profit per share	(Yen)	148.90	168.16	180.84	228.39	109.12
Diluted profit per share	(Yen)	-	-	180.82	228.33	109.07
Equity ratio	(%)	56.5	54.2	53.3	53.3	59.4
Capital profit margin	(%)	19.5	17.8	16.9	18.4	8.0
Price / earnings ratio	(Times)	6.5	6.9	6.5	3.6	8.9
Dividend payout ratio	(%)	20.1	19.9	21.3	18.4	38.5
Number of employees	(Persons)	242	273	290	313	319
Total shareholder yield (Comparison index: TOPIX including dividends)	(%)	88.0 (114.7)	108.8 (132.9)	113.2 (126.2)	84.9 (114.2)	101.5 (162.3)
Highest share price	(Yen)	1,251	1,615	1,485	1,382	1,077
Lowest share price	(Yen)	891	906	926	722	703

- Notes:
1. Consumption tax is not included in net sales.
  2. Diluted profit per share for the 19th and earlier periods is not stated because there are no dilutive shares.
  3. The Company has adopted the Employee Stock Ownership Plan (J-ESOP) since the 19th fiscal year, and the Company's shares held by the trust account of the Employee Stock Ownership Plan are included as treasury shares in the consolidated financial statements for the 19th fiscal year and thereafter. Therefore, when calculating profit per share, the weighted average number of shares for the period in common shares is calculated including the number of the said shares in treasury share. In calculating the amount of net assets per share, the said number of shares is included in the number of treasury shares to be deducted from the total number of issued shares at the end of the period.
  4. Dividend of ¥38.5 per share for the 20th fiscal year includes the 20th anniversary commemorative dividend of ¥2 per share.
  5. The highest and lowest share prices are those on the First Section of the Tokyo Stock Exchange.

## 2. History

Year and month	Matter
April 1999	Established Sun Frontier Co., Ltd. in 1-4-8, Nishiki-cho, Kanda, Chiyoda-ku, Tokyo and its main business is in sales, rental, and property management as well as providing brokerage services (capital: 10 million yen).
December 1999	Acquired license from the Minister of Construction as Real Estate Transaction Specialist (Minister of Construction (currently Ministry of Land, Infrastructure, Transport and Tourism) License).
September 2000	Acquired the 1st building of our company for rental business of real estate (Chuo-ku, Tokyo).
November 2000	Changed trade name to Sun Frontier Fudousan Co., Ltd. for the purpose of clarifying business details. Sold the first used business revenue building (Chuo-ku, Tokyo) (Revitalization Business).
January 2001	Started Replanning Business (Real Estate Revitalization and Utilization business).
April 2001	Opened Toranomom branch (integrated into the current Shinjuku branch) in Minato-ku, Tokyo Prefecture and started rental brokerage of commercial business.
January 2002	Obtained a general construction business license as a construction business (approved by the Governor of Tokyo.) Registered as a Senior Architect Office (registered by the Governor of Tokyo).
April 2002	Relocated the head office (registered address of the head office) to 10-4, Ginza 3-chome, Chuo-ku, Tokyo and opened the Kanda branch in Chiyoda-ku, Tokyo.
June 2002	Sale of 1st new residential revenue building (Toshima City, Tokyo) (Revitalization Business project).
February 2003	Registered and started the real estate appraisal business (registered by the Governor of Tokyo).
April 2003	Opened Shinjuku branch in Shinjuku, Tokyo.
September 2003	Moved head office to 3-9-11, Ginza, Chuo-ku, Tokyo.
October 2003	Opened Yokohama branch in Yokohama City, Kanagawa Prefecture.
November 2003	Sale of 1st conversion type residential revenue building (Minato-ku, Tokyo) (Revitalization Business).
November 2004	Over-the-counter registration of shares in Japan Securities Dealers Association General real estate investment advisory business registration (Minister of Land, Infrastructure, Transport and Tourism registration).
December 2004	Canceled over-the-counter registration in Japan Securities Dealers Association and listed its shares on the JASDAQ Securities Exchange. Established the first renewable real estate fund.
April 2005	Transferred the business of head office to 1-2-2, Yurakucho, Chiyoda-ku, Tokyo. Moved registered place of business to 3-9-11, Ginza, Chuo-ku, Tokyo.
July 2005	Established SF Building Support Inc.
August 2005	Registered the business of the Sale and Purchase of Trust Beneficial Interests (registered by the Director-General of the Kanto Local Finance Bureau).
December 2005	Obtained special construction license (from Governor of Tokyo).
February 2007	Got listed on the first section of the Tokyo Stock Exchange.
June 2007	Relocated head office to 2-2, 1-chome, Yurakucho, Chiyoda-ku, Tokyo
September 2007	Registered the Type II Financial Instruments Business Operator (registered by the Director-General of the Kanto Local Finance Bureau).
July 2008	Opened Shibuya branch in Shibuya-ku, Tokyo.
January 2011	Opened Ginza branch in Chuo-ku, Tokyo.
January 2012	Made Yubi Co., Ltd. (now SF Building Maintenance Inc.) a consolidated subsidiary and started Building Maintenance Business.
March 2013	Sun Frontier Fudousan Taiwan Co., Ltd. is established in Taipei City.
November 2013	Joined the Japan Business Federation.
July 2014	Opened Kojimachi branch in Chiyoda-ku, Tokyo.
August 2015	Opened Nihonbashi branch in Chuo-ku, Tokyo.
	Established Sun Frontier Hotel Management Inc. and began planning and operating hotels and other accommodation facilities.
	Capital participation in POWER CONSULTING NETWORKS.
October 2015	Made a business alliance on hotel business in Japan with Spring Group of China.
December 2015	SUN FRONTIER VIETNAM CO., LTD. established in Vietnam.
March 2016	PT. SUN FRONTIER INDONESIA is established as a local subsidiary in Indonesia.

Year and month	Matter
April 2016	Started Conference Room Rental Business "SPRINGSUNNY Hotel Nagoya Tokoname" rebranded and opened in Tokoname City, Aichi.
October 2016	Established Sun Frontier Community Arrangement Co., Ltd.
December 2016	Acquired Hotel Sky Court Hotel Co., Ltd. (currently Sky Heart Hotel Inc.), which operates hotels mainly in the Tokyo metropolitan area, and made it a consolidated subsidiary.
April 2017	Opened Gotanda branch in Shinagawa-ku, Tokyo.
July 2017	The first of our own brand hotel "HIYORI Hotel Maihama" opened.
November 2017	Established Sun Frontier Sado Co., Ltd. to plan, operate hotels and work on Regional Revitalization Business.
February 2018	Purchased the hotel business of "Hotel AZUMA", a long-established ryokan in Sado City, Niigata Pref.
May 2018	Opened "Tabino Hotel Hida-Takayama" in Takayama City, Gifu Prefecture.
June 2018	Acquired "VIP Nangoku", a business hotel in Shimonoseki, Yamaguchi, and rebranded as "SKY HEART Hotel Shimonoseki" in October 2018.
July 2018	"Tabino Hotel Sado" opened in Sado City, Niigata Prefecture. Opened Akasaka branch in Minato-ku, Tokyo
October 2018	Obtained permission for Act on Specified Joint Real Estate Ventures (Commissioner of the Financial Services Agency / Minister of Land, Infrastructure, Transport and Tourism), started specified joint real estate ventures.
January 2019	Acquired Kouwa Corporation (currently SF Engineering Corporation) and made it a consolidated subsidiary. Opened Kodemmacho branch in Chuo-ku, Tokyo.
April 2019	Spun off Conference Room Rental Business and established Sun Frontier Space Management Co., Ltd.
May 2019	"HIYORI Hotel Osaka Namba Ekimae" opened in Naniwa-ku, Osaka-shi, Osaka.
July 2019	Opened Hamamatsucho branch in Minato-ku, Tokyo
October 2019	Opened "COURTYARD BY MARRIOTT Osaka Honmachi" in Chuo-ku, Osaka-shi, Osaka.
November 2019	Capital participation to SKY ESTATE Co., Ltd. (Meguro-ku, Tokyo Prefecture).
December 2019	"Ginza Outdoor Hot Spring Hotel Tokyo Ginza East" opens in Chuo-ku, Tokyo. "HIYORI Garden Tower," an urban high-rise condominium, completed in Da Nang, Viet Nam.
February 2020	Opening of "Tabino Hotel Kurashiki Mizushima" in Kurashiki City, Okayama Prefecture.
April 2020	Opening of "Tabino Hotel Kashima" in Kamisu City, Ibaraki. Started managing Donden Mountain Villa (currently Donden Kogen Lodge) which was entrusted by Sado City, Niigata Pref to Sun Frontier Sado Co., Ltd. to manage as a designated administrator.
November 2020	Sun Frontier Hotel Management Inc. takes over the Hotel Development Business through a corporate split (simplified absorption-type split).
January 2021	Acquired Japan System Service Inc. (building cleaning business, etc.) and made it a consolidated subsidiary.
February 2021	Acquired Communication Development Inc. (telecommunications construction, etc.) and made it a consolidated subsidiary.
March 2021	"HIYORI Ocean Resort Okinawa" opens in Onna-son, Kunigami-gun, Okinawa.
April 2021	Acquired "Hotel Osado (Hotel Osado Co., Ltd.)" in Sado City, Niigata Prefecture, and made it a consolidated subsidiary.



### 3. Description of Business

The Company consists of the Company, 21 consolidated subsidiaries and 2 equity-method associated companies, and includes Real Estate Revitalization Business, Real Estate Service Business, Operation Business and Other.

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

#### (1) Real Estate Revitalization Business

In Real Estate Revitalization Business, we are engaged in Replanning Business, Hotel Development Business, Rental Building Business / Sub-Leases Business, Securitization of Real Estate Business, etc.

##### (i) Replanning Business

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

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

(Major Affiliated Companies) Sun Frontier NY Co., Ltd.

##### (ii) Hotel Development Business

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

(Major Affiliated Companies) Sun Frontier Okinawa Co., Ltd.

Sun Frontier Hotel Management Inc.

##### (iii) Rental Building Business and Sub-Leases Business

The Company conducts Rental Building Business and Sub-Leases Business by purchasing, holding or leasing and subleasing properties in accordance with the Company's ownership standards, such as profitable business buildings that are located in good locations and are expected to increase their value in the future. The Company has maintained high occupancy rate and secured stable rent income through the Company's comprehensive real estate services and management capabilities cultivated in the Company's leasing, property management, construction solutions, and Rent Guarantee Business, etc.

Moreover, the profit of rental income from Replanning properties still in the process of planning until sales belongs to this business too.

##### (iv) Securitization of Real Estate Business

In addition to investing in private equity funds, the Company is engaged in the entrustment of asset management services for Securitization of Real Estate Businesses and other services.

#### (2) Real Estate Service Business

In Real Estate Service Business, we operate Property Management Business, Building Maintenance, Sales Brokerage Business and Leasing Brokerage Business.

##### (i) Property Management Business

###### A. Property Management Business

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

###### B. Building Maintenance Business

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

(Major affiliated companies) SF Building Maintenance Inc.

Japan System Service Co., Ltd.

(ii) Brokerage Business

A. Sales Brokerage Business

The Company engages in a consulting Sales Brokerage Business in which it coordinate with financial institutions, attorneys at law, tax accountants, etc., evaluates and assesses properties promptly in response to information on the sale of commercial profitable buildings and single-building profitable condominiums, and introduces potential buyers. In addition, among the property information we have accumulated, properties that meet certain requirements are designated as Replanning Business purchase properties, and we are engaged in introducing recycled properties to customers as sales properties.

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

B. Leasing Brokerage Business

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

(3) Operation Business

In Operation Business, there are Hotel Operation Business, Conference Room Rental Business.

(i) Hotel Operation Business

Under the theme of “a warm-hearted Hotel”, we operate our own hotel brands, “HIYORI Hotels & Resorts,” “Sky Heart Hotel Inc.” and “Spring Sunny Hotel & Resorts,” which are joint hotel brands with the Chunqiu Group in China. These brands are welcomed by heart-warming employees who value the opinions received from clients."

In addition, we support the Japanese national policy of Regional Revitalization Business, and we are working toward regional revitalization in Sado Island, Niigata Prefecture, under the slogan “We will energize Sado Island through tourism!”

(Major Affiliated Companies) Sun Frontier Sado Co., Ltd.  
Okesa Kanko Taxi Co., Ltd.  
Sun Frontier Hotel Management Inc.  
Sky Heart Hotel Inc.  
Sun Frontier Community Arrangement Co., Ltd.

(ii) Conference Room Rental Business

We are working to maximize the value of space and time in central Tokyo office buildings. We operate “Vision Center” and “Vision Room” in rental conference room, “Vision Office” in rental offices, and “Vision Works” in co-working space. We are contributing to the effective use of real estate and the development of local communities by leasing vacant offices with various added value. We have concentrated our stores in the central Tokyo area, where we can make use of the land intuition and branch network that we have cultivated in Office Building Business, and are pursuing convenience by responding quickly, flexibly and sensitively to customer requests.

(Major Affiliated Companies) Sun Frontier Space Management Inc.

(4) Other

In Other, we are engaged in Overseas Business, Rent Guarantee Business and construction solution businesses.

(i) Overseas Business

In addition to promoting the development of Hotel Business and high-rise condominiums in Viet Nam, the Company has also been entrusted with the development of urban-type detached houses and the ownership and management of serviced apartments with the aim of providing opportunities for wealthy clients in Japan and Asia to invest in real estate in large Asian cities and contributing to the development of local economies.

(Major Affiliated Companies) SUN FRONTIER VIETNAM CO.,LTD.  
SUN FRONTIER DANANG CO.,LTD.  
PT.SUN FRONTIER INDONESIA

PT.SUN FRONTIER PROPERTY ONE

(ii) Rent Guarantee Business

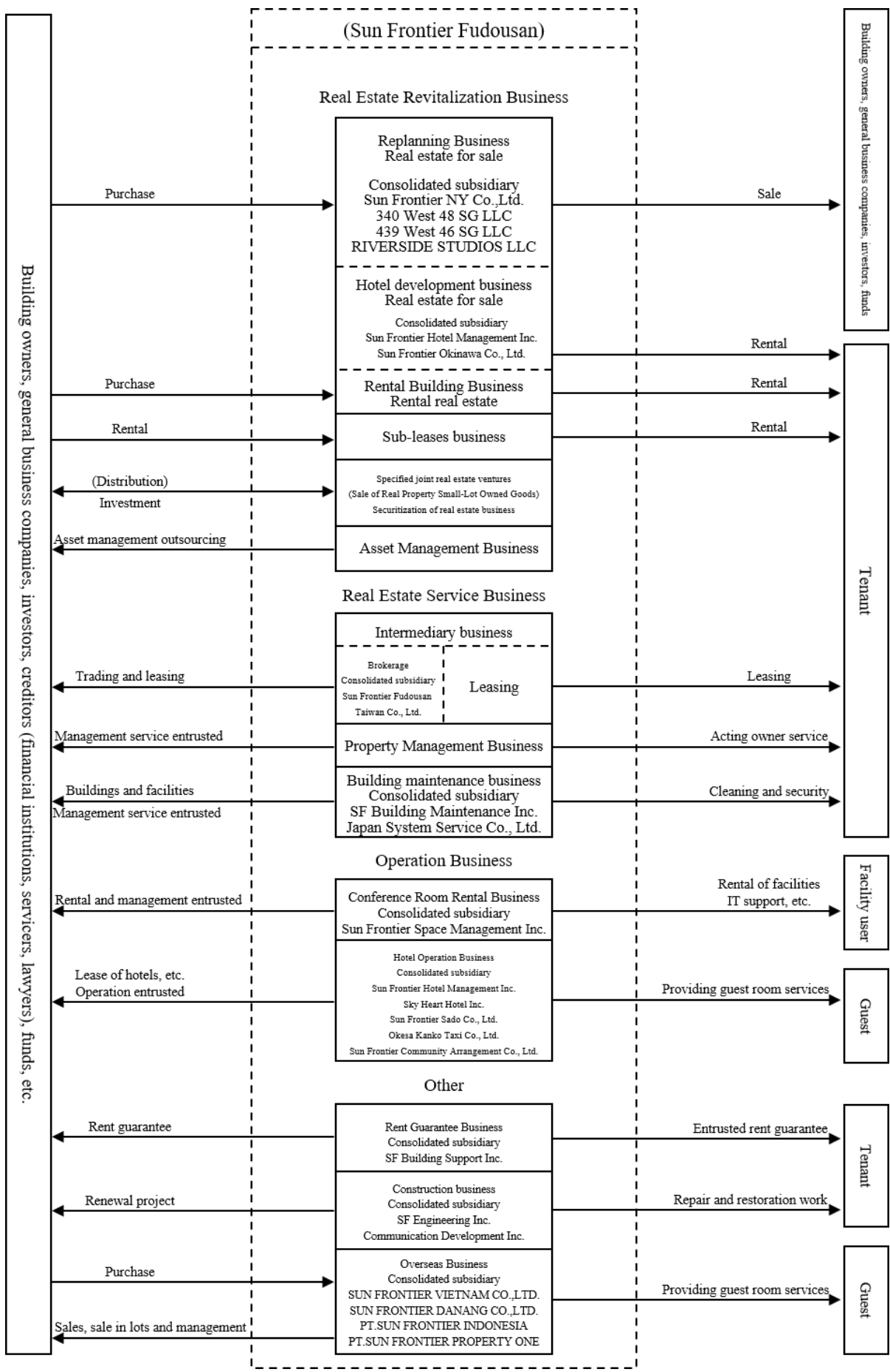
Rent Guarantee Business provides guarantees to building owners for rent payment obligations for tenants living in commercial real estate, and focuses on reducing the economic burden of the tenant security deposit system. By reducing security deposits, tenants can reduce their financial burden when they move in. At the same time, making it possible to move in to offices and stores. For building owners and fund companies (asset management companies), in addition to the delinquent rent, restoration costs, and administrative burden, the Company provides the stability of the rental business by reducing the mental burden associated with negotiations with tenants who are delinquent in rent.

(Major affiliated companies) SF Building Support Inc.

(iii) Construction Business

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

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



#### 4. Overview of Subsidiaries and Affiliates

Company name	Location	Share capital	Major business	Ownership of voting rights (%)	Relationship
(Consolidated subsidiaries)					
SF Building Support Inc.	Chiyoda-ku	50 million yen	Rent Guarantee Business	100.0	One person serving concurrently as officers
SF Building Maintenance Inc.	Sumida City	20 million yen	Building Maintenance business	100.0	One person serving concurrently as officers
Sun Frontier Space Management Inc.	Minato-ku	50 million yen	Conference Room Rental Business	100.0	Two persons serving concurrently as officers
SF Engineering Inc.	Sumida City	20 million yen	Construction and interior finishing	100.0	One person serving concurrently as officers
Sun Frontier Sado Co., Ltd.	Sado City, Niigata Prefecture	100 million yen	Hotel Planning and Management Business and Regional Revitalization	100.0	Two persons serving concurrently as officers
Okesa Kanko Taxi Co., Ltd.	Sado City, Niigata Prefecture	10 million yen	Passenger automobile transport business	100.0	Two persons serving concurrently as officers
Sun Frontier Community Arrangement Co., Ltd.	Chiyoda-ku	100 million yen	Hostel operation and hotel room cleaning	100.0	One person serving concurrently as officers
Sun Frontier Okinawa Co., Ltd.	Naha-shi, Okinawa	230 million yen	Hotel development, hotel planning and operation	100.0	Two persons serving concurrently as officers
Sun Frontier Hotel Management Inc.	Chiyoda-ku	100 million yen	Hotel development and hotel planning and operation	100.0	Two persons serving concurrently as officers
Sky Heart Hotel Inc.	Chiyoda-ku	10 million yen	Hotel planning and operation	100.0	One person serving concurrently as officers
Japan System Service Inc.	Minato-ku	10 million yen	Building maintenance business	100.0	One person serving concurrently as officers
Communication Development Inc.	Chuo-ku	45 million yen	Electrical and telecommunications engineering	100.0	Three persons serving concurrently as officers
Sun Frontier Fudousan Taiwan Co., Ltd.	Taiwan	10 million Taiwan dollar	Real estate consulting business	100.0	Two persons serving concurrently as officers
SUN FRONTIER VIETNAM CO.,LTD.	Socialist Republic of Viet Nam	44,890 million Vietnamese dong	Real estate business in Vietnam	100.0	One person serving concurrently as officers
SUN FRONTIER DANANG CO.,LTD.	Socialist Republic of Viet Nam	160,466 million Vietnamese dong	Real estate business in Vietnam	100.0	One person serving concurrently as officers
PT.SUN FRONTIER INDONESIA	REPUBLIC OF INDONESIA	3,323 million Indonesian rupia	Real estate business in Indonesia	85.0	Two persons serving concurrently as officers
PT.SUN FRONTIER PROPERTY ONE	REPUBLIC OF INDONESIA	120,000 million Indonesian rupia	Real estate business in Indonesia	99.95	Two persons serving concurrently as officers
Sun Frontier NY Co., Ltd.	United States	18,189 thousand U.S. dollar	Real Estate Revitalization Business in the United States	100.0	Two persons serving concurrently as officers
340 West 48 SG LLC	United States	6,700 thousand U.S. dollar	Real Estate Revitalization Business in the United States	90.0	Two persons serving concurrently as officers
439 West 46 SG LLC	United States	9,065 thousand U.S. dollar	Real Estate Revitalization Business in the United States	90.0	Two persons serving concurrently as officers

RIVERSIDE STUDIOS LLC	United States	10,700 thousand U.S. dollar	Real Estate Revitalization Business in the United States	90.0	Two persons serving concurrently as officers
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- Note
1. The segment name is shown in the column of main business.
  2. In addition to the above, there are two affiliates accounted for by the equity method.
  3. Kouwa Corporation changed its trade name to SF Engineering Inc. on April 1, 2020. In addition, as of May 18, 2020, Inlite Co., Ltd., which had been a consolidated subsidiary, was dissolved as a result of an absorption-type merger with SF Engineering Inc., a consolidated subsidiary, as the surviving company.
  4. As of March 31, 2021, Sun Frontier Fudousan Investment Advisory Co., Ltd. ceased to exist as a result of an absorption-type merger with our Company as the surviving entity.
  5. Japan System Service Inc., which was newly acquired by the Company, and Communication Development Inc., which was acquired by SF Building Maintenance Inc., a consolidated subsidiary, are included in the consolidated subsidiaries.
  6. Ownership in Sun Frontier Hotel Management Inc. increased from 98.0% to 100% as a result of the acquisition of additional shares of the Company. Consequently, the Company's percentage of voting rights held in the company and the percentage of voting rights held by the company in Sky Heart Hotel Inc. and Sun Frontier Okinawa Co., Ltd. became 100%. The Company also succeeded to the hotel development business through an absorption-type company split (simplified absorption-type company split), and the company issued Class-A Preferred Stock without voting rights and subsequently reduced its capital. As a result, the share capital of the company became 100 million yen.

## 5. Employees

(1) Consolidated

As of March 31, 2021

Segment Name	Number of Employees
Real Estate Revitalization Business	54 (2)
Real Estate Service Business	257 (141)
Operation Business	184 (296)
Report Segment Total	495 (439)
Other	110 (26)
Company-wide (common)	36 (10)
Total	641 (475)

- Notes:
1. The number of employees is the number of working employees.
  2. Figures in the "Number of Employees" column are temporary employees.
  3. Temporary employees include part-time and contract employees and exclude temporary employees.
  4. The number of employees listed as "Company-wide (common)" refers to those belonging to Management Division.

(2) The Company

As of March 31, 2021

Number of Employees	Average age (years old)	Average length of service (years)	Average annual salary (thousand yen)
319 (27)	35.0	5.7	6,685

Segment Name	Number of Employees
Real Estate Revitalization Business	54 (2)
Real Estate Service Business	202 (10)
Operation Business	0 (0)
Report Segment Total	256 (12)
Other	27 (5)
Company-wide (common)	36 (10)
Total	319 (27)

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

(3) Status of labor unions

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

## Item 2: Business Overview

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

The forward-looking statements in herein are based on the judgment of the Group as of the date of submission of the Annual Securities Report.

#### (1) Management policies and strategies

##### (i) Basic policy of corporate management

The Group is engaged in business activities with the following Management Principle and Corporate Philosophy as basic policy of management.

##### (Management Principle)

"We are committed to protecting all employees and pursuing their physical and mental well-being, while at the same time contributing to the prosperity of mankind and society with a spirit of coexistence. "

##### (Corporate Philosophy)

"Through our work, we improve our knowledge, skills, and personality with enthusiasm, and by concentrating on the utilization and distribution of real estate stocks, we will reduce the use of None, a resource that cannot be reproduced, and contribute to the lasting prosperity of humankind and flora and fauna on the earth. "

##### (ii) Target management indicator

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

##### (iii) Management environment

The Japanese economy has been stagnant for a long time due to the impact of the novel coronavirus. "Although the spread of vaccination is expected to bring the economy back to normal in the future, the state of emergency was declared again in April 2021, and the outlook for the future is unclear. Therefore, it is necessary to continue to monitor developments closely." With regard to the global economy, large-scale financial support and monetary easing are continuing in each country, and vaccinations are widely spreading in some countries. Although recovery is expected in the future, the outlook for the future remains uncertain due to the impact of the novel coronavirus and other infections.

The environmental awareness of the Group's businesses is as follows.

	Office		Hotel market	Overseas (Vietnam) market
	Office rental market	Office buying and selling market		
Before the spread of COVID-19	<ul style="list-style-type: none"> <li>■ Occupancy rate and average asking rent are high</li> <li>■ Needs for floor expansion and relocation are strong</li> </ul>	<ul style="list-style-type: none"> <li>■ Low transaction yield due to low interest rate environment, low transaction volume due to investment difficulties</li> <li>■ High revenue due to high occupancy rate and high rent high added value properties</li> </ul>	<ul style="list-style-type: none"> <li>■ Tourism demand is booming, inbound (visitors to Japan) is increasing year by year, hotels are operating at high capacity</li> <li>■ Hotel construction is increasing due to many market entrants</li> </ul>	<ul style="list-style-type: none"> <li>■ Increased demand for real estate (housing) in high added value along with economic growth in emerging countries</li> </ul>
After the spread of COVID-19	<ul style="list-style-type: none"> <li>■ Both occupancy rate and average asking rent fell</li> <li>■ Telework and online services spread</li> <li>■ Office relocation, reduction, expansion, concentration, dispersion, and changes in office needs</li> </ul>	<ul style="list-style-type: none"> <li>■ Economic activity stagnated, low interest rate environment and low transaction yield continued</li> <li>■ Due to corporate restructuring, etc., there were property transactions</li> <li>■ Due to relative stability compared to other countries, there demand from overseas investors</li> </ul>	<ul style="list-style-type: none"> <li>■ Disappearance of overseas tourism demand, limited domestic demand, a series of closures and closures</li> <li>■ Limited effect of Go To Campaign</li> <li>■ Despite efforts to reduce expenses, bankruptcy and closure will occur due to the extension of self-restraint period</li> </ul>	<ul style="list-style-type: none"> <li>■ With the success of infection control, economic will resume economic activities, but we will not be able to predict it.</li> <li>■ Despite the impact on the economy, we have high expectations for the time being.</li> </ul>



<p>After the Convergence of COVID-19</p>	<ul style="list-style-type: none"> <li>■ Increased office demand due to re-focus on going to work</li> <li>■ Telework fixed to a certain extent, diversifying tenant needs</li> <li>■ Unchanged demand for high added value offices in central Tokyo</li> </ul>	<ul style="list-style-type: none"> <li>■ Low transaction yield due to continued low interest rate environment and strong demand mainly from overseas investors</li> <li>■ Increased sales due to corporate restructuring and work-style reform, increased demand for buyers, and market activation</li> </ul>	<ul style="list-style-type: none"> <li>■ Business demand will gradually recover from microtourism and working vacation will gradually expand</li> <li>■ Travel demand will return as soon as restrictions on overseas travel are lifted</li> </ul>	<ul style="list-style-type: none"> <li>■ Resumption of economic activities, recovery of original economic growth rate, revitalization of real estate market</li> <li>■ Growth of housing (condominium) demand due to urban development</li> </ul>
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(2) Priority business and financial issues to be addressed

The Company is promoting a five-year medium-term management plan from the fiscal year ended March 2019 to the fiscal year ending March 2023. In the fiscal year ended March 31, 2019, the first year for medium-term management plan, and the fiscal year ended March 31, 2020, the Company's business performance had been growing steadily with progress exceeding the plan. However, the business environment surrounding the Company changed significantly due to the impact of the spread of COVID-19 infections from the beginning of 2020. Against this backdrop, our Company has developed its business based on the three management policies of "thorough prevention of infection outbreak and continuation of business," "financial stability," and "concentration of resources for the 'revitalization and utilization of real estate' our core business." Based on these policies, the Company has quickly captured the opinions of local communities, worked on its ability to resolve client's problems, and developed its business.

Although the spread of COVID-19 is yet to be resolved, it is expected that the global economy will hit a bottom and return to a recovery path by next year, with the spread of vaccines and the continuation of large-scale fiscal measures and monetary easing in each country. Taking into account these changes in the business environment and the new normal of "post COVID-19," we decided that it was necessary to revise the timing of achievement in medium-term management plan in order to re-establish a sustainable growth trajectory starting from the fiscal year ended March 2021, which was affected by the COVID-19 pandemic.

The fiscal year ending in medium-term management plan will be extended for two years to the fiscal year ending in March 2025, but the financial target in the medium-term management (net sales 100 billion yen, ordinary profit 20 billion yen, profit attributable to owners of parent 14 billion yen) will stay the same since we believe this target to be a passing point of the continuous growth of the company and aim to establish the "standing on both feet of flow and stock" profit structure.

**Revision of Medium-term Management Plan (from the fiscal year ended March 2019 to the fiscal year ending March 2023)**

The final year of the plan will be extended for two years to the fiscal year ending in March 2025, but the financial target in the medium-term management will stay the same

Net sales 100 billion yen, ordinary profit 20 billion yen, and profit attributable to owners of parent 14 billion yen for the fiscal year ending March 31, 2025.

Basic policy

Providing "places where people gather and communicate with each other, and create social development and happiness for people"

Growth strategy

<Office Business>

- Help to reduce the waste from non-renewable resources, and contribute to carbon neutrality through "Revitalization"
- Focus on "Central Tokyo," "Small and Medium size," and "Office Building," and capture diversifying needs in a clients' point of view that is on-site consistent
- Utilize new fields including digital technology to contribute to creating prosperous towns for the future

<Hotel Business>

- Provide safe and soothing time and space, creating the best smiles and making people's minds healthy and rich

<Overseas Business>

- Provide comfort to the people in Asia, together with our partners
- Improve the quality of housing for local residents and contribute to the urban development by specializing in development, sales, management and mediation of housing (condominiums)

In addition to the three business growth strategies, we will focus on the following three points.

- (1) ESG
- (2) Digital
- (3) Cash flow

Based on the above growth strategy and key points, we aim to establish a business structure that balances flow and stock, and to be a corporate group that will continue to grow continuously in and after the final fiscal year in medium-term management plan.

Now that we have been greatly affected by the COVID-19, we will strive to provide "places where people gather and communicate with each other, and create social development and happiness for people", that we have established in our basic policy, through our Office Business, Hotel Business, and Overseas Business. Also by focusing on ESG, digital, and cash flow, we will strive to evolve

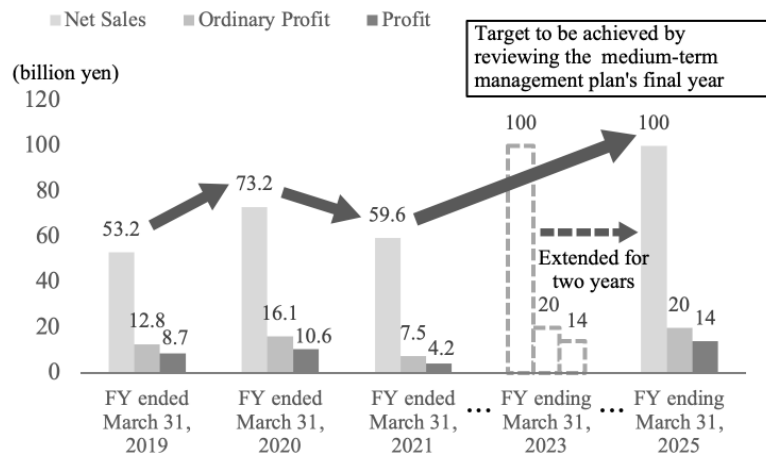
each business and create a new high added value by taking on challenges and changes.

The strength of our Company is the values of “Altruism”, which is our corporate motto, and the strength of the unity of employees, which is a bond of spirit based on the company philosophy. So far, each of us has solved problems in clients' point of view by raising the level of added value generated by our high level of expertise through teamwork that transcends divisions. As human resources and ways of working diversify under the new environment, we will continue our business policy based on the Company's philosophy to meet and exceed clients' expectations.

Reference

FY ending March 31, 2025  
(Quantitative target)

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



## 2. Risk Factors

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

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

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

#### (1) Business environment

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

#### (2) Response to COVID-19 and Major Impacts of Projects

- (i) As a company-wide prevention of infection outbreak initiatives, we have introduced work styles suited to each business site, such as mobile work, satellite office use, and staggered commuting. We have also maintained the quality and quantity of communication among quantity of communication among conferencing and chat tools while ensuring thorough avoidance of 3Cs.
- (ii) In Office Building Business, tenants living in a building managed by the Company in entrusted requested rent reductions, exemptions and benefits, and requested cancellation. In particular, there were many requests from tenants, such as restaurants and sports gyms, whose businesses faced headwinds due to COVID-19 pandemic. On the other hand, new needs are emerging as BCP offices and the reduction and diversification of office space due to the penetration of remote work have led to an increase in inquiries regarding the relocation of offices to small and medium-sized office buildings, where the Company is strong. In addition, IT-related companies and other companies that are expanding their COVID-19 pandemic businesses have also increased their floor space and expanded their business. However, if the effects of Coronavirus infection persist and the real estate market stagnates, such as a rise in vacancy rate or a decline in rent, the Group's operating results and financial position may be affected.
- (iii) In Hotel Operation Business, while the occupancy rate of hotels in areas with high business needs remained steady at a certain level, the occupancy rate of hotels that were forced to close due to a sudden decrease in the entry of foreign visitors to Japan and restrictions on the admission of sightseeing spots (scenic and historic sites, theme parks, etc.), and especially hotels in urban areas, decreased significantly. If the coronavirus does not subside and the hotel occupancy rate slump continues, the Group's operating results and financial position may be further affected.

#### (3) Characteristics of Replanning Business

- (i) Replanning Business is a revitalization business that mainly targets commercial real estate. It is a business that improves profits by regenerating commercial real estate that is inactive or has high vacancy rate and low profits. The buyer is an individual or corporation that invests mainly in real estate rental income.  
In the event of turmoil in the financial markets due to worsening economic conditions or credit crunch, etc., the distribution market for real estate may be sluggish, and the Inventories value of properties handled Replanning Business may decline. In addition, sales activities may not progress as planned, which may have an impact on the Group's operating results and financial position.
- (ii) Replanning Business procures funds mainly by borrowing from financial institutions and purchases properties, so the interest-bearing debt balance changes depending on the status of property purchases and sales. In raising funds, the Company does not rely on borrowings from specific financial institutions, and strives to raise funds on stable and appropriate terms while always balancing with multiple financial institutions. In have also been acquiring and commercializing real estate properties in Securitization of real estate and other regions while controlling the increase in initiatives and interest-bearing debt. However, if turmoil in the financial markets arises due to a credit crunch or other factors, the Group's operating results

and financial position may be adversely affected due to a failure to procure the necessary funds for business development.

(iii) Replanning Business will purchase the property and sell it after the completion of repricing, but Cost of sales and Net sales of the business will be recorded when the property is sold. In addition, the Amount per transaction is high compared to other real estate services and revenues from Operation Business. Consequently, the Group's operating results and financial position may be affected by factors such as the timing of the sale and changes in Amount.

#### (4) Status of competition

The Group's businesses are comprised of Replanning Business, Hotel Development Business, Rental Building Business and sub-leases Business, Securitization of real estate Business, Asset Management Business, Sales Brokerage and Leasing Brokerage, Property Management Business, Building Maintenance Business, Hotel Operation Business, Conference Room Rental Business, Overseas Business, Construction Business and Rent Guarantee Business. These businesses are characterized by the organic combination of these businesses to provide consistent services related to commercial real estate.

In addition, by linking the functions of each business unit, the Company aims to maintain and strengthen its competitiveness and differentiate itself from competitors by conducting business operations in a coordinated manner, such as by purchasing potentially superior properties from a broad network of customers. However, if this advantage is not maintained, the Group's operating results and financial position may be affected.

#### (5) Hotel development

The Group is responsible for everything from hotel planning, development, and management of hotels. However, some of the properties owned by the Group may be sold to investors after stable operations. However, the basic business model is to continue leasing and operating the property even after it is sold. Revenues and costs related to development and revitalization are recorded in the hotel development business, revenues and costs related to ownership are recorded in Rental Building Business, and revenues and costs related to management are recorded in Hotel Operation Business.

In the area of hotel development, unlike the revitalization of office buildings, which have been the main focus of development in Replanning Business, there are cases in which the Company develops Land from purchase and starts from scratch. In such cases, the Group's operating results and financial position may be affected by the fact that it takes a considerable period of time to complete the project, which may result in a longer period of time during which it is unable to record revenues, such as hotel room revenues, or by the fact that the Group's business period may be relatively longer making it more susceptible to economic fluctuations.

#### (6) Hotel operations

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

#### (7) Country risk

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

#### (8) Disasters, etc.

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

(9) Risks such as lawsuits

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

2. Asset valuation

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

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

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

The Company owns non-current assets (buildings, facilities attached to buildings, land, software, etc.) in the hotel development business of the Real Estate Revitalization Business segment and in Hotel Operation Business of the Operation Business segment. These Non-current assets are exposed to risks such as changes in the real estate market in the future and a decline in the occupancy rate of hotel rooms. Due to the impact of the novel coronavirus, the occupancy rate of hotel rooms has declined and profitability has declined. As a result, signs of impairment have emerged, claiming that these areas represent a significant deterioration in the business environment. The determination of Impairment loss recognition in non-current assets for an indication of impairment is based on a comparison of the estimated undiscounted future cash flows over the economic remaining useful lives of major hotel assets with the book value of the hotel's asset group, based on the hotel's business plan. Certain Non-current assets are recognized as Impairment loss. In the future, if the estimated amount of undiscounted future cash flows decreases due to the expansion of the above risks, Impairment loss in non-current assets may occur. As a result, the Company's operating results and financial position may be affected.

3. Legal regulations

The Company's business is subject to legal restrictions and approvals under the Building Lots and Buildings Transaction Business Act Construction Business Law, the Law Concerning Real Estate Appraisal, the Real Estate Investment Advisory Business Registration Regulation, the Financial Instruments and Exchange Act Architect Law, the Security Business Law, the Law Concerning the Promotion of Proper Management of Condominiums, the residential management Leasing Business Registration Regulation, and the Law for Securing a sanitation Environment in Buildings.

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

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

(1) Validity Period: The main other periods for which are stipulated by laws, contracts, etc. are as follows.

License, permission, registration, etc.	Company Name	Effective period, registration date	Type	Relevant laws	Issuer of Registration, etc.
Residential Land Buildings Business Operator License	Sun Frontier Fudousan Co., Ltd.	From December 29, 2019 December 28, 2024	-	The Building Lots and Buildings Transaction Business Act	Minister of Land, Infrastructure, Transport and Tourism
	SF Building Maintenance Inc.	From February 25, 2017 February 24, 2022			Governor of Tokyo
	Sun Frontier Okinawa Co., Ltd.	From January 9, 2019 January 8, 2024			Governor of Okinawa Prefecture
Specific construction business license	Sun Frontier Fudousan Co., Ltd.	From July 20, 2017 July 19, 2022	Building construction, roof construction, steel structure construction, carpenter construction, tile, brick and block construction, interior finishing	Construction Business Law	Governor of Tokyo
General construction license	SF Engineering Inc.	From September 17, 2016 September 16, 2021	Carpentry, painting, tile, brick and block construction, and fixture construction		Minister of Land, Infrastructure, Transport and Tourism
	SF Building Maintenance Inc.	From December 25, 2018 December 24, 2023	Waterproofing work, interior finishing work, construction work, carpentry work, plastering work, stone work, roof work, tile, brick and block work, sheet metal work, glass work, painting work, heat insulation work, fittings work, fire fighting facilities work		Governor of Tokyo
	Communication Development Inc.	From March 10, 2017 March 9, 2022	Electrical work, telecommunications work, interior finishing work		
Real estate appraiser registration	Sun Frontier Fudousan Co., Ltd.	From February 7, 2018 February 6, 2023	-	Act on Real Estate Appraisal	Governor of Tokyo
General real estate investment advisory business registration	Sun Frontier Fudousan Co., Ltd.	From November 3, 2019 November 2, 2024	-	Real Estate Investment Advisor Registration Regulations	Minister of Land, Infrastructure, Transport and Tourism
Type II Financial Instruments Business Operator Registration	Sun Frontier Fudousan Co., Ltd.	Registered on September 30, 2007	-	The Financial Instruments and Exchange Act	Director-General of Kanto
Specified joint real estate ventures permit	Sun Frontier Fudousan Co., Ltd.	Approved on October 29, 2018	-	The Financial Instruments and Exchange Act	Minister of Land, Infrastructure, Transport and Tourism Commissioner of the
First class registered architect office	Sun Frontier Fudousan Co., Ltd.	From February 1, 2020 January 31, 2025	-	Architect Law	Governor of Tokyo
Security business certification	Sun Frontier Fudousan Co., Ltd.	From December 26, 2016 December 25, 2021	-	Security business law	Tokyo Metropolitan Public Safety Commission
	SF Building Maintenance Inc.	From April 5, 2019 April 4, 2024			
Antique dealer	Sun Frontier Fudousan Co., Ltd.	Registered on October 2, 2019	-	Antique trade law	Tokyo Metropolitan Public Safety Commission
	Communication Development Inc.	Registered on June 23, 2010			



Licenses, permissions, registrations, etc.	Company Name	Effective period, registration date	Type	Relevant laws	Issuer of Registration, etc.
Condominium management business registration	SF Building Maintenance Inc.	From January 8, 2017 January 7, 2022	-	Act on Promotion of Proper Management of Condominiums	Minister of Land, Infrastructure, Transport and Tourism
Rental management residential business registration	SF Building Maintenance Inc.	From February 1, 2017 January 31, 2022	-	Regulations for Registration of Rental residential management Operators	Director of Kanto Regional Development Bureau
Building environment sanitation comprehensive management business registration	SF Building Maintenance Inc.	From September 18, 2015 September 17, 2021	-	Act on Securing a sanitation Environment in Buildings	Governor of Tokyo
Building drinking water storage tank cleaning business registration	SF Building Maintenance Inc.	From June 29, 2018 June 28, 2024	-	Act on Securing a sanitation Environment in Buildings	Governor of Tokyo
Fire defense equipment business registration	SF Building Maintenance Inc.	Registered on July 3, 2018	-	Fire Defense Law	Chief of Honjo Fire Station
Outdoor advertising license	SF Building Maintenance Inc.	From December 6, 2018 December 5, 2023	-	Outdoor advertising law	Governor of Tokyo
Money Lending Business Registration	SF Building Support Inc.	From July 1, 2020 June 30, 2023	-	Money Lending Business Law	Governor of Tokyo
General chartered passenger automobile transport business	Okesa Kanko Taxi Co., Ltd.	Registered on January 19, 1999	-	Road Transport Act	Director, Hokuriku Shinetsu Transport Bureau
General passenger automobile transport business	Okesa Kanko Taxi Co., Ltd.	Registered on May 6, 1955	-	Road Transport Act	Director, Hokuriku Shinetsu Transport Bureau
Registered Electric Construction Business Operator License	Communication Development Inc.	From October 3, 2020 October 2, 2025	-	Electrical Construction Business Law	Governor of Tokyo

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

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

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

#### 5. Protection of personal information

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

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

A summary of the Company's financial position, operating results and cash flows current consolidated fiscal year, as well as the content of recognition, analysis and discussion regarding the Company's operating results and other aspects from the perspective of management, are as follows.

The forward-looking statements contained herein are based on judgments made as of the end of current consolidated fiscal year.

#### (1) Operating Results

During the consolidated fiscal year under review, the Japanese economy remained stagnant for a long time due to the impact of the COVID-19. Although the spread of vaccines is expected to bring the economy back to normal in the future, the state of emergency was declared again in April 2021, and the outlook for the future is unclear. Therefore, it is necessary to continue to monitor developments closely. With regard to the global economy, although recovery is expected in the future due to the large-scale financial support and monetary easing continuing in each country, and vaccinations are widely spreading in some countries, outlook for the future remains uncertain due to the impact of COVID-19 and such.

In the real estate market in Japan, the average rent in the office building market in central Tokyo (5 Wards of the Central Tokyo: Chiyoda, Chuo, Minato, Shinjuku, and Shibuya Ward) as of March was 21,541 yen (unit price per tsubo), a decline for the eighth consecutive month (1,473 yen.) The average vacancy rate was 5.42%, worsening for the thirteenth consecutive month (increased 3.93% points according to a survey by a private research institution) and market conditions are becoming increasingly severe. Although against the backdrop of the recent damage caused by the outbreak of COVID-19, some companies are reducing their offices by promoting remote work, demand for small and medium-sized offices has been steady, as seen in the expansion of floor space at high-performing companies and the movement to disperse offices where employees are concentrated in one location. On the other hand, in the real estate investment market, institutional investors and J-REITs have a strong desire to invest due to the fact that the outlook for the office market in Tokyo is expected to bottom out to a certain extent and since the low interest rate environment continues.

Against this backdrop, we have continued its three management policies since last year to "thoroughly prevent the spread of the COVID-19 infection and continue business," "maintain financial stability," and "concentrate resources on our core business the 'revitalization and utilization of real estate'". We are also able to quickly grasp on-site trends and customer feedback, improve our ability to solve problems from the clients' point of view, and develop our business by flexibly changing ourselves.

As a result, net sales decreased 18.6% to 59,632 million yen from the same period of the previous fiscal year, operating profit decreased 52.3% to 7,912 million yen from the same period of the previous fiscal year, ordinary profit decreased 53.3% to 7,524 million yen from the same period of the previous fiscal year, and profit attributable to owners of parent decreased 59.9% to 4,274 million yen from the same period of the previous fiscal year.

Results by segment are as follows.

#### (Real Estate Revitalization Business)

In the Real Estate Revitalization Business, we are engaged in (1) Replanning Business, (2) Rental Building Business, and (3) Hotel Development Business.

(1) In the Replanning Business, all processes from purchase of buildings to planning and development, tenant occupancy, sales, and subsequent support are manufactured in-house. In purchasing, even in the outbreak of the COVID-19, we carefully select properties while looking at the direction of the market. In commercialization, we aim to create an office that can be chosen in this "new normal", based on new values, by enhancing sensitivity to market movements such as the voices of tenants that are heard every day and by firmly grasping changes in offices, towns and working styles. During the fiscal year under review, we proposed to society the ideal form of office in line with the changing times. For example, "WEEK" which allows clients to lease our set-up office on a certain day of the week, "A Yotsuya" a Creative Art Office with mural wall paintings, "Designing the Air" an anti-virus office designed for social distance equipped with the 2 newest anti-virus machines, and "Work style close to life" offices and such. We

are responding to the needs of a wide range of clients in Japan and overseas by creating highly profitable and highly added value products with our strengths in revitalization planning and tenant occupancy promotion. Furthermore, in the area of sales, in the fiscal year under review, with investment product in sub-divided real estate we sold out the second project (1,150 million yen), and in April, we began offering the third project operating newly built nursery schools. This product has also contributed to the expansion of the client base of the entire Company and has led to sales of office buildings and condominiums. As a result, despite the outbreak of COVID-19, the number of buildings sold in Replanning Business was 23 which secured a certain level, but both the net sales and profits declined significantly compared to the 43 buildings sold from the same period of the previous fiscal year.

(2) In Rental Building Business, with the aim of building a stable revenue base as a stock business, we are working to increase rent income in the medium to long term by expanding the number of rental buildings properties in Replanning Business while utilizing the operational capabilities cultivated in the real estate service division. Both net sales and income decreased compared with the same period of the previous fiscal year due to decrease in rent income from Hotel Business caused by reduction and exemption of rent.

(3) In the Hotel Development Business, the development of HIYORI OCEAN RESORT OKINAWA (203 lots) a condominium development project in Onna Village, Okinawa Prefecture, which was completed in December 2020, made steady progress, completing the delivery of a total of 159 lots. In March, we completed the sale of Hiyori Hotel Maihama, which opened in 2017 as the first hotel under our own brand. As a result of our efforts to improve cash flow, both net sales and profit increased significantly from the same period of the previous year.

As a result, net sales decreased 19.4% to 48,398 million yen from the same period of the previous fiscal year and segment profit decreased 40.3% to 11,261 million yen from the same period of the previous fiscal year for the Real Estate Revitalization Business as a whole.

(Real Estate Service Business)

In the Real Estate Service Business, we are engaged in (1) Property Management Business, (2) Building Maintenance Business, (3) Sales Brokerage Business, and (4) Leasing Brokerage Business. By bringing together the expertise that each of these business divisions has cultivated in the field, they cooperate with each other, and by applying their originality and ingenuity, they create a chain of added value which also serves as the basis for creating high profitability in the Replanning Business.

(1) In Property Management Business, we have improved the satisfaction of tenants through meticulous property management and maintenance. At the same time, we have implemented highly profitable and highly operational building management through efforts such as attracting tenants by taking advantage of its community-based strengths and improving profits by revising conditions for appropriate rent and reviewing power supply and demand contracts. We provide accurate and prompt information to tenants who are affected by the COVID-19 outbreak and building owners who are concerned and utilizes its accumulated experience and organizational power to resolve any new requests or problems arising from the spread of COVID-19 infections. As a result, the number of managing buildings have grown steadily even during the outbreak of COVID-19. Both net sales and profits increased compared with the same period of the previous year.

	End of March 2019	End of March 2020	End of March 2021
Number of Managing Buildings	373 buildings	392 buildings	397 buildings
Occupancy Rate	97.6%	98.6%	94.4%

(2) In the Building Maintenance Business, we are promoting cooperation with the property management division, taking advantage

of our strengths in cleaning high places using swings for exterior windows and exterior walls, waterproofing work, and exterior wall repair work. In addition, during the fiscal year under review, we acquired 100% of the shares of Japan System Service Inc., which is in the same industry as the Building Maintenance Business and strengthened its services in the western area of central Tokyo (Minato, Shibuya, and Shinjuku Ward), which we have been comparatively less entrusted with, in an effort to raise the foundation of its cleaning business in central Tokyo. Although demand for COVID-19 decontamination and disinfection work was newly captured, there was decrease in revenue associated with the Replanning Business. As a result, both net sales and profits increased compared to the same period of the previous year.

(3) In the Sales Brokerage Business, as part of its real estate consulting, we are responding swiftly to inquiries from other divisions, including Property Management Business and Leasing Businesses. In addition, while it is difficult for Clients, wealthy individuals, to visit Japan due to the impact of COVID-19, we have strived to increase the value of our Japanese investment properties and with the trust we have built up over the years Clients have purchased several replanning properties in the fiscal year under review, making a significant contribution to our performance. As a result, both net sales and profits increased compared with the same period of the previous fiscal year.

(4) In the Leasing Brokerage Business, we provide a service network based in 12 sites, mainly in the 5 wards of central Tokyo. It functions as a window for consultation close to the local building owners. We don't consult only one aspect of problems like vacancy for building owners, but also a variety of fundamental problems related to real estate, such as management, inheritance, and deterioration of buildings that are difficult to deal with due to the aging of the population through communicating with clients at the site. By working to solve these problems from a multi-faceted and long-term perspective, our business as a whole has been strengthened and expanded by creating opportunities for Replanning Business purchase, sales, construction orders, and brokerage. In addition, we understand the needs of tenants in detail at the site of tenant leasing by thinking together, researching, and making proposals to them. In this way, we anticipate changes quickly and find out new values and needs from the client's perspective. As a result of the damage caused by the outbreak of COVID-19, both net sales and profits decreased compared with the same period of the previous fiscal year.

As a result, net sales in Real Estate Service Business as a whole increased 5.2% to 3,656 million yen from the same period of the previous fiscal year and segment profit increased 4.0% to 2,345 million yen from the same period of the previous fiscal year.

#### (Operation Business)

In the Operation Business, we are engaged in (1) Hotel Operation Business and (2) Conference Room Rental Business.

(1) In the Hotel Operation Business, we opened HIYORI OCEAN RESORT OKINAWA (203 rooms) in February and have 16 (2,295 rooms) operating hotels. Due to the outbreak of COVID-19 there was a sharp decline in the number of inbound tourists, closure of tourist facilities and events, the government's request to refrain not only from traveling on vacation, but also from business trips resulted in a significant decrease in occupancy rate especially in city hotels. As a result, despite efforts to reduce expenses, we recorded a loss due to a large decrease in net sales compared with the same period of the previous fiscal year.

(2) In the Conference Room Rental Business, the need for training, seminars, and various events has decreased due to the outbreak of COVID-19, making it difficult for us to offer existing business services. However, we have quickly responded to clients' requests by developing new services that take into account the changing times such as custom-made spaces. At the same time, despite thorough cost reductions, both net sales and profits declined compared with the same period of the previous fiscal year.

As a result, net sales in Operation Business as a whole decreased 43.2% to 3,069 million yen from the same period of the previous fiscal year and segment loss was 1,266 million yen compared with 192 million yen in segment loss from the same period of the previous fiscal year.

#### (Other Business)

In Other Business, we are engaged in (1) Rent Guarantee Business, (2) Overseas Business, and (3) Construction Business.

(1) In Rent Guarantee Business, when contract of guarantee is implemented, we conduct fact-finding surveys thoroughly and rigorously in tenant guarantee examinations. When rent arrears occur, we provide services tailored to building owners not only with rent guarantee, but also sincere support until the lease is surrendered. Consultations from building owners increased due to the increase of vacant rooms and tenant credit concerns, caused by the outbreak of COVID-19, and the switching from personal guarantee to institutional guarantee due to the revision of the Civil Code. As a result, the number of new and renewed guarantees handled remained steady and both net sales and profits increased compared with the same period of the previous fiscal year.

(2) In Overseas Business, we have expanded into Southeast Asian countries where growth is expected and has developed real estate mainly for condominiums and houses using Japanese advanced construction technology. We are developing its business with a focus on providing Asian people with experience of Japanese quality. The HIYORI Garden Tower (306 units), a high-rise condominium in Da Nang, Vietnam, was completed in December 2019 and delivered until September 2020. As a result, net sales decreased and profits increased compared with the same period of the previous fiscal year because the portion delivered from January to September 2020 was recorded during this fiscal year.

(3) In the Construction Business, renewal planning, repair and reform, interior finishing work, and telecommunications work for commercial buildings are carried out. Both net sales and profits declined due to a reactionary decline following the delivery of large-scale construction work from the same period of the previous fiscal year.

As a result, net sales of Other Business as a whole decreased 6.4% to 5,294 million yen from the same period of the previous fiscal year and segment profit increased 4.9% to 1,489 million yen from the same period of the previous fiscal year.

(Impact of the spread of COVID-19)

The impact of the spread of infectious diseases in current consolidated fiscal year on the Company's business was partly due to a deterioration in the office market and a decline in investor confidence in Real Estate Revitalization Business, our core business. In Hotel Operation Business, there was a significant decline in occupancy rate due to the absence of inbound tourism demand and a slump in domestic tourism demand. In Conference Room Rental Business, there was also a decline in demand for various events such as training and seminars.

Production, orders received and sales results are as follows.

(i) Production performance

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

(ii) Orders received

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

(iii) Sales performance

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

Segment Name	Amount (million yen)	YoY Change (%)
Real Estate Revitalization Business	48,398	(19.4)
Real Estate Service Business	3,656	5.2
Operation Business	3,069	(43.2)
Other	5,294	(6.4)

Adjustment	(785)	-
Total	59,632	(18.6)

- Notes:
1. Adjustment is intersegment eliminations.
  2. Sales performance by major customers and the ratio of such sales performance to total sales performance

Other party	Previous fiscal year		Current consolidated fiscal year	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
Pacific Five LLC	9,800	13.4	-	-
SST West Special Purpose Company	-	-	8,510	14.3

3. As the ratio of SST West Special Purpose Company and current consolidated fiscal year GK Pacific Five for the previous fiscal year are omitted because the ratio of the sales results to the total sales results is less than 10/100.
4. Consumption tax is not included in the above amount.

## (2) Explanation regarding financial position

Total assets decreased 2.2% to 127,485 million yen as of March 31, 2021 compared to March 31, 2020. Liabilities decreased 11.9% to 57,712 million yen as of March 31, 2021 compared to March 31, 2020 and net assets increased to 7.7% to 69,773 million yen as of March 31, 2021 compared to March 31, 2020. The main factors behind the decrease in total assets were a decrease of 9,421 million yen in real estate for sale in process, a decrease of 658 million yen in accrued consumption taxes and advance payments included in other current assets, and a decrease of 444 million yen in costs of uncompleted construction contracts, while there was an increase of 4,174 million yen in real estate for sale of current assets, an increase of 2,880 million yen in cash and time deposits, and an increase of 641 million yen in notes and accounts receivable.

The main factors behind the decrease in liabilities was a decrease of 2,915 million yen in long-term borrowings in non-current liabilities, a decrease of 2,665 million yen in income taxes payable of current liabilities, a decrease of 1,864 million yen in advances received included in other, and a decrease of 1,498 million yen in accounts payable, while there was an increase of 1,545 million yen in long-term borrowings scheduled to be repaid within one year.

The main factors behind the increase in net assets was the increase of recording of 4,274 million yen in profit attributable to owners of parent and an increase of 2,952 million yen in non-controlling interests, while there was payment of year-end dividends of 2,047 million yen. The increase in non-controlling interests was due to the issuance of preferred shares by subsidiaries. As a result, sales in equity ratio increased 2.7 percentage points to 52.3% as of March 31, 2021 compared to March 31, 2020.

## (3) Explanation regarding cash flows

Cash and cash equivalents at the end of the fiscal year increased by 3,924 million yen from the beginning of the fiscal year to 21,319 million yen as a result of an increase of 4,733 million yen in cash provided by operating activities, an increase of 451 million yen in cash provided by investing activities, and a decrease of 1,150 million yen in cash provided by financing activities.

Cash flows for the fiscal year under review and their factors are as follows.

### (Cash flows from operating activities)

Net cash provided by operating activities was 4,733 million yen compared with a net cash outflow of 2,697 million yen in the previous fiscal year. This was mainly due to payment of 5,964 million yen for corporate income taxes, an increase of 2,688 million yen in notes and accounts receivable-trade, and a decrease of 1,509 million yen in accounts payable, while there was cash inflow of 7,462 million yen from profit before income taxes, depreciation of 1,346 million yen, and a decrease of 4,377 million yen in inventories.

### (Cash flows from investing activities)

Net cash provided by investing activities was 451 million yen compared with net cash outflow of 4,441 million yen in the previous fiscal year. This was mainly due to cash outflow of 530 million yen for the payments into time deposits, outflow of 319 million yen in purchase of property, plant and equipment, and outflow of 221 million yen in payments of guarantee deposits, while there was provision of 1,574 million yen in proceeds from withdrawal of time deposits.

### (Cash flows from financing activities)

Net cash used in financing activities was 1,150 million yen compared with net cash provided of 5,535 million yen in the previous fiscal year. This was mainly due to increases such as 19,990 million yen in proceeds from long-term borrowings and 3,000 million yen in non-controlling interests, while there was cash outflow of 21,461 million yen in proceeds from issuance of bonds and 2,046 million yen in dividends paid.

### (Sources of capital and liquidity of funds)

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

scheduled repayment and liquidity of funds is sufficiently secured.



(Financial measures)

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

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

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

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

#### **4. Material Agreements, etc.**

At the Board of Directors meeting held on September 15, 2020 and October 27, 2020, the Company resolved to split its Hotel Development Business into a wholly owned subsidiary, Sun Frontier Hotel Management Inc. (simplified absorption-type company split). On September 16, 2020, the Company entered into an absorption-type company split agreement and on October 27, 2020, the Company entered into a memorandum of agreement on the amendment of the absorption-type company split agreement (amendment of the succeeded assets) between the Company and Sun Frontier Hotel Management Inc.

The company split (simplified absorption-type company split) based on the agreement was completed on November 1, 2020.

For details, please refer to "Item 5. Financial Information, 1. Consolidated Financial Statements, (1) Notes to Consolidated Financial Statements (Corporate Integration, etc.)."

#### **5. Research and Development Activities**

Not applicable.

## Item. 3 Property, Plants and Equipment

### 1. Overview of Capital Investment

The Group's capital investment in current consolidated fiscal year was 528 million yen, mainly for the acquisition of hotel facilities (198 million yen).

### 2. Major Facilities

(1) Reporting company

As of March 31, 2021, the facilities, invested capital and employees at each business site were as follows.

Name and location	Segment name	Facilities & equipment	Book value (millions of yen)				Number of employees
			Buildings	Land (square meters)	Others	Total	
Head Office (Chiyoda-ku, Tokyo)	Real Estate Revitalization Business, Real Estate Service Business, Other, company-wide (common)	Supervisory business facility	27	- (-)	34	62	153
Branches, etc. (Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, Shinagawa-ku, Shibuya-ku, Tokyo, and Nishi-ku Yokohama)	Real Estate Service Business	Commercial facility	41	- (-)	10	52	193
Institute (Chosei-gun, Chiba)	Company-wide (common)	Training facility	41	74 (5,323.98)	-	116	-
Real estate for rental business (Minato-ku, Tokyo, etc.)	Real Estate Revitalization Business	Buildings for rent, etc.	429	6,398 (1,364.56)	1,567	8,395	-
Sub-leases Property (Chuo-ku, Tokyo, etc.)	Real Estate Revitalization Business, Other	Property management contract facilities, etc.	121	- (-)	0	121	-

Notes: 1. Of the book value, "Other" consists of vehicles, tools, furniture and fixtures. The book value does not include consumption tax.

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

Name and location	Segment name	Facilities & equipment	Leased area (square meters)
Head Office (Chiyoda-ku, Tokyo)	Real Estate Revitalization Business, Real Estate Service Business, Other, company-wide (common)	Supervisory business facility	2,145.29
Property Management Business Department	Real Estate Service Business	Commercial facility	1,025.66
Ginza branch and others (Chuo-ku, Tokyo and others)	Real Estate Service Business	Commercial facility	898.12
Sub-leases Property (Chuo-ku, Tokyo, etc.)	Real Estate Revitalization Business, Other	Property management contract facilities, etc.	4,962.05

## (2) Domestic subsidiaries

Company Name	Name and location	Segment name	Facilities & equipment	Book value (millions of yen)				Number of employees
				Buildings	Land (square meters)	Other	Total	
Sun Frontier Hotel Management Inc.	Head office and hotel facilities (Chiyoda-ku, Tokyo, etc.)	Operation Business	Headquarters and hotel operation	714	195 (18,345.92)	52	962	105 (114)
Sky Heart Hotel Inc.	Head office and hotel facilities (Chiyoda-ku, Tokyo, etc.)	Operation Business	Hotel operation	123	63 (-)	3	190	17 (59)
Sun Frontier Sado Co., Ltd.	Head office and hotel facilities (Sado-shi, Niigata)	Operation Business	Hotel operation	272	13 (-)	20	307	23 (63)
SF Engineering Inc.	Head office and others (Sumida-ku, Tokyo, etc.)	Other	Supervisory business facility	15	120 (179.83)	1	136	13 (13)
Sun Frontier Space Management Inc.	Head office and rental conference room facilities (Minato-ku, Tokyo, etc.)	Operation Business	Conference Room Rental Business	134	- (-)	21	156	25 (33)

Notes: 1. Of the book value, "Other" consists of vehicles, tools, furniture and fixtures. The book value does not include consumption tax.

2. The number of "Number of employees" column (external writing) are the annual average number of temporary employees.

3. Temporary employees include part-time and contract employees and exclude temporary employees.

## (3) Overseas subsidiaries

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

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

Plans for new facilities as of March 31, 2021 are as follows:

## (1) New construction of important facilities

Company Name	Name and location	Segment name	Facilities & equipment	Planned investment amount		Financing method	Start date	Scheduled completion date	Capacity increase after completion (room)
				Total amount (million yen)	Amount already paid (million yen)				
The company	Hiyori Hotel Kyoto Shijo Kawaramachi (Kyoto City, Kyoto Prefecture)	Real Estate Revitalization Business	Buildings, land, etc.	9,150	6,874	Own funds, borrowings and capital increase funds	September 2016	April 2022	Number of guest rooms: 134

Notes: 1. The amount above does not include consumption tax.

2. The names of the business sites are current tentative names as of the submission date (June 23, 2021) of this Annual Securities Report and may change in the future.

## (2) Removal of important equipment

There are no matters to note.

## Item. 4 Information on the Company's Shares, etc.

### 1. Information on the Company's Share, etc.

(1) Total number of shares, etc.

(i) Total number of shares

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

(ii) Issued shares

Type	Number of shares issued as of the end of the fiscal year (March 31, 2021) (Shares)	Number of shares issued as of the filing date (June 23, 2021) (Shares)	Name of stock exchange on which the Company is listed or names of authorized financial instruments firms associations	Description
Common shares	48,755,500	48,755,500	Tokyo Stock Exchange First Section	The number of shares constituting one unit is 100 shares.
Total	48,755,500	48,755,500	-	-

(2) Stock acquisition rights, etc.

(i) Stock option plans

A. Status of share acquisition rights grants

Date of resolution	June 22, 2018	June 21, 2019	June 30, 2020
Category and number of individuals covered by the plan	Directors of the Company (excluding Outside Director): 4		
Number of Share Acquisition Rights*	524 units	740 units	1,112 units
Type, description and number of shares to be issued upon the Share Acquisition Rights*	Common shares 5,240 shares (Note 1)	Common shares 7,400 shares (Note 1)	Common shares 11,120 shares (Note 1)
Amount paid upon exercise of Share Acquisition Rights *	1 yen		
Period for exercising Share Acquisition Rights*	From August 1, 2018 July 31, 2048	From August 1, 2019 July 31, 2049	From August 1, 2020 July 31, 2050
Issue price of shares and amount to be incorporated into capital when shares are issued upon exercise of Share Acquisition Rights*	Issue price: 1,020 yen Amount included in shareholders' equity: 510 yen (Note 2)	Issue price: 790 yen Amount included in shareholders' equity: 395 yen (Note 2)	Issue price: 439 yen Amount included in shareholders' equity: 220 yen (Note 2)
Conditions for exercising Share Acquisition Rights*	Share Acquisition Rights holders may exercise their Share Acquisition Rights in a lump sum during the period from the day following the day on which they lose their position as Director of the Company to the day on which ten days have elapsed. (Note 3)		
Matters related to transfer of Share Acquisition Rights*	Acquisition of a Share Acquisition Rights by transfer requires approval of the Board of Directors.		
Matters concerning the issuance of a Share Acquisition Rights in connection with an act of reorganization*	(Note 4)		

\* These items indicate the status as of the end of the fiscal year (March 31, 2021). There are no changes between the end of the fiscal year and the end of month previous to the filing month (May 31, 2021).

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

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

adjustment shall be discarded.

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

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

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

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

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

3. Matters concerning acquisition of Share Acquisition Rights

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

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

4. In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively "Restructuring Actions"), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter "Remaining Stock Acquisition Rights") shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter "Reorganized Company"). In this event, the Remaining Stock Acquisition Rights shall become null and void and the Reorganized Company shall issue new Stock Acquisition Rights.

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

(i) Number of Share Acquisition Rights of reorganized companies to be delivered

The same number of remaining Share Acquisition Rights held by the Share Acquisition Rights shall be issued.

(ii) Type and number of shares of the restructured company to be issued upon Share Acquisition Rights

The type of shares to be issued by Share Acquisition Rights shall be common shares, the Reorganized Company, and the number of common shares, the Reorganized Company to be delivered upon exercise of Share Acquisition Rights shall be determined in accordance with (Note 1) above, taking into consideration the conditions of the Organizational Restructuring.

(iii) Value of assets to be contributed upon exercise of Share Acquisition Rights

The value of the property to be contributed upon the exercise of the Share Acquisition Rights shall be the amount obtained by multiplying the post-reorganization exercise price specified below by the number of shares to be issued for each such Share Acquisition Right. The post-reorganization exercise price shall be 1 yen per Share Acquisition Right of the Reorganized Company.

(iv) Period during which the Share Acquisition Rights may be exercised

From the effective date of the reorganization to the expiration date of the exercise period of the Share Acquisition Rights set forth in the aforementioned "exercise period of the Share Acquisition Rights".

- (v) Acquisition of Share Acquisition Rights  
Determined in accordance with (Note 3) above.
- (vi) Share Acquisition Rights transfer restrictions  
Acquisition of Share Acquisition Rights by transfer shall require the approval of Board of Directors of the Reorganized Company.
- (vii) Increase in Share Acquisition Rights and Share capital due to issuance of shares upon exercise of Capital reserve  
Determined in accordance with (Note 2) above.

#### B. Share Acquisition Rights recruitment

At the meeting held by the Board of Directors on June 22, 2021, the Company resolved on the subscription requirements for Share Acquisition Rights of Directors to be allotted to the Companies Act as remuneration type stock options pursuant to Articles 236, 238 and 240. The details are as follows.

Date of resolution	June 22, 2021
Category and number of grantees	Director of the Company (excluding Outside Director) : 6
Type of shares underlying the Share Acquisition Rights	Common shares
Total number of Share Acquisition Rights	2,155 units The above total number is the planned number of Share Acquisition Rights to be allocated, and if the total number of Share Acquisition Rights to be allocated decreases, such as when no application for subscription has been made, the total number of Share Acquisition Rights for subscription to be allocated shall be the total number of units for subscription to be issued.
Payment amount upon exercise of the Share Acquisition Rights	The paid-in amount of Share Acquisition Rights shall be a fair value calculated under the Black-Scholes Model at the date of Share Acquisition Rights' allocation. In addition, Share Acquisition Rights amount corresponding to the total amount of such paid-in remuneration shall be provided to the person who received the allotment of cash, and such Share Acquisition Rights shall be acquired by offsetting the remuneration claim against the paid-in debt of the paid-in amount of Share Acquisition Rights.
Share Acquisition Rights allocation date and Share Acquisition Rights exercise period	Allotment date: July 30, 2021 Exercise period: From July 31, 2021 to July 30, 2051 However, if the last day of the exercise period falls on a holiday of the Company, the last day shall be the preceding business day.
Conditions of exercise of Share Acquisition Rights	Share Acquisition Rights holders may exercise their Share Acquisition Rights in a lump sum during the period from the day following the day on which they lose their position as Director of the Company to the day on which ten days have elapsed.
Matters concerning the transfer of Share Acquisition Rights	Acquisition of Share Acquisition Rights by transfer shall require the approval of the Company's Board of Directors.
Matters concerning the issuance of a Share Acquisition Rights in connection with Restructuring Actions	(Note 5)

Note:

1. Type and number of shares to be issued upon exercise of Share Acquisition Rights  
The type is common shares of the Company and the number of shares subject per Share Acquisition Right (hereinafter "Number of Granted Shares") shall be 10 shares. Moreover, after the allotment date of Share Acquisition Rights, if the Company effects a share split (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or reverse stock split, the number of shares to be granted shall be adjusted according to the following formula for a Share Acquisition Rights that has not been exercised at the time of the share split or reverse stock split, and any fraction of less than one share resulting from the adjustment shall be discarded.  
Number of granted shares after adjustment = Number of granted shares before adjustment × Split or consolidation ratio  
In addition, in the event that the Company conducts a merger or corporate split after the Allotment Date, or in the event that an adjustment of the number of granted shares is required in the same manner as in these cases, the number of shares shall be adjusted within a reasonable scope taking into consideration the conditions of the merger or corporate split.
2. Value of property to be contributed upon exercise of Share Acquisition Rights  
The value of property to be contributed upon the exercise of each Share Acquisition Rights shall be 1 yen per share to be delivered upon the exercise of each Share Acquisition Right, multiplied by the total number of shares granted.
3. Matters concerning acquisition of Share Acquisition Rights  
(i) In the event that Share Acquisition Rights cannot be exercised due to the aforementioned "Conditions for Exercise of Share Acquisition Rights" or the provisions of the Share Acquisition Rights Allocation Application Form prior to

exercising his/her right, the Company may acquire such Share Acquisition Rights without consideration on a date separately determined by the Company's Board of Directors.

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

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

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

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

5. Handling of Share Acquisition Rights in the event of reorganization

In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively "Restructuring Actions"), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter "Remaining Stock Acquisition Rights") shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter "Reorganized Company"). In this event, the Remaining Stock Acquisition Rights shall become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).

(i) Number of Share Acquisition Rights of reorganized companies to be delivered

The same number of remaining Share Acquisition Rights held by the Share Acquisition Rights shall be issued.

(ii) Type and number of shares of Reorganized Companies to be issued upon Share Acquisition Rights

The type of shares to be issued by Share Acquisition Rights shall be common shares, the Reorganized Company, and the number of common shares, the Reorganized Company to be delivered upon exercise of Share Acquisition Rights shall be determined in accordance with (Note 1) above, taking into consideration the conditions of the Organizational Restructuring, etc.

(iii) Value of assets to be contributed upon exercise of Share Acquisition Rights

The value of the property to be contributed upon the exercise of the Share Acquisition Rights shall be the amount obtained by multiplying the post-reorganization exercise price specified below by the number of shares to be issued for each such Share Acquisition Right. The post-reorganization exercise price shall be 1 yen per Share Acquisition Right of the Reorganized Company.

(iv) Period during which the Share Acquisition Rights may be exercised

The exercise period shall be from the commencement date of the period during which the Share Acquisition Rights may be exercised as set forth in the aforementioned "exercise period of Share Acquisition Rights" or the effective date of the Restructuring Actions, whichever is later, to the expiration date of the exercise period of Share Acquisition Rights as set forth in the aforementioned "exercise period of Share Acquisition Rights."

(v) Acquisition of Share Acquisition Rights

Determined in accordance with (Note 3) above.

(vi) Share Acquisition Rights transfer restrictions

Acquisition of Share Acquisition Rights by transfer shall require the approval of Board of Directors of the Reorganized Corporation.



(vii) Increase in Share Acquisition Rights and Share capital due to issuance of shares upon exercise of Capital reserve Determined in accordance with (Note 4) above.

(ii) Rights plan

Not applicable.

(iii) Other Stock Acquisition Rights, etc.

Not applicable.

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

Not applicable.

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

Date	Changes in number of issued shares (Shares)	Balance of number of issued shares (Shares)	Changes in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
December 26, 2017 (Note 1)	5,220,000	47,975,500	3,112	11,500	3,112	5,984
January 24, 2018 (Note 2)	780,000	48,755,500	465	11,965	465	6,449

Notes: 1. Public offering for compensation  
Issue price per share: 1,244 yen  
Issued amount per share: 1,192.68 yen  
Increase of capital per share: 596.34 yen  
Total amount paid in: 6,225,000,000 yen  
2. Paid third party allotment (Third Party Allotment Related to Secondary Offering through Over-Allotment)  
Issue price per share: 1,192.68 yen  
Increase of capital per share: 596.34 yen  
Subject persons of allotment: Daiwa Securities Co. Ltd.

(5) Shareholdings by shareholder category

As of March 31, 2021

Category	Number of shares (100 shares per unit)							Shares less than one unit (Shares)	
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign shareholders		Individuals and others		Total
					Other than individuals	Individuals			
Number of shareholders	-	21	22	80	156	27	9,761	10,067	-
Number of shares held (Units)	-	44,012	24,620	200,827	107,450	386	110,177	487,472	8,300
Shareholding ratio (%)	-	9.03	5.05	41.20	22.04	0.08	22.60	100.00	-

Notes: 1. "Financial Institutions" includes 565 units of the Company's shares accounted in trust by the employee stock ownership plan (J-ESOP).  
2. 144 shares of treasury share held by the Company are included in "Individuals and others" and "Share less than one unit" in the table. These amounts are 1 unit and 44 shares, respectively

## (6) Major shareholders

As of March 31, 2021

Name	Address	Number of shares held (Shares)	Shareholding ratio (excluding treasury share) (%)
HOUON Co.,Ltd	2-41-8 Maihama, Urayasu-shi, Chiba	17,957,500	36.83
Tomoaki Horiguchi	Urayasu, Chiba	3,013,800	6.18
QUINTET PRIVATE BANK(EUROPE) S. A. 107704 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	43 BOULEVARD ROYAL L-2955 LUXEMBOURG (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	2,340,900	4.80
SKAWAGOE Co., Ltd.	3-5-3 2902 Azabudai, Minato-ku, Tokyo	1,566,400	3.21
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku Tokyo	1,442,800	2.96
The Master Trust Bank of Japan, Ltd. (Accounted in trust)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	1,250,400	2.56
Custody Bank of Japan, Ltd. (Accounted in trust)	1-8-12 Harumi, Chuo-ku, Tokyo	729,800	1.50
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK London Branch Clients-UNITED KINGDOM (Standing proxy: Custody Business Department, Tokyo Branch, HSBC Ltd.)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	594,300	1.22
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	504,063	1.03
STATE STREET BANK AND TRUST COMPANY 505227 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	486,978	1.00
Total	-	29,886,941	61.30

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

The Master Trust Bank of Japan, Ltd. 858,600 shares

Custody Bank of Japan, Ltd. 534,000 shares

(7) Voting rights

(i) Outstanding shares

As of March 31, 2021

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury share, etc.)	-	-	-
Shares with restricted voting rights (others)	-	-	-
Shares with full voting rights (treasury share, etc.)	(treasury share) Common shares 100	-	-
Shares with full voting rights (others)	Common shares 48,747,100	487,471	-
Shares less than one unit	Common shares 8,300	-	-
Number of issued shares	48,755,500	-	-
Total number of voting rights	-	487,471	-

- Notes:
1. Shares less than one unit include 44 shares in treasury shares.
  2. Common shares in the "Shares with full voting rights (others)" includes 56,500 Company's treasury shares (565 voting rights) held by the employee stock ownership plan (J-ESOP).

(iii) Treasury share, etc.

As of March 31, 2021

Name of shareholders	Address	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
(Treasury shares) Sun Frontier Fudousan Co., Ltd.	1-2-2 Yurakucho, Chiyoda-ku, Tokyo	100	-	100	0.0
Total	-	100	-	100	0.0

- Notes:
1. In addition to the above, there are 44 shares less than one unit.
  2. The Company's 56,500 treasury shares owned by the employee stock ownership plan (J-ESOP) are not included in the above treasury shares, etc., but are accounted for as treasury shares in the consolidated financial statements and non-consolidated financial statements.

(8) Details of officers and employee stock ownership plan

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

(i) Outline of the Plan

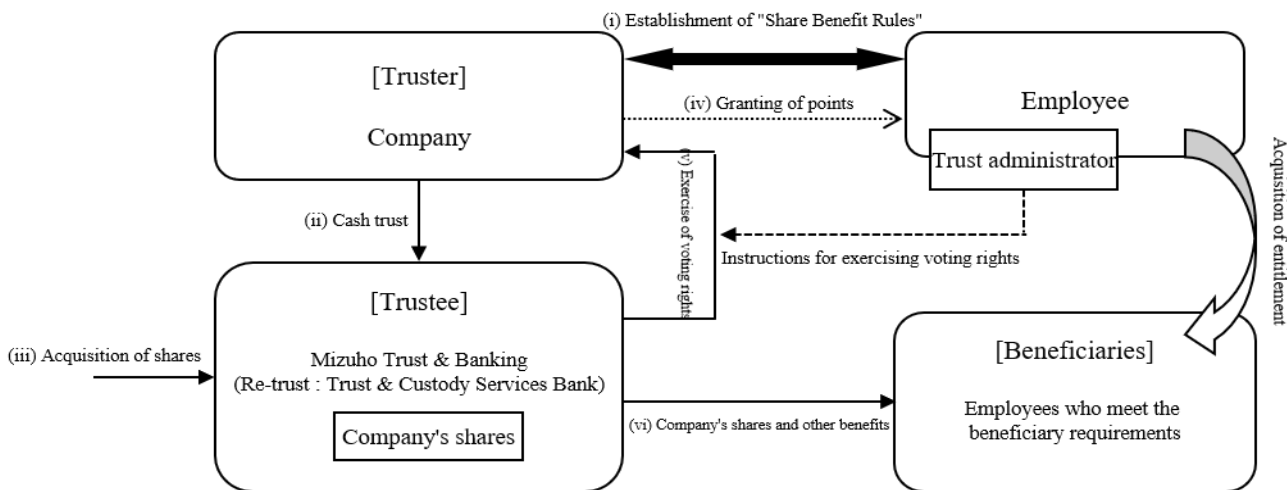
Based on the Share Benefit Regulations established by the Company in advance, the Plan provides the Company's employees who meet certain requirements with the cash equivalent to Company's shares and Company's shares converted at market value (hereinafter referred to as "Company's shares").

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

and separately managed as trust assets.

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

Structure of the System



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

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

56,500 shares

(iii) Scope of persons who can receive beneficial interests and other rights under the Plan

A person who satisfies the beneficiary requirements specified in the Company's Shares Benefit Regulations.

## 2. Acquisitions, etc. of Treasury Share

[Classes of shares] Common shares

(1) Acquisitions by a resolution of the General Meeting of Shareholders

Not applicable.

(2) Acquisition by a resolution of the Board of Directors

Not applicable.

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

Not applicable.

(4) Disposal and holding of acquired treasury shares

Category	During the fiscal year		During the current period	
	Number of shares (Shares)	Total disposal amount (Million yen)	Number of shares (Shares)	Total disposal amount (Million yen)
Acquired treasury share that was offered to subscribers for subscription	-	-	-	-
Acquired treasury shares that was canceled	-	-	-	-
Acquired treasury stock that was transferred due to merger, exchange of shares, issue of shares, or corporate split	-	-	-	-
Other (-)	-	-	-	-
Number of treasury shares held	144	-	144	-

Notes: 1. The number of treasury shares held during the current period does not include the number of shares acquired through the purchase of shares less than one unit during the period from June 1, 2021 to the filing date of this Annual Securities Report.  
2. The number of treasury shares held by the employee stock ownership plan (J-ESOP) is not included in the number of shares held during the fiscal year and during the current period.

## 3. Dividend Policy

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

As a general rule, the Company distributes dividends once a year and the distribution of dividends are to be resolved at the General Meeting of Shareholders.

The fiscal year's year-end dividend was 42.00 yen per share based on the above policy.

Moreover, the Company's Articles of Incorporation stipulate "The Company may distribute interim dividends by resolution of the Board of Directors on September 30 of each year as the base date."

Note: The dividends of surplus whose base date belongs to the fiscal year is as follows.

Date of resolution	Total dividend amount (Millions of yen)	Dividends per share (Yen)
June 22, 2021 Resolution of the Annual General Meeting of Shareholders	2,047	42.00

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

#### 4. Corporate Governance, etc.

##### (1) Overview of corporate governance

###### (i) Basic stance on corporate governance

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

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

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

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

###### A. Overview of current corporate governance system;

###### (a) Board of Directors

The Company's Board of Directors consists of nine members from directors (including three from outside directors). Through the regular Board of Directors held every month, the Board of Directors passes resolutions on matters stipulated in laws and regulations and the Articles of Incorporation, as well as report, deliberation and resolution on matters related to important operations, and oversees the execution of duties of each director. In addition, the Board of Directors holds temporary Board of Directors meetings as needed with the aim of realizing agile management.

###### (b) Audit & Supervisory Board

The Company uses the Audit & Supervisory Board system. It consists of three Audit & Supervisory Board Members (including two outside Audit & Supervisory Board Members) and holds regular Audit & Supervisory Board every month. In accordance with the audit plan formulated for each fiscal year, each Audit & Supervisory Board Member participates in meetings with the Board of Directors and other important meetings, and performs audit operations in coordination with the Internal Audit Office and the Accounting Auditor. In addition to receiving appropriate report from Internal Audit Office and Accounting Auditor in a timely manner, they exchange opinions through attendance at on-site inspections, etc., and is working to mutually strengthen coordination based on the premise of ensuring independency.

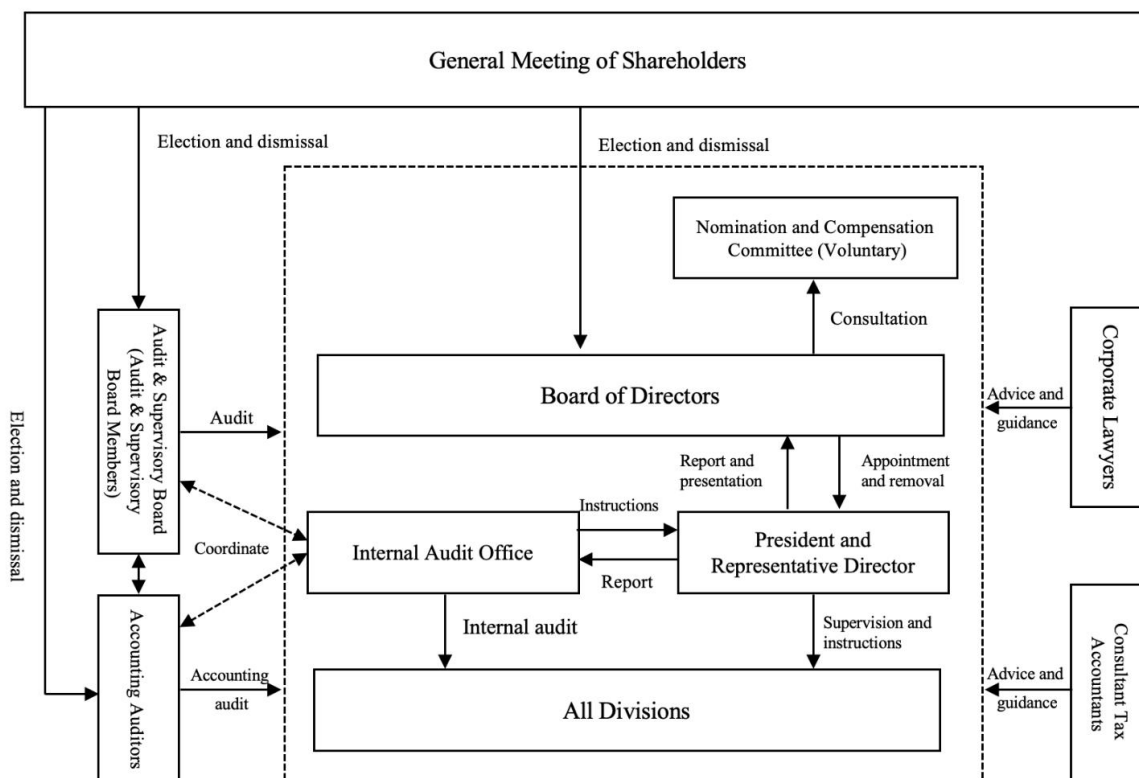
###### (c) Nomination and Compensation Committee (optional)

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

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

Title	Surname	Board of Directors	Audit & Supervisory Board	Nomination and remuneration Committee (optional)
Chairman Representative Director	Tomoaki Horiguchi	○		◎
President Representative Director	Seiichi Saito	◎		○
Vice President Director	Izumi Nakamura	○		
Senior Managing Director	Yasushi Yamada	○		
Director	Mitsuhiro Ninomiya	○		
Director	Kenji Honda	○		
Outside Director	Toshio Takahara	○		○
Outside Director	Yukitoshi Kubo	○		○
Outside Director	Kazutaka Okubo	○		○
Audit & Supervisory Board Member (full-time)	Kouichi Shinada	○	◎	
Outside Audit & Supervisory Board Member	Koichi Moriya	○	○	
Outside Audit & Supervisory Board Member	Hidetaka Tanaka	○	○	

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



#### B. Reason for adoption of the said system

The Company adopted this corporate governance system based on the judgment that mutual monitoring of directors and management monitoring by the Audit & Supervisory Board Member are appropriate and effective in realizing the Company's

5 basic policies regarding corporate governance.

(iii) Other matters concerning corporate governance

A. Development of the internal control system

In accordance with the Ordinance for Enforcement of the Companies Act and the Companies Act, the Company has adopted the following "basic policy for building an internal control system" in the meeting of Board of Directors, and established and operates the system.

B. Basic policy for building an internal control system

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

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

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

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

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

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

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

As an indicator for establishing and implementing the corporate vision of the entire corporation, the Company has formulated a medium-term management policy and a single-year management plan. In order to realize the management policy and the management plan, the Board of Directors has clarified the executive authority and responsibilities of directors and has increased the efficiency of the execution of duties. In addition, with regard to matters for which decisions on business execution have been delegated to the President Representative Director and directors in charge of business execution of other matters, necessary decisions shall be made based on the "Organization Regulations" or the "Regulations



for Management of Affiliated Companies" including group companies. These regulations shall also be appropriately reviewed based on revisions and abolition of laws and regulations and for the purpose of improving the efficiency of the execution of duties.

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

In order to ensure the appropriate execution of operations by group companies, the Corporate Planning Department shall be responsible for the management of the group companies in accordance with the "Regulations for the Management of Affiliated Companies." While respecting the autonomy of the group companies, the Corporate Planning Department shall receive periodic reports on the status of the business of the group companies. In addition, the Corporate Planning Department shall require prior consultation or prior approval with the Company for important management matters of the 3 group companies. Group companies' management plans are also formulated under the control of the Company, and the Company provides timely and appropriate advice and guidance during the business period to improve the efficiency of group companies' operations. In addition, the Company and its group companies have established a Risk Management Committee chaired by the President Representative Director and assign risk management officers to each division. In the event that any risk is discovered in management or business, it shall be reported to the Risk Management Committee, and the risk information shall be analyzed and countermeasures shall be considered to prevent damage or to minimize damage to the Company and the group companies if such damage occurs. We will establish a system for reporting violations of laws and regulations or illegal acts that have occurred or may occur at group companies to the internal reporting desk or outside Audit & Supervisory Board Members specified in the "Regulations on the Corporate Ethics Help Line". We will strive for early detection and resolution of these violations. The Internal Audit Office shall conduct internal audits of all group companies in order to ensure the effectiveness and appropriateness of systems, organizations, and regulations covering the overall operations of group companies. The results of these audits shall be reported to the organization designated by the Company's President Representative Director. President Representative Director shall prepare and report its financial statements in accordance with fair and appropriate accounting standards in order to enhance the reliability of financial reporting and increase corporate value of the Company and its group companies.

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

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

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

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

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

The auditor's assistant in Paragraph (f) will have the opportunity to accompany the Audit & Supervisory Board Members to Board of Directors meetings and other important meetings. They will also accompany the Audit & Supervisory Board Members and regularly exchange opinions with the President Representative Director and accounting auditors. Directors and other employees will cooperate with the Audit & Supervisory Board Members to improve the auditing environment so that the duties of the auditor's assistant are carried out smoothly

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

#### Company and group companies

All directors and department heads shall report on the status of the execution of their duties from time to time at meetings in the Board of Directors and other meetings attended by corporate auditors. Auditors shall be permitted to attend any Company meetings they request to attend. All directors and employees of the Company and its group companies shall report to the Audit & Supervisory Board Members as soon as they discover any matter that may or may not have a material impact on the Company's credibility, business performance or any material violation of the Corporate Vision and/or Corporate Code of Conduct. Directors and employees of the Company and group companies may report to the internal reporting office of the Company as set forth in the "Regulations on the Corporate Ethics Help Line" at any time. In addition, they may voluntarily report to outside Audit & Supervisory Board Members. The Compliance Department of the Company provides education and training opportunities for directors and employees to raise awareness of the hotline and encourage active reporting. The Company shall explicitly stipulate in the "Regulations on the Corporate Ethics Help Line" that directors and employees of the Company and group companies shall not be subjected to unfavorable treatment in personnel evaluation and shall not be subject to adverse dispositions such as disciplinary action by reporting to the internal reporting office, and shall make it known that they shall not be subject to adverse dispositions due to reporting to Audit & Supervisory Board Members.

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

The Company shall promptly respond to requests from Audit & Supervisory Board Members for advance payment of 4 expenses incurred in the execution of their duties, reimbursement of expenses incurred and repayment of obligations incurred, except in cases where such expenses can be proved not to have arisen in the execution of their duties

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

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

#### C. Outline of the operating status

- (a) Directors' execution of duties

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

- (b) Execution of duties by Audit & Supervisory Board

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

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

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

- (d) Compliance and Risk Management

The Company has established the "Corporate Ethics Help Line" to ensure that employees who have reported compliance

violations or 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.

D. Status of the development of the risk management system

The Company's risk management system includes risk management in each division. At the same time, the director, division head, and chief grasp the status of important management matters (contracts, quality, intellectual property, etc.) in a cross-sectional manner. If necessary, the director, division head, and chief hold weekly meetings for report and review. In the event of an emergency, the Company has established a system to promptly hold a temporary Board of Directors' meeting to respond. In addition, in order to strengthen risk management, the Company strives to implement internal audit and enhance education and training regarding various laws and regulations for officers and employees, and carries out educational activities to ensure awareness.

Moreover, the Company has entered into an advisory contract with a law firm in order to deal with cases that require guidance and has received advice and guidance appropriately.

E. Outline of the liability limitation agreement

The Company has concluded a liability limitation agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the Outside Directors and Audit & Supervisory Board Members under Article 423, Paragraph 1 of the said Law. The maximum amount of liability for damages under the agreement is the amount stipulated by laws and regulations. Such limitation of liability is permitted only when the Outside Director or the Outside Audit & Supervisory Board Member has acted in good faith and without gross negligence in performing the duties that caused the liability.

F. Outline of officers' liability insurance contract

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

(iv) Matters related to director

A. Maximum number of directors

The Company's Articles of Incorporation stipulate that the number of directors of the Company shall not exceed 10.

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

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

(v) Matters concerning General Meeting of Shareholders

A. General Meeting of Shareholders special resolution requirements

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

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

(a) Acquisition of own shares

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

(b) Exemption from liability of director and Audit & Supervisory Board Member

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

(c) Interim

To provide flexible redistribution of profits to shareholders, in accordance with the provisions of Article 454, Paragraph 5 of the Companies Act of Japan, the Company may distribute interim dividends, by a resolution of the Board of Directors, by setting the record date as of September 30 of each year.

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

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

Male: 12 persons, Female: 0 persons (percentage of the female: 15.4 %)

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (Shares)
Chairman Representative Director	Tomoaki Horiguchi	April 21, 1958	<p>March 1990 Sun Frontier Co., Ltd. (merged company) President Representative Director</p> <p>April 1999 Establishment of the Company President Representative Director</p> <p>January 2012 Chairman of Board of Directors of Yubi Co., Ltd. (present SF Building Maintenance Inc.)</p> <p>August 2015 Representative Director of Sun Frontier Hotel Management Inc. (current position)</p> <p>November 2015 Chairman of Board of Directors of SUN FRONTIER VIETNAM CO., LTD.</p> <p>September 2016 Chairman of Board of Directors of SUN FRONTIER DANANG CO., LTD.</p> <p>December 2016 Representative Director of Hotel Sky Court Hotel Co. (currently Sky Heart Hotel Inc.)</p> <p>November 2017 Representative Director of Sun Frontier Sado Co., Ltd. (current position)</p> <p>June 2018 Representative Director of Sun Frontier Okinawa Co., Ltd. (current position)</p> <p>August 2018 Representative Director of Okesa Kanko Taxi Co., Ltd. (current position)</p> <p>April 2020 Chairman Representative Director of the Company (current position)</p> <p>May 2021 President Representative Director of Hotel Osado Co., Ltd. (current position)</p>	(Note 3.)	3,014,456
President Representative Director	Seiichi Saito	June 9, 1960	<p>September 2005 Joined the Company</p> <p>November 2005 General Manager of Administration Division</p> <p>June 2006 Director, General Manager of Management Division</p> <p>June 2008 Senior Managing Director, General Manager of Management Division</p> <p>June 2012 Executive Vice President, Vice President Executive Officer, General Manager of Administration Division</p> <p>June 2014 Representative Executive Vice President, Vice President Executive Officer, General Manager of Administration Division</p> <p>April 2015 Representative Executive Vice President, Vice President Executive Officer, General Manager</p>	(Note 3.)	62,303

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (Shares)
			<p>of Asset Management Division</p> <p>June 2017 Chairman of Sun Frontier Fudousan Taiwan Co., Ltd. (current position)</p> <p>December 2018 Representative Director of Sun Frontier NY Co.,Ltd. (current position)</p> <p>January 2019 Representative Director of Kouwa Corporation (currently SF Engineering Inc.) (current position)</p> <p>April 2020 President Representative Director of the Company, President Executive Officer (current position)</p>		
Vice President Director, General Manager of Entrusted Asset Management Division	Izumi Nakamura	March 16, 1952	<p>September 2006 Joined the Company Head of Sales Administration Entrusted Asset Management Division</p> <p>June 2008 Director, General Manager of Entrusted Asset Management Division of the Company</p> <p>June 2012 Representative Director SF Building Support Inc. (current position)</p> <p>June 2012 Managing Director, Managing Executive Officer, General Manager of Entrusted Asset Management Division of the Company</p> <p>November 2013 Representative Director of Yubi Co., Ltd. (present SF Building Maintenance Inc.) (current position)</p> <p>June 2016 Senior Managing Director, Senior Managing Executive Officer, General Manager of Entrusted Asset Management Division</p> <p>April 2019 Representative Director of Sun Frontier Space Management Inc. (current position)</p> <p>April 2020 Executive Vice President, Vice President Executive Officer, General Manager of Entrusted Asset Management Division (current position)</p>	(Note 3.)	49,663

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (Shares)
Senior Managing Director, General Manager of Business Promotion Division	Yasushi Yamada	December 23, 1965	<p>August 2010 Joined the Company, Manager of Corporate Planning Division</p> <p>June 2012 Executive Officer, Manager of Corporate Planning Division</p> <p>April 2015 Executive Officer, General Manager of Administration Division</p> <p>June 2015 Director, Executive Officer, General Manager of Administration Division</p> <p>June 2016 Managing Director, Managing Executive Officer, General Manager of Administration Division</p> <p>November 2017 Representative Director of PT.SUN FRONTIER PROTERTY ONE (current position)</p> <p>December 2017 Representative Director of PT.SUN FRONTIER INDONESIA (current position)</p> <p>April 2020 Senior Managing Director, Senior Managing Executive Officer, General Manager of Business Promotion Division (current position)</p> <p>June 2020 Chairman Representative Director of SUN FRONTIER VIETNAM CO., LTD. (current position)</p> <p>June 2020 Chairman Representative Director of SUN FRONTIER DANANG CO., LTD. (current position)</p> <p>June 2020 Representative Director of Sun Frontier Community Arrangement Co., Ltd. (current position)</p>	(Note 3.)	11,661
Director, General Manager of Administration Division	Mitsuhiro Ninomiya	March 1, 1969	<p>September 2003 Joined the Leasing Business Division of the Company</p> <p>March 2006 Manager of Property Management Business Division</p> <p>October 2010 Manager of Human Resources General Affairs Division</p> <p>June 2014 Executive Officer, Manager of Human Resources General Affairs Division</p> <p>April 2018 Executive Officer, Deputy General Manager of Administration Division, Manager of Corporate Planning Division</p> <p>April 2019 Executive Officer, Deputy General Manager of Administration Division, Manager of Corporate Planning Division, Manager of Information System Division</p> <p>July 2019 Executive Officer, Deputy General Manager of Administration Division, Manager of General Affairs Division, Manager of Information System Division</p> <p>October 2019 Executive Officer, Deputy General Manager of Administration Division, Manager of General Affairs Division</p> <p>April 2020 Executive Officer, General Manager of Administration Division, Manager of General Affairs Division of the Company</p> <p>June 2020 Director, Executive Officer, General Manager of Administration Division and Manager of General Affairs Division (current position)</p>	(Note 3.)	31,149
Director, General Manager of Asset Management Division	Kenji Honda	March 5, 1967	<p>April 2006 Joined the Company in Entrusted Asset Management Division Corporate Sales Section</p> <p>October 2010 Chief of Property Management Business Division and Manager of Quality Control Office</p> <p>June 2014 Executive Officer, Manager of Property Management Business Division</p> <p>March 2016 Representative Director of PT. SUN FRONTIER INDONESIA</p> <p>April 2018 Executive Officer, Deputy General Manager of Entrusted Asset Management Division and the 1st Manager of Property Management Business Division</p> <p>April 2020 Executive Officer, General Manager of Asset Management Division</p> <p>June 2020 Director, Executive Officer, General Manager of Asset Management Division (current position)</p> <p>February 2021 Representative Director of Communication Development Inc. (current position)</p>	(Note 3.)	3,692
Director	Toshio Takahara	September 18, 1939	<p>April 1962 Director of Taisei Kako Co., Ltd. (currently Unicharm Corp.)</p> <p>July 1974 Director of Unicharm Corp.</p> <p>April 1976 Managing Director of the same company</p> <p>September 1979 Senior Managing Director of the same company</p> <p>October 1986 Vice President of the same company</p>	(Note 3.)	10,000

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (Shares)
			May 1990 Director of Unicharm PetCare Corp. April 1992 President Representative Director of the same company and Director of Unicharm Corp. June 2001 Chairman Representative Director of Unicharm PetCare Corp. June 2004 Chairman Director of the same company June 2007 Advisor of the same company June 2014 Director of the Company (current position)		

Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (Shares)
Director	Yukitoshi Kubo	June 29, 1949	<p>April 1973 Joined the Tokyo Stock Exchange</p> <p>September 1979 Registered as a Certified Public Accountant</p> <p>June 1999 Manager of Tokyo Stock Exchange Listing Screening Division</p> <p>June 2000 Advisor of BDO Sanyu</p> <p>September 2000 Representative Partner of BDO Sanyu</p> <p>April 2002 Specially Appointed Professor of Graduate Course of International Accounting in Chuo University Special Graduate School</p> <p>April 2003 Specially Appointed Professor of Graduate Course of International Accounting in Chuo University Professional Graduate School</p> <p>July 2015 Professor of Accounting Course in Ohara Graduate School of Accounting (current position)</p> <p>July 2015 Director of the Company (current position)</p>	(Note 3.)	-
Director	Kazutaka Okubo	March 22, 1973	<p>November 1995 Passed the second Certified Public Accountant examination</p> <p>November 1995 Joined Century Audit Corporation (currently Ernst &amp; Young ShinNihon LLC)</p> <p>April 1999 Registered as Certified Public Accountant</p> <p>June 2006 Partner of ShinNihon Audit Corporation (currently Ernst &amp; Young ShinNihon LLC)</p> <p>July 2012 Senior Partner of ShinNihon LLC (currently Ernst &amp; Young ShinNihon LLC)</p> <p>February 2016 Senior Managing Director and General Manager of ERM of the same audit corporation</p> <p>June 2019 President Representative Director of Okubo Associates Co., Ltd. (current position)</p> <p>June 2019 Director of the Company (current position)</p> <p>June 2019 Outside Audit &amp; Supervisory Board Member of SEGA SAMMY HOLDINGS Inc. (current position)</p> <p>September 2019 Outside Audit &amp; Supervisory Board Member of BrainPad Inc. (current position)</p> <p>December 2019 Outside Director of LIFULL Co., Ltd. (current position)</p> <p>February 2020 Outside Director of SALA Corporation (current position)</p> <p>June 2020 Outside Director of The Shoko Chukin Bank, Ltd. (current position)</p> <p>June 2020 Outside Director, Audit &amp; Supervisory Board Member of Musashi Seimitsu Industry Co., Ltd. (current position)</p> <p>November 2020 Representative Director of SS DNAFORM (current position)</p>	(Note 3.)	1,386
Audit & Supervisory Board Member (full-time)	Kouichi Shinada	March 24, 1953	<p>April 1977 Joined Menicon Inc., Trading Division</p> <p>October 1982 Joined Phoenix Corporation Overseas Sales</p> <p>April 1987 Joined Sanyo Securities Co., Ltd. International Finance Division</p> <p>April 1990 Director of the same company and division's London subsidiary</p> <p>May 1991 President of the same company and division's Geneva Overseas Unit</p> <p>October 1992 Office Manager of the same company and division's Frankfurt Office</p> <p>May 1993 Capital Markets Division (Financing) of the same company</p> <p>June 1997 Joined L &amp; M International Co., Ltd. As Director (capital policies, IPOs, listed company investments)</p> <p>June 2001 Joined Oak Capital Co. as Managing Director, General Manager of Investment Division</p> <p>June 2005 Managing Executive Officer of Investment Business Division of the same company</p> <p>March 2008 Managing Executive Officer, General Manager of Investment Management Division of the same company</p> <p>June 2012 Chief of Investment Management Office</p> <p>February 2014 Joined the Company as Chief of Quality Management, Property Management Business, Entrusted Asset Management Division</p> <p>June 2019 Audit &amp; Supervisory Board Member of the Company (current position)</p>	(Note 3.)	885



Title & Position	Name	Date of birth	Career summary	Term of office	Share ownership (Shares)	
Audit & Supervisory Board Member	Koichi Moriya	September 29, 1960	April 1989	Registered as an attorney (Daini Tokyo Bar Association)	(Note 5.)	4,800
			April 1989	Joined Honma Law Office (currently Honma Joint Law Office)		
			July 2000	Established Moriya Law Office and became General Manager (current position)		
			June 2001	Outside Audit & Supervisory Board Member of TAMURA CORPORATION (current position)		
			May 2004	Outside Audit & Supervisory Board Member of Samantha Thavasa Japan Limited.		
			June 2014	Audit & Supervisory Board Member of the Company (current position)		
			May 2018	Samantha Thavasa Japan Limited. Outside Director (current position)		
Audit & Supervisory Board Member	Hidetaka Tanaka	January 25, 1953	April 1975	Joined The Industrial Bank of Japan, Limited	(Note 4.)	-
			May 1996	Deputy Branch Manager of Singapore Branch, President and CEO of IBJ Merchant Bank (Singapore) Limited		
			June 1999	Chief of International Finance Division of the same bank		
			May 2000	Manager of International Finance Division of the same bank		
			March 2002	Joined Rating and Investment Information, Inc. as Deputy General Manager of Rating Division and General Manager of Structured Finance Division of the same company		
			March 2004	Manager of Structured Finance Division of the same company		
			March 2006	Director, General Manager of Structured Finance Division of the same company, President Representative Director of Financial Technology Research Institute, Inc.		
			March 2008	Managing Executive Director of Rating & Investment Information, Inc., General Manager of Structured Finance Division		
			March 2013	Senior Managing Executive Officer of the same company		
			March 2016	Director, Senior Managing Executive Officer of the same company (Retired from position in March 2017 and resigned from company March 2018)		
			June 2019	Audit & Supervisory Board Member of the Company (current position)		
July 2019	Representative Director of the Rating Research Center (general incorporated association) (current position)					
Total					3,189,995	

- Notes:
1. Director Mr. Toshio Takahara, Mr. Yukitoshi Kubo and Mr. Kazutaka Okubo are "Outside Directors."
  2. Mr. Koichi Moriya and Mr. Hidetaka Tanaka are "Outside Audit & Supervisory Board Members."
  3. For two years from the conclusion of Annual General Meeting of Shareholders on June 23, 2020
  4. For four years from the conclusion of Annual General Meeting of Shareholders on June 21, 2019
  5. For four years from the conclusion of Annual General Meeting of Shareholders on June 22, 2018
  6. The Company has appointed 1 substitute Audit & Supervisory Board Member as stipulated in Article 329, Paragraph 3 of the Companies Act of Japan in preparation for the event that the number of Audit & Supervisory Board Member falls short of the number stipulated by laws and regulations. The career summary of alternate Audit & Supervisory Board Member is as follows.

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

7. The Company has introduced an executive officer system in order to improve efficiency by separating management decision-making and supervisory functions from business execution functions and to strengthen business execution functions. The 9 executive officers is as follows.

Name	Title	Position
* Seiichi Saito	President Executive Officer	
* Izumi Nakamura	Vice President Executive Officer	General Manager of Entrusted Asset Management Division

* Yasushi Yamada	Senior Managing Executive Officer	General Manager of Business Promotion Division
* Mitsuhiro Ninomiya	Executive Officer	General Manager of Administration Division and Manager of General Affairs Division
* Kenji Honda	Executive Officer	General Manager of Asset Management Division
Shuhei Oda	Executive Officer	General Manager of Asset Management Division and Manager of Replanning Business Division
Kenji Wakao	Executive Officer	General Manager of Asset Management Division and Manager of Construction Division
Kentaro Kawanishi	Executive Officer	General Manager of Entrusted Asset Management Division and Property Management Business
Takeshi Hirahara	Executive Officer	General Manager of Administration Division and Manager of Corporate Planning Division

\* Indicates Executive Officer concurrently serving as Director.

(ii) Outside Officers

The relationship with 3 Outside Directors and 2 Outside Audit & Supervisory Board Members as of the date of filing of the Annual Securities Report is as follows.

Mr. Toshio Takahara Outside Director has a wealth of business experience as a corporate manager, and the Company has appointed him as Outside Director because the Company has judged that it is possible for him to provide appropriate advice and proposals at an independent standpoint from the managers involved in business execution in the decision-making of the Board of Directors. The Company has designated him as an independent officer under the provisions of the Tokyo Stock Exchange, Inc. and has notified the Tokyo Stock Exchange of the designation. The Company is entrusted with the management business of the real estate held by the Asset Management Company of which Mr. Toshio Takahara serves as Representative Director. However, the Company judges that there is no risk of affecting the independence because the level of the transaction is at the same level as the ordinary transaction conditions and the transaction amount is small. In addition, although Mr. Takahara Toshio holds Company's shares (10,000 shares) as of the filing date, there are no other personal relationships, capital relationships, significant business relationships, or any other interests between Mr. Takahara and the Company.

The Company has appointed Mr. Yukitoshi Kubo as Outside Director because the Company judges that he will be able to provide appropriate advice and proposals in an independent standpoint from the management engaged in business execution in making decisions in the Board of Directors by leveraging his extensive experience in listed company management, and expert knowledge in finance and accounting. The Company has designated him as an independent officer under the provisions of the Tokyo Stock Exchange, Inc. and has notified the Tokyo Stock Exchange of the designation. In the past, he has been involved in the accounting audit of the Company in the past as a Certified Public Accountant of the Accounting Auditor of the Company, BDO Sanyu. However, after his retirement from the Audit Corporation, he has no interest in the company and the Company has determined that this will have no impact on his independency. There are no other personal relationships, capital relationships, significant business relationships, or any other interests between the Company and Mr. Kubo.

Mr. Kazutaka Okubo Outside Director is well versed in corporate audit as a Certified Public Accountant. He has served as a manager of audit corporations, various expert committee members of government agencies and executive officers of business associations. He has a wealth of insight and experience in areas such as crisis management, compliance and CSR. The Company has appointed him as Outside Director because the Company has judged that it is possible for him to provide appropriate advice and proposals at an independent standpoint to the managers involved in business execution in the decision-making of the Board of Directors. The Company has designated him as an independent officer under the provisions of the Tokyo Stock Exchange, Inc. and has notified the Tokyo Stock Exchange of the designation. Although he holds Company's shares (1,386 shares) as of the filing date, there are no other personal relationships, capital relationships, significant business relationships, or any other interests between the Company and him.

Outside Audit & Supervisory Board Member Mr. Koichi Moriya has legal experience in various fields including real estate as an attorney, and has Audit & Supervisory Board Member experience of other companies. Therefore, the Company has determined

that he will be able to apply to the Company's auditing system from an independent standpoint with regard to the overall management of the Company going forward, and has therefore appointed him as Outside Audit & Supervisory Board Member. The Company has designated him as an independent officer under the provisions of the Tokyo Stock Exchange, Inc. and has notified the Tokyo Stock Exchange of the designation. Although he holds Company's shares (4,800 shares) as of the filing date, there are no other personal relationships, capital relationships, significant business relationships, or any other interests between him and the Company.

Outside Audit & Supervisory Board Member Mr. Hidetaka Tanaka is a Certified Public Accountant in the United States of America and has served as an expert member of government agencies. In addition, he has a wealth of business experience in foreign countries. Based on his specialized knowledge in the financial industry and his experience working abroad and as a corporate manager, the Company has judged that he will be able to utilize the Company's auditing system from an independent standpoint with regard to the Company's overall management, including overseas business development operations, and has therefore appointed him as an Outside Audit & Supervisory Board Member. The Company has designated him as an independent officer under the provisions of the Tokyo Stock Exchange, Inc. and has notified the Tokyo Stock Exchange of the designation. There are no other personal relationships, capital relationships, significant business relationships, or any other interests between the Company and Mr. Kobayashi.

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

Although there are no specific standards or policies regarding the independency of the Outside Director and the Outside Audit & Supervisory Board Member, the Company considers that the Outside Director and the Outside Audit & Supervisory Board Member, which are unlikely to cause conflicts of interest with general shareholders, are selected to ensure the independency of management by referring to the standards for independency of the independent officers established by the Tokyo Stock Exchange, Inc.

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

Based on the audit plan formulated in Audit & Supervisory Board, Audit & Supervisory Board Member, mainly the full-time Audit & Supervisory Board Member, conducts a planned and comprehensive audit of the overall business of the Company and its subsidiaries. In addition, to attending important Board of Directors meetings, other important meetings, and expressing opinions, audit is conducted through interviews with directors and access to important approval documents. From the standpoint of an independent organization, the 3 members of Audit & Supervisory Board Member regularly hold Audit & Supervisory Board meetings to ensure appropriate monitoring, and actively exchange information, including accounting auditor, to secure coordination.

Moreover, Internal Audit Office, Audit & Supervisory Board and accounting auditor hold regular meetings to exchange information and communicate with each other.

### (3) Conditions of Audit

#### (i) Audit & Supervisory Board Members' Audit

##### A. Organization, personnel and procedures in the Audit & Supervisory Board Member Audit

(a) The Company operates an Audit & Supervisory Board Member system consisting of 1 full-time Audit & Supervisory Board Member and 2 part-time Audit & Supervisory Board Members. The 2 part-time Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

(b) Audit & Supervisory Board is engaged in reporting and deliberating audit results regarding the main matters to be considered based on the Audit & Supervisory Board Member audit policy and the audit plan. In addition, the Audit & Supervisory Board has been engaged in audit with the performance of director's duties by communicating with directors, the Internal Audit Office, other employees, attend important meetings such as the Board of Directors meeting, and work in close coordination with accounting auditors.

##### (c) Experience and capacity of each Audit & Supervisory Board Member

Title & Position	Name	Experience and ability
Audit & Supervisory Board Member (full-time)	Kouichi Shinada	He has specialized knowledge in the financial industry and experience working overseas. In addition, he is well versed in the Company's quality control business processes, and has contributed to the audit of management for the sustainable enhancement of the Company's corporate value by making use of his specialized knowledge and abundant experience in decision-making and the status of director business execution at the Company.
Independent Outside Audit & Supervisory Board Member	Koichi Moriya	As a lawyer, he has accumulated legal experience in various fields such as corporate management, real estate, labor, and compliance from a specialized perspective. In addition, he has been appointed to Outside Director and Audit & Supervisory Board Member of other companies. He has contributed to the Company's audit from an independent standpoint with regard to the overall future management of the Company, making use of his specialized knowledge and extensive experience.
Independent Outside Audit & Supervisory Board Member	Hidetaka Tanaka	He is qualified in the United States as a Certified Public Accountant and has specialized knowledge in international finance, and is well versed in overseas business and M&A. In addition, based on his wealth of experience as a corporate manager, he has contributed to the Company's audit and overseas business development from an independent standpoint from a global perspective regarding the Company's overall management.

##### B. Activities in Audit & Supervisory Board Member and Audit & Supervisory Board

###### (a) Accounting audit;

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

###### (b) Business operation audit and internal control audit

Audit & Supervisory Board Member coordinates with the Internal Audit Office and checks the audit situation. If necessary, audit is implemented as Audit & Supervisory Board Member, where important documents are inspected and visits to each department are conducted. Moreover, Audit & Supervisory Board Member attended the Board of Directors meetings, audit the execution of duties of directors, the management of the meeting, the content of the resolution, etc., and express opinions as necessary. The attendance status of Board of Directors meeting by each Audit & Supervisory Board Member is as follows.

###### (c) Exchanging of views with President Representative Director;

The Company holds regular meetings with President Representative Director to exchange opinions on management issues, business plans, and other matters and communicate with each other.

###### (d) Activities in the Audit & Supervisory Board

Audit & Supervisory Board meetings, deliberations on the Audit & Supervisory Board Member audit policy and audit plan, evaluations of accounting auditor, etc., and the results of the Audit & Supervisory Board Member audit and internal audit, are held once a month, and additional meetings are held as needed. A total of 13 meetings were held in this fiscal year and the attendance of each Audit & Supervisory Board Member at the Audit & Supervisory Board meeting is as follows.

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

Name	Board of Directors meeting (19 times)		Audit & Supervisory Board meeting (13 times)	
	Number of attendance	Attendance rate	Number of attendance	Attendance rate
Kouchi Shinada	19/19	100.0%	13/13	100.0%
Koichi Moriya	18/19	94.7%	12/13	92.3%
Hidetaka Tanaka	19/19	100.0%	13/13	100.0%

Note: 1. In addition to the above Board of Directors meeting, there were 8 written resolutions deemed to have been adopted by the Board of Directors resolution pursuant to Article 370 of the Companies Act of Japan and Article 26, Paragraph 2 of the Company's Articles of Incorporation.

#### (ii) Internal audit

The Internal audit of the Company has established the Internal Audit Office (three persons) as a department under direct control of the President Representative Director. For the purpose of verifying the appropriateness and effectiveness of the internal control system for overall business operations, regular audit is conducted based on the internal audit plan based on the status of risk management in each department. In implementing internal audit, we have asked each department to improve and correct the matters pointed out by audit. For the audit results, we have prepared the internal audit report manual and report to President Representative Director. In addition, the Company holds regular meetings with Audit & Supervisory Board and accounting auditor to exchange information and communicate with each other to coordinate and to ensure that internal checks and balances function adequately.

##### A. Internal audit policy

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

##### B. Internal audit priority items

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

#### (iii) Accounting audit

##### A. Name of the Audit Corporation

BDO Sanyu

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

needed.

B. The number of consecutive years they have conducted audits

20 years from the year ended March 2001

C. Certified public accountants who performed the work

Hiroshi Saito, Engagement Partner, Designated Partner

Satoshi Morita, Engagement Partner, Designated Partner

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

D. Composition of assistants who supported the audit work

Certified Public Accountant 8, Other 2 persons

Note: Other is those in charge of system audit.

E. Selection policy and reasons for the Audit Corporation

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

• Accounting Auditor selection and assessment criteria

- (1) Audit system
- (2) Audit project
- (3) Quality of audit operations
- (4) Results of audit operations
- (5) Audit remuneration

F. Evaluations of Audit Corporations by Audit & Supervisory Board Member and Audit & Supervisory Board

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

(iv) Details of audit remuneration, etc.

A. Details of remuneration to auditors

Category	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2021	
	Remunerations for audit services (Millions of yen)	Remunerations for non-audit services (Millions of yen)	Remunerations for audit services (Millions of yen)	Remunerations for non-audit services (Millions of yen)
The Company	34	-	35	-
Consolidated subsidiaries	-	-	-	-
Total	34	-	35	-

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

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

“(a)”

Not applicable.

C. Other material remunerations for audit services

Not applicable.

D. Policy on determining audit remuneration

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

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

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

#### (4) Compensation

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

The Company has established the following policies for determining the amount of remuneration, etc. for officers and the method of calculating such amount.

The remuneration, etc., of the Company's directors (excluding outside directors) consists of fixed remuneration, performance-linked remuneration and stock options, with a target of 65% fixed remuneration, 30% performance-linked remuneration and 5% stock options. The fixed remuneration is an amount that is deemed to be an appropriate level in comparison with the performance of other companies in the real estate industry, taking into consideration the duties of directors and the status of the Company. With a viewpoint of reflecting the results of performance improvement, performance-linked remuneration is determined based on the consolidated performance (Ordinary profit (loss)) for the fiscal year concerned, taking into consideration the achievement status for the consolidated performance forecast. At the 18th Annual General Meeting of Shareholders held on June 23, 2017, the Company resolved that the maximum amount of remuneration, etc. for directors of the Company to be no more than 360 million yen per year (including 36 million yen for outside directors, but excluding salaries for directors who concurrently serve as employees). (The number of directors at the conclusion of the said general meeting for shareholders was 6 (including 2 outside directors). Moreover, at the 19th Annual General Meeting of Shareholders held on June 22, 2018, the Company resolved to allocate stock acquisition rights as share-based compensation type stock options to directors (excluding outside directors) within the range of 36 million yen per year (the number of directors excluding outside directors at the conclusion of the said general meeting for shareholders was 4).

As for the remuneration of the Company's Audit & Supervisory Board Member, due to the nature of its functions as audit, the Company has centralized its operations in fixed remuneration in light of its neutrality and independency. At the 7th Annual General Meeting of Shareholders meeting held on June 22, 2006, it was resolved that the maximum amount of remuneration, etc. of the Company's Audit & Supervisory Board Member shall be no more than 36 million yen per year (the number of Audit & Supervisory Board Member at the conclusion of the General Meeting of Shareholders was 3 (including 1 Outside Audit & Supervisory Board Member)).

With regard to the amount of remuneration, etc., for directors of the Company or the method of calculating such amount, the Company has established a voluntary Nomination and Compensation Committee consisting of the Chairman-Representative Director and President-Representative Director as well as 2 or more outside directors in order to ensure the objectivity and transparency of the procedures for determining remuneration for directors. The Chairman-Representative Director Tomoaki Horiguchi has the authority to prepare a draft of the calculation method and the basic policy for the amount of remuneration, etc., of the Company's directors. Based on the draft, the Nomination and Compensation Committee deliberates on the composition of remuneration, etc., the ratio thereof, the method for calculating the setting of indicators, etc. The Board of Directors has the authority to determine the policy regarding the determination of the amount of remuneration, etc., of the Company's directors or the method of calculating such amount. However, the Board of Directors determines the amount of remuneration, etc., of the Company's directors or the method of calculating such amount, while respecting the contents of discussions by the Nomination and Compensation Committee to the maximum extent possible.

The Company has held 7 Nomination and Compensation Committee meetings in total since its establishment on December 18, 2018. The Committee is attended by all members and deliberates matters related to the election and dismissal of the Company's director and matters related to the amount of remuneration, etc. Based on the deliberations of the Nomination and Compensation Committee, the Company's Board of Directors has made a resolution regarding the amount of remuneration, etc. in director or the method for calculating such amount.

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



Moreover, the consolidated ordinary profit, the target indicator for performance-linked remuneration this fiscal year, was 6,500 million yen with a total of 7,524 million yen. Board of Directors received report from the Nomination and Compensation Committee and determined that the contents of director's individual remuneration pertaining to this fiscal year, including the procedure and contents of the decision by Chairman Representative Director Tomoaki Horiguchi, are in line with the above decision policy.

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

Classification	Total Amount of Remuneration, etc. Paid (Millions of yen)	Total Amount by Type of Remuneration, etc. (Millions of yen)			Number of Persons Paid
		Fixed Remuneration	Performance-linked remuneration	Stock Option	
Director (excluding Outside Director)	197	145	46	4	6
Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Member)	9	9	-	-	1
Outside Officers	33	29	3	-	5

(iii) Total amount of consolidated remuneration by officers

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

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

Not listed because there are no officers who concurrently serves as employee.

(5) Status of shareholdings

(i) Classification of investment shares

Not applicable because the Company does not hold investment shares for purposes other than pure investment and investment shares for purposes other than pure investment.

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

Not applicable.

## Item. 5 Financial Information

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

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

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

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

(3) Amount, which is included in the consolidated financial statements and financial statements subject and other items of the Company, has been stated in thousands of yen, but has been changed to be stated in millions of yen from current consolidated fiscal year and business year

### 2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year from April 1, 2020 to March 31, 2021 and the non-consolidated financial statements for the business year (from April 1, 2020 to March 31, 2021) were audited by BDO Sanyu.

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

The Company carries out special measures for ensuring the appropriateness of consolidated financial statements, etc. Specifically, for the purpose of both ensuring that the Company has an appropriate grasp of the contents of Accounting Standards and related regulations, and properly preparing consolidated financial statements, etc., the Company became a member of the Financial Accounting Standards Foundation, and is kept informed of changes in Accounting Standards and other events by participating in seminars and other events hosted by the foundation

# 1. Consolidated Financial Statements, etc.

## (1) Consolidated Financial Statements

### (i) Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2020	As of March 31, 2021
<b>Assets</b>		
Current assets		
Cash and time deposits	18,627	21,508
Notes and accounts receivable - trade	891	1,532
Real estate for sale	* 19,426	* 113,601
Real estate for sale in process	* 181,703	* 172,282
Costs of uncompleted construction contracts	602	157
Supplies	33	46
Other	2,575	1,693
Allowance for doubtful accounts	(18)	(36)
<b>Total current assets</b>	<b>113,842</b>	<b>110,785</b>
Non-current assets		
Property, plant and equipment		
Buildings	2,627	2,851
Accumulated depreciation	(721)	(855)
Accumulated impairment	(6)	(6)
<b>Buildings (net amount)</b>	<b>* 1,900</b>	<b>* 1,989</b>
Land	* 16,821	* 16,821
Other	2,010	2,016
Accumulated depreciation	(299)	(291)
Accumulated impairment	(19)	(7)
<b>Other (net amount)</b>	<b>* 1,692</b>	<b>* 1,717</b>
<b>Total property, plant and equipment</b>	<b>10,413</b>	<b>10,528</b>
Intangible assets		
Goodwill	524	552
Other	188	149
<b>Total intangible assets</b>	<b>712</b>	<b>701</b>
Investments and other assets		
Guarantee deposits	3,856	3,997
Deferred tax assets	1,041	973
Other	* 2426	* 2500
Allowance for doubtful accounts	(1)	(1)
<b>Total investments and other assets</b>	<b>5,324</b>	<b>5,470</b>
<b>Total non-current assets</b>	<b>16,450</b>	<b>16,700</b>
<b>Total assets</b>	<b>130,293</b>	<b>127,485</b>

(Unit: million yen)

	As of March 31, 2020	As of March 31, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	3,132	1,634
Short-term borrowings	* 1,478	-
Current portion of long-term borrowings	* 1, * 4 3,985	* 1, * 4 5,530
Income taxes payable	3,566	901
Provision for bonuses	215	197
Provision for bonuses for directors (and other officers)	80	52
Provision for fulfillment of guarantees	50	53
Other	6,543	4,988
Total current liabilities	18,052	13,358
Non-current liabilities		
Long-term borrowings	* 1, * 4 44,906	* 1, * 4 41,991
Retirement benefit liability	11	11
Provision for share-based remuneration	40	56
Other	2,473	2,295
Total non-current liabilities	47,431	44,354
Total liabilities	65,483	57,712
<b>Net assets</b>		
Shareholders' equity		
Share capital	11,965	11,965
Capital surplus	6,445	6,445
Retained earnings	46,347	48,573
Treasury shares	(67)	(67)
Total shareholders' equity	64,690	66,916
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	2
Foreign currency translation adjustment	(73)	(292)
Total accumulated other comprehensive income	(69)	(289)
Share Acquisition Rights	11	16
Non-controlling interests	177	3,129
Total net assets	64,809	69,773
Total liabilities and net assets	130,293	127,485

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

## Consolidated Statement of Income

(Unit: million yen)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Net sales	73,218	59,632
Cost of sales	* 149,189	* 144,549
Gross profit	24,028	15,083
Selling, general and administrative expenses	* 27,456	* 27,170
Operating profit	16,571	7,912
Non-operating income		
Interest income	45	43
Dividend income	0	0
Penalty income	159	-
Foreign exchange gains	-	33
Subsidy income	1	154
Other	53	38
Total non-operating income	260	270
Non-operating Expenses		
Interest expenses	455	502
Foreign exchange losses	78	-
Loss on investments based on equity method	1	55
Provision of allowance for doubtful accounts	0	-
Other	168	99
Total non-operating expenses	704	658
Ordinary profit	16,127	7,524
Extraordinary income		
Gain on sales of non-current assets	* 33	* 31
Total extraordinary income	3	1
Extraordinary loss		
Loss on sales of non-current assets	-	0
Loss on retirement of non-current assets	-	5
Impairment loss	* 444	* 451
Other	-	6
Total extraordinary loss	44	63
Profit before income taxes	16,086	7,462
Income taxes - current	5,552	3,295
Income taxes - deferred	(49)	(70)
Total income taxes	5,503	3,224
Profit	10,583	4,238
Loss attributable to non-controlling interests	(83)	(36)
Profit attributable to owners of parent	10,666	4,274

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Profit	10,583	4,238
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	49	(230)
Total other comprehensive income	* 48	* (231)
Comprehensive Income	10,632	4,006
Comprehensive income attributable to		
Owners of parent	10,720	4,054
Non-controlling interests	(88)	(47)

## (iii) Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2020

(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	37,557	(67)	55,900
Changes during period					
Dividends of surplus			(1,877)		(1,877)
Profit attributable to owners of parent			10,666		10,666
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	8,789	-	8,789
Balance at end of the period	11,965	6,445	46,347	(67)	64,690

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference Total net assets on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	3	(126)	(123)	5	77	55,860
Changes during period						
Dividends of surplus						(1,877)
Profit attributable to owners of parent company						10,666
Change in ownership interest of parent due to transactions with non-controlling interests						-
Net changes in items other than shareholders' equity, net	(0)	53	53	5	100	159
Total changes during period	(0)	53	53	5	100	8,949
Balance at end of the period	3	(73)	(69)	11	177	64,809

For the fiscal year ended March 31, 2021

(Unit: million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	11,965	6,445	46,347	(67)	64,690
Changes during period					
Dividends of surplus			(2,047)		(2,047)
Profit attributable to owners of parent			4,274		4,274
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	2,226	-	2,226
Balance at end of the period	11,965	6,445	48,573	(67)	66,916

	Accumulated other comprehensive income			Share Acquisition Rights	Non-controlling interests	Total net assets
	Valuation difference Total net assets on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	3	(73)	(69)	11	177	64,809
Changes during period						
Dividends of surplus						(2,047)
Profit attributable to owners of parent						4,274
Change in ownership interest of parent due to transactions with non-controlling interests						(0)
Net changes in items other than shareholders' equity, net	(0)	(219)	(219)	4	2,952	2,737
Total changes during period	(0)	(219)	(219)	4	2,952	4,963
Balance at end of the period	2	(292)	(289)	16	3,129	69,773



## (iv) Consolidated Statements of Cash Flows

(Unit: million yen)

	For the year ended March 31,2020	For the year ended March 31,2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	16,086	7,462
Depreciation	* 2 1,301	* 2 1,346
Impairment loss	44	51
Amortization of goodwill	109	110
Increase (decrease) in allowance for doubtful accounts	10	18
Increase (decrease) in provision for bonuses	27	(19)
Increase (decrease) in provision for bonuses for directors (and other officers)	10	(27)
Increase (decrease) in provision for fulfillment of guarantees	18	2
Increase (decrease) in provision for share-based remuneration	15	16
Interest and dividend income	(45)	(44)
Subsidy income	(1)	(154)
Interest expenses	455	502
Loss (gain) on investments based on equity method	1	55
Loss (gain) on sales of non-current assets	(3)	(1)
Loss (gain) on retirement of non-current assets	-	5
Decrease (increase) in trade receivables	481	(2,688)
Decrease (increase) in inventories	(16,962)	4,377
Increase (decrease) in trade payables	1,644	(1,509)
Other	(735)	1,488
Subtotal	2,458	10,993
Interest and dividends received	42	48
Interest paid	(464)	(497)
Income taxes (paid) refund	(4,735)	(5,964)
Proceeds from subsidy income	1	154
Net cash provided by (used in) operating activities	(2,697)	4,733
<b>Cash flows from investing activities</b>		
Payments into time deposits	(2,075)	(530)
Proceeds from withdrawal of time deposits	2,165	1,574
Purchase of property, plant and equipment	(2,859)	(319)
Proceeds from sales of property, plant and equipment	12	3
Purchase of intangible assets	(46)	(25)
Payments of guarantee deposits	(1,614)	(221)
Other	(22)	(30)
Net cash provided by (used in) investing activities	(4,441)	451
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	478	(564)
Proceeds from long-term borrowings	27,800	19,990
Repayments of long-term borrowings	(20,895)	(21,461)
Dividends paid	(1,875)	(2,046)
Proceeds from share issuance to non-controlling shareholders	188	3,000
Other	(158)	(67)
Net cash provided by (used in) financing activities	5,535	(1,150)
Effect of exchange rate change on cash and cash equivalents	63	(110)
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	(1,539)	3,924
Cash and cash equivalents at beginning of period	18,933	17,394

(Unit: million yen)

	For the year ended March 31,2020	For the year ended March 31,2021
Cash and cash equivalents at end of period	*117,394	*121,319

## Notes

(Notes on Going Concern Assumption)

Not applicable.

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

### 1. Scope of Consolidation

All subsidiaries are consolidated.

#### (1) Number of consolidated subsidiaries

21 companies

Names of consolidated subsidiaries

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

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

Kouwa Corporation changed its company name to SF Engineering Inc. on April 1, 2020. Inlite Co., Ltd., a subsidiary of the said company, ceased to exist as a result of an absorption-type merger with SF Engineering Inc. as the surviving company. Sun Frontier Fudousan Investment Advisory Co., Ltd., was excluded from the scope of consolidation because it was dissolved as a result of an absorption-type merger with the Company as the surviving company.

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

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

### 2. Application of Equity Method

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

2 companies

Name of equity-method affiliate

Power Consulting Networks Co., Ltd.  
SKY ESTATE Inc.

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

Not applicable.

### 3. Fiscal year of consolidated subsidiaries

Consolidated domestic subsidiaries and Sun Frontier Fudousan Taiwan Co., Ltd. close their books on March 31, and SUN FRONTIER VIETNAM CO., LTD., SUN FRONTIER DANANG CO., LTD., PT. SUN FRONTIER INDONESIA, PT. SUN FRONTIER PROPERTY ONE, Sun Frontier NY Co., Ltd., 340 West 48 SG LLC, 439 West 46 SG LLC and RIVERSIDE STUDIOS LLC close their books on December 31.

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

### 4. Matters concerning Accounting Policies

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

##### (i) Securities

Other securities (available-for-sale securities)

##### A. Securities with market quotations

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

##### B. Securities without market quotations

Stated at cost using the moving-average method.

##### (ii) Inventories

##### (a) Real estate for sale, 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.

##### (b) 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.)

##### (c) Supplies

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

#### (2) Depreciation or amortization method for significant depreciable assets

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

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

The estimated useful lives are as follows:

Buildings 3 to 29 years

Other 2 to 15 years

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

##### (ii) Intangible assets

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

(3) Significant provisions

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

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

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

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

(iv) Provision for fulfillment of guarantees

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

(v) Provision for share-based remuneration

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

(4) 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.

(5) Standards for recording significant revenues and expenses

Standards for recording completed construction and completed construction costs

A. Construction work for which the outcome of the construction activity is deemed certain at the end of the current consolidated fiscal year

The percentage of completion method is applied (the percentage of completion of construction activity is estimated by the incurred cost).

B. Other construction

Construction completion method is applied.

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

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

(7) Amortization methods and periods for Goodwill

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

(8) Scope of Funds in the Consolidated Statements of Cash Flows

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

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

(i) Accounting for consumption taxes

The tax exclusion method is applied.

Non-deductible consumption taxes are included in expenses for the current fiscal year.

(ii) Application of consolidated tax payment system

Consolidated taxation system is applied.

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

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

(Significant Accounting Estimates)

1. Assessment of real estate for sale, etc.

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

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

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

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

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

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

2. Non-current assets impairment

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

Non-current assets related to hotel development business and Hotel Operation Business	8,541 million yen
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(2) Information on significant accounting estimates related to the identified items

Due to the impact of the spread of COVID-19, the occupancy rate of hotel rooms has decreased and profitability has declined. As a result, signs of impairment have emerged as a significant deterioration in the business environment. Impairment losses are losses based on a comparison of the estimated undiscounted future cash flows over the remaining economic useful lives of the hotel's major assets with the carrying amounts of the hotel's asset groups.

The business plan of the hotel, which is the basis of future cash flows, has been formulated under the policy of conducting long-term management, based on important assumptions including the forecast of the occupancy rate of hotel rooms, etc., as well as the assumption of future market conditions and the forecast of the convergence time of the COVID-19.

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

(Accounting Standards Not Yet Applied)

#### 1. Accounting Standard for revenue recognition

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)
- "Implementation Guidance on Disclosure of Fair Value, etc. of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

##### (1) Overview

It is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following 5 steps:

Step 1: Identify the contracts with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when or as the entity satisfies a performance obligation.

##### (2) Scheduled application date

Applicable from the beginning of the fiscal year ending March 2022.

##### (3) Impact of application of accounting standards

The adoption of the accounting standard for revenue recognition has no material impact on the consolidated financial statements.

#### 2. Accounting standard for calculation of fair value

- "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Calculation of Market Value" (ASBJ Guidance No. 31, July 4, 2019)
- "Accounting Standard for Valuation of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Disclosure of Fair Value, etc. of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

##### (1) Overview

"Accounting Standard for Calculation of Market Value" and "Implementation Guidance on Accounting Standard for Calculation of Market Value" (hereinafter referred to as "Accounting Standard for Calculation of Market Value, etc.") was developed to improve comparability with international accounting standards. Guidance on how to calculate market value has been established. Market value accounting standards, etc. are applied to market values of the following items.

- "Financial instruments under the accounting standard" for financial instruments
- Inventories held for trading purposes under the "accounting standard for valuation of inventories"

In addition, the "Implementation Guidance on Disclosure of Fair Value of Financial Instruments, etc." was revised and notes on the breakdown of fair value of financial instruments by level were established.

##### (2) Scheduled application date

Applicable from the beginning of the fiscal year ending March 2022.

##### (3) Impact of application of accounting standards

The effect is being evaluated at the time of preparation of the consolidated financial statements.

(Change of Presentation Method)

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

Accounting Standard for Disclosure of Accounting Estimates" (Accounting Standards Board of Japan (ASBJ) Statement No. 31, March 31, 2020) has been applied from the end of this consolidated fiscal year and significant accounting estimates have been included in the consolidated financial statements.

However, in the notes, the content for the previous consolidated fiscal year is not stated in accordance with the transitional treatment provided in the proviso to Paragraph 11 of the Accounting Standard.

(Related to Consolidated Balance Sheet)

"Construction warrantee reserve," which was separately listed in "Current liabilities" in the previous fiscal year, is included in "Other" rather than "current consolidated fiscal year" due to their decreasing materiality. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, in Consolidated Balance Sheet in the previous fiscal year, "Construction warrantee reserve" of 2 million yen and "Other" of 6,540 million yen which were included in "Current liabilities," have been reclassified as "Other" of 6,543 million yen.

(Related to Consolidated Statement of Income)

"Subsidy income," which was included in "Other" of "Non-operating income" in the previous fiscal year, is listed separately from "current consolidated fiscal year" because it exceeded 10/100 of the total amount of non-operating income. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, in Consolidated Statement of Income in the previous fiscal year, 55 million yen presented in "Other" under "Non-operating income" has been reclassified as 1 million in "Subsidy income" and 53 million yen in "Other."

"Borrowing related expenses," which was separately listed in "Non-operating Expenses" in the previous fiscal year, is included in "Other" from current consolidated fiscal year because it is less than 10/100 of the total amount of non-operating expenses. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, in Consolidated Statement of Income in the previous fiscal year, "Borrowing related expenses" of 158 million yen and "Other" of 10 million yen, which were presented in "Non-operating Expenses," have been reclassified as "Other" of 168 million yen.

(Consolidated Statements of Cash Flows)

"Increase (decrease) in construction warrantee reserve" and "Borrowing related expenses", which were separately listed in "Cash flows from operating activities" in the previous fiscal year, are included in "Other" from current consolidated fiscal year due to their decreasing materiality. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, in the consolidated statements of cash flows for the previous fiscal year, " Increase (decrease) in construction warrantee reserve " of negative 5 million yen "Borrowing related expenses" of 158 million yen and "Other" of negative 887 million yen which had been in "Cash flows from operating activities," have been reclassified as "Other" of negative 735 million yen.

"Proceeds from borrowing related expenses," which was separately listed in "Cash flows from financing activities" in the previous fiscal year, is included in "Other" rather than "current consolidated fiscal year" due to their decreasing materiality. "Income from payments from non-controlling shareholders", which was included in "Other," is presented separately from current consolidated fiscal year due to its increased materiality. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, "Proceeds from borrowing related expenses" of negative 158 million yen and "Other" of 187 million yen, which were included in "Cash flows from financing activities" in the consolidated cash flow statement for the previous fiscal year, have been reclassified as "Proceeds from purchases by non-controlling interests" of 188 million yen and "Other" of negative 158 million yen respectively.



(Additional Information)

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

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

(i) Overview of transaction

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

The Company will grant points to employees who satisfy certain conditions at the end of the fiscal year, and when they acquire the right to receive benefits, the Company shares corresponding to the granted points will be delivered. The shares to be granted to employees are acquired in the future with the money set in trust in advance and managed separately as trust assets. The total amount method is applied to the Employee Stock Ownership Plan (J-ESOP) in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Shares to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015).

(ii) Own shares remaining in the trust

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

(Related to Consolidated Balance Sheet)

\* 1 Collateralized assets and liabilities

(1) Assets pledged as collateral are as follows.

	For the year ended March 31, 2020	For the year ended March 31, 2021
Real estate for sale	7,511 million yen	9,180 million yen
Real estate for sale in process	70,763	69,524
Buildings	899	849
Land	6,533	6,533
Other	1,526	1,568
<b>Total</b>	<b>87,234 million yen</b>	<b>87,656 million yen</b>

(2) Collateralized obligations are as follows.

	For the year ended March 31, 2020	For the year ended March 31, 2021
Short-term borrowings	478 million yen	-million yen
Current portion of long-term borrowings	3,386	5,010
Long-term borrowings	44,837	39,496
<b>Total</b>	<b>48,702 million yen</b>	<b>44,507 million yen</b>

\* 2 Items relating to affiliated companies are as follows.

	For the year ended March 31, 2020	For the year ended March 31, 2021
Other (Subsidiaries' and affiliates' stocks)	206 million yen	149 million yen

3. Contingent Liabilities

Liability guarantee by rent guarantee

	For the year ended March 31, 2020	For the year ended March 31, 2021
(Guarantor)		
Customers pertaining to Rent Guarantee Business (amount equivalent to the guarantee limit)	38,338 million yen	40,048 million yen
Provision for fulfillment of guarantees	(50)	(53)
<b>Total</b>	<b>38,287 Million yen</b>	<b>39,994 Million yen</b>

\* 4 The Company and its consolidated subsidiaries have entered into overdraft agreements and loan commitment agreements with 14 banks (13 banks in the previous fiscal year) to procure funds for the construction of hotels.

The balance of outstanding borrowings related to overdraft agreements and loan commitments at the end of the consolidated fiscal year is as follows.

	For the year ended March 31, 2020	For the year ended March 31, 2021
Total amount of overdraft credit lines and loan commitments	18,920 million yen	16,500 million yen

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Outstanding borrowings	12,633	12,800
Net amount	6,287 million yen	3,700 million yen

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(Related to Consolidated Statement of Income)

\* 1 The year-end inventory amount is amount after book value reduction by decline in profitability and the next inventories unrealized loss is included in Cost of sales.

For the year ended March 31, 2020	For the year ended March 31, 2021
751 million yen	426 million yen

\* 2 Major expense items and amount in selling, general and administrative expenses are as follows.

	For the year ended March 31, 2020	For the year ended March 31, 2021
Sales commission	969 million yen	852 million yen
Salaries and allowances	2,258	2,363
Retirement benefit costs	57	63
Provision for bonuses provision	174	162
Provision for bonuses for directors (and other officers) provision	80	52
Provision for share-based remuneration provision	14	14
Allowance for doubtful accounts provision	0	0
Commission paid	833	849

\* 3 The breakdown of gain on sales of non-current assets is as follows.

	For the year ended March 31, 2020	For the year ended March 31, 2021
Buildings and Land	3 million yen	- million yen
Other (vehicle carrier)	0	1
Total	3 million yen	1 million yen

\* 4 Impairment loss

The Company recorded impairment loss for the following asset groups.

For the year ended March 31, 2020

Location	Use	Type	Impairment loss (Millions of yen)
Chuo-ku	Business assets	Facilities attached to buildings, etc.	17
Sado City, Niigata Prefecture	Business assets	Vehicle carrier	5
		Goodwill	21

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

As a result of a review of the company's future revenue outlook for business assets, etc. held by some consolidated subsidiaries, the recoverable amount of the cash-generating unit (asset group) fell below the book value. Therefore, the book value was reduced to the recoverable amount and the decrease was recorded in extraordinary loss. The breakdown is 17 million yen for facilities attached to buildings, etc., 5 million yen for vehicle carriers, and 21 million yen for goodwill.

The recoverable amount of the asset or asset group is measured by the net selling price or the value in use. The net selling price is calculated based on the non-current assets tax valuation, and the value in use is 0 because future cash flows are not expected.

For the year ended March 31, 2021

Location	Use	Type	Impairment loss (Millions of yen)
Minato-ku	Business assets	Facilities attached to buildings, etc.	3
Chiyoda-ku	Business assets	Facilities attached to buildings, etc.	3
		Goodwill	44

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

As a result of a review of the company's future revenue outlook for business assets, etc. held by some consolidated subsidiaries, the recoverable amount of the cash-generating unit (asset group) fell below the book value. Therefore, the book value was reduced to the recoverable amount and the decrease was recorded in extraordinary loss. The breakdown is 6 million yen in facilities attached to buildings and others and 44 million yen in goodwill.

The recoverable amount of the asset or asset group is measured by the net selling price or the value in use. The net selling price is calculated based on the non-current assets tax valuation, and the value in use is 0 because future cash flows are not expected.

(Consolidated statements of Comprehensive Income)

\* Reclassification adjustment and tax effect related to other comprehensive income

	For the year ended March 31, 2020	For the year ended March 31, 2021
Valuation difference on available-for-sale securities		
Current amount incurred	(0)Million yen	(0)Million yen
Reclassification adjustment	-	-
Before tax effect adjustment	(0)	(0)
Tax effect	0	0
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment		
Current amount incurred	49	(230)
Total other comprehensive income	48	(231)

## (Notes to Consolidated Statement of Changes in Equity)

For the year ended March 31, 2020

## 1. Total number of issued shares

Type of shares	Beginning of 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

(Summary of Reasons for Change)

Not applicable.

## 2. Matters concerning Treasury shares

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

Note: The number of Treasury shares in common shares, includes the Company's share of 56,500 held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

(Summary of Reasons for Change)

Not applicable.

## 3. Matters related to Share Acquisition Rights

Company Name	Breakdown	Type of shares to be issued	Number of shares to be issued (shares)				Balance at the end of current consolidated fiscal year (million yen)
			Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year	
Submitting company	2018 Share Acquisition Rights as Stock Option	-	-	-	-	-	5
Submitting company	2019 Share Acquisition Rights as Stock Option	-	-	-	-	-	5
Total			-	-	-	-	11

## 4. Matters concerning dividends

## (1) Cash dividends paid

Resolution	Type of shares	Total dividends (million yen)	Dividends per share (yen)	Base date	Effective date
June 21, 2019 Annual General Meeting of Shareholders	Common shares	1,877	38.50	March 31, 2019	June 24, 2019

Note: The total amount of dividends decided at the Annual General Meeting of Shareholders on June 21, 2019 includes dividends of 2 million yen for the Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

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

Resolution	Type of shares	Source of dividends	Total amount of dividends (million yen)	Dividends per share (yen)	Base date	Effective date
Annual General Meeting of Shareholders, June 23, 2020	Common shares	Retained earnings	2,047	42.00	March 31, 2020	June 24, 2020

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

For the year ended March 31, 2021

1. Total number of issued shares

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

(Summary of Reasons for Change)

Not applicable.

2. Matters concerning Treasury shares

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

Note: The number of Treasury shares in common shares, includes the Company's share of 56,500 held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

(Summary of Reasons for Change)

Not applicable.

3. Matters related to Share Acquisition Rights

Company Name	Breakdown	Type of shares to be issued	Number of shares to be issued (shares)				Balance at the end of the current consolidated fiscal year (million yen)
			Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year	
Submitting company	2018 Share Acquisition Rights as Stock Option	-	-	-	-	-	5
Submitting company	2019 Share Acquisition Rights as Stock Option	-	-	-	-	-	5
Submitting company	2020 Share Acquisition Rights as Stock Option	-	-	-	-	-	4
Total			-	-	-	-	16

4. Matters concerning dividends

(1) Cash dividends paid

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

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

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

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



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

(Consolidated Statements of Cash Flows)

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

	For the year ended March 31, 2020	For the year ended March 31, 2021
Cash and time deposits account	18,627 million yen	21,508 million yen
Time deposits with a deposit period of more than three months	(1,233)	(189)
Cash and cash equivalents	17,394 million yen	21,319 million yen

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

	For the year ended March 31, 2020	For the year ended March 31, 2021
	965 million yen	1,023 million yen

(Lease Transactions)

Operating lease transactions

(Lessee)

Future minimum lease payments for non-cancelable operating lease transactions

	For the year ended March 31, 2020	For the year ended March 31, 2021
Within one year	1,222 million yen	1,337 million yen
> 1 yr	16,337	17,116
Total	17,560 million yen	18,453 million yen

(Financial Instruments)

1. Items relating to financial instruments

(1) Policy on financial instruments

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

(2) Content 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.

(3) Risk management system for financial instruments

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

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

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

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

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

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

(4) Supplementary explanation of fair value of financial instruments

The fair values of financial instruments include values based on market prices and reasonably calculated values if there is no market price. Since variable factors are incorporated in the calculation of the value, the value may fluctuate by adopting different assumptions, etc.

## 2. Fair value of financial instruments

The amount, fair value and the difference between the Consolidated Balance Sheets are as follows.

For the year ended March 31, 2020

	Consolidated Balance Sheet amount (million yen)	Market value (million yen)	Difference (million yen)
Cash and deposits	18,627	18,627	-
Total assets	18,627	18,627	-
Long-term borrowings (including current portion)	48,891	48,359	(531)
Total liabilities	48,891	48,359	(531)
Derivative transaction	-	-	-

For the year fiscal year March 31, 2021

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

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

### Asset

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

### Liabilities

#### Long-term borrowings

The market value of long-term borrowings is calculated by discounting the total amount (\*) of the long-term borrowings divided by a certain period by the interest rate assumed for similar new loans.

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

### Derivative transaction

(I) Items for which hedge accounting is not applied

Not applicable.

(ii) Hedge accounting is applied

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

2. Consolidated Balance Sheet values of financial instruments for which it is extremely difficult to ascertain their fair values

(Unit: millions of yen)

Classification	For the year ended March 31, 2020	For the year ended March 31, 2021
Subsidiaries' and affiliates' stocks	206	149
Unlisted stock	2	2

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

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

For the year ended March 31, 2020

	Within 1 year (million yen)	Over 1 year and within 5 years (million yen)	Over 5 years and within 10 years (million yen)	Over 10 years (million yen)
Cash and deposits	18,627	-	-	-
Total	18,627	-	-	-

For the year ended March 31, 2021

	Within 1 year (million yen)	Over 1 year and within 5 years (million yen)	Over 5 years and within 10 years (million yen)	Over 10 years (million yen)
Cash and deposits	21,508	-	-	-
Total	21,508	-	-	-

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

For the year ended March 31, 2020

	Within 1 year (million yen)	Over 1 year and within 5 years (million yen)	Over 5 years and within 10 years (million yen)	Over 10 years (million yen)
Short-term borrowings	478	-	-	-
Long-term borrowings	3,985	43,595	717	593
Total	4,463	43,595	717	593

For the year ended March 31, 2021

	Within 1 year (million yen)	Over 1 year and within 5 years (million yen)	Over 5 years and within 10 years (million yen)	Over 10 years (million yen)
Short-term borrowings	-	-	-	-
Long-term borrowings	5,530	39,261	2,446	283
Total	5,530	39,261	2,446	283

(Securities)

Other securities (available-for-sale securities)

For the year ended March 31, 2020

Omitted due to lack of importance.

For the year ended March 31, 2021

Omitted due to lack of importance.

(Derivative Transactions)

1. Derivative transactions for which hedge accounting is not applied

Not applicable.

2. Derivative transactions for which hedge accounting is applied

Interest rate related

For the year ended March 31, 2020

Omitted due to lack of importance.

For the year ended March 31, 2021

Omitted due to lack of importance.

(Retirement Benefits)

1. Overview of stated retirement benefit plans

The Company and certain of its consolidated subsidiaries implement the contribution pension plans.

Certain consolidated subsidiaries implement the lump-sum retirement allowance plans and apply the simplified method for calculating retirement benefit liability and retirement benefit expenses.

2. Defined benefit plan applying simplified method

(1) Reconciliation of beginning and ending balances of retirement benefit liability under the system to which the simplified method is applied

	For the year ended March 31, 2020	For the year ended March 31, 2021
Beginning balance of Retirement benefit liability	14 million yen	11 million yen
Retirement benefit costs	0	-
Payments for retirement benefits	3	0
Retirement benefit liability balance at end of year	11	11

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

	For the year ended March 31, 2020	For the year ended March 31, 2021
Unfunded retirement benefit obligation	11 million yen	11 million yen
Net liabilities and assets recorded in Consolidated Balance Sheet	11	11
Retirement benefit liability	11	11
Net liabilities and assets recorded in Consolidated Balance Sheet	11	11

(3) Retirement benefit expenses

Retirement benefit expenses calculated using the simplified method

For the year ended		For the year ended	
March 31, 2020	0 million yen	March 31, 2021	- million yen

3. Defined Contribution Plan

The amount required to be contributed by the Company and its consolidated subsidiaries to the defined contribution plan was 57 million yen for the year ended March 31, 2020 and 66 million yen for the year ended March 31, 2021.

(Stock Options, etc.)

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

	For the year ended March 31, 2020	For the year ended March 31, 2021
Selling, general and administrative expenses Stock remuneration costs	5,000,000 yen	4,000,000 yen

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

(1) Details of stock options

Company Name	Submitting company	Submitting company
Date of resolution	June 22, 2018	June 21, 2019
Category and number of grantees	4 Directors (excluding Outside Director) of the Company	4 Directors (excluding Outside Director) of the Company
Type and number of shares granted	Common shares 5240 shares	Common shares 7400 shares
Grant date	July 31, 2018	July 31, 2019
Vesting conditions	Share Acquisition Rights holders may exercise their Share Acquisition Rights in a lump sum during the period from the day following the day on which they lose their position as Director of the Company to the day on which ten days have elapsed.	Share Acquisition Rights holders may exercise their Share Acquisition Rights in a lump sum during the period from the day following the day on which they lose their position as Director of the Company to the day on which ten days have elapsed.
Applicable service period	There are no applicable service periods.	There are no applicable service periods.
Exercise period	August 1, 2018 to July 31, 2048	August 1, 2019 to July 31, 2049

Company Name	Submitting company
Date of resolution	June 30, 2020
Category and number of grantees	4 Directors (excluding Outside Director) of the Company
Type and number of shares granted	Common shares 11120 shares
Grant date	July 31, 2020
Vesting conditions	Share Acquisition Rights holders may exercise their Share Acquisition Rights in a lump sum during the period from the day following the day on which they lose their position as Director of the Company to the day on which ten days have elapsed.
Applicable service period	There are no applicable service periods.
Exercise period	August 1, 2020 to July 31, 2050

(2) Size and changes in stock options

As for stock options existing in current consolidated fiscal year (for the year ended March 31, 2021), the number of stock options is converted into the number of shares.

(i) Number of stock options

Company Name	Submitting company	Submitting company
Date of resolution	June 22, 2018	June 21, 2019
Before vesting (shares)		
End of previous fiscal year	-	-
Grant	-	-
Expiration	-	-
Vesting	-	-
Undecided balance	-	-
After the vesting of rights (shares)		
End of previous fiscal year	5,240	7,400
Vesting	-	-
Exercise of rights	-	-
Expiration	-	-
Unexercised balance	5,240	7,400

Company Name	Submitting company
Date of resolution	June 30, 2020
Before vesting (shares)	
End of previous fiscal year	-
Grant	11,120
Expiration	-
Vesting	11,120
Undecided balance	-
After the vesting of rights (shares)	
End of previous fiscal year	-
Vesting	11,120
Exercise of rights	-
Expiration	-
Unexercised balance	11,120



(ii) Unit price information

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

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

3. Method of estimating the fair value of stock options granted to current consolidated fiscal year

(1) Evaluation technique used Black-Scholes method

(2) Main basic figures and their estimation methods

Stock Price Volatility	Note: 1.	61.9%
Forecast Remaining Life	Note: 2.	12.0 years
Forecast Dividend	Note: 3.	42.0 yen per share
None risk interest rate	Note: 4.	0.13%

- Notes:
1. Calculated based on the stock price performance from July 2008 to July 2020.
  2. The Company estimates and calculates the length of forecast's tenure until retirement.
  3. Based on the annual dividend for the fiscal year ended March 31, 2020.
  4. The yield of government bonds corresponding to the remaining period of forecast is used.

4. Method of estimating the number of stock options vested

There are no applicable matters because the rights have been determined at the time of granting.

(Tax Effect Accounting)

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

	For the year ended March 31, 2020	For the year ended March 31, 2021
Deferred tax assets		
Inventories	743 million yen	1,000 million yen
Taxes and duties	69	66
Accounts payable	60	17
Accrued enterprise tax	214	49
Accrued expenses	76	77
Proceeds from uncompleted work	139	48
Provision for bonuses	65	97
Long-term accounts payable	17	17
Loss carried forward Note: 2.	282	917
Other	207	238
Subtotal deferred tax assets	1,876	2,532
Valuation allowance for loss carryforwards for tax purposes Note: 2.	(275)	(917)
Valuation allowance for future deductible temporary differences, etc.	(296)	(570)
Valuation allowance subtotal Note: 1.	(572)	(1,488)
Deferred tax assets total	1,303 million yen	1,044 million yen
Deferred tax liabilities		
Land valuation difference	146 million yen	45 million yen
Uncompleted construction expense	208	50
Market value valuation difference due to merger	74	-
Other	12	1
Deferred tax total liabilities	442 million yen	97 million yen
Deferred tax assets net	861 million yen	947 million yen

Deferred tax liabilities are included in "Other" in Consolidated Balance Sheet and non-current liabilities.

- Notes:
1. Valuation allowance increased by 916 million yen. This increase was mainly due to the additional recognition of 558 million yen in valuation allowance for loss carryforwards for tax purposes at consolidated subsidiary Sun Frontier Hotel Management Inc. and 74 million yen in valuation allowance for loss carryforwards for tax purposes at consolidated subsidiary Sky Heart Hotel Inc.
  2. Tax loss carryforwards and the deferred tax assets' amount by carryforward period

For the year ended March 31, 2020

	Within 1 year	> 1 year within 2 years	> 2 years within 3 years	> 3 years within 4 years	> 4 years within 5 years	> 5 years	Total
Tax loss carryforwards (a)	-	-	-	-	13	268	282 million yen
Valuation allowance	-	-	-	-	(13)	(262)	(275) million yen
Deferred tax assets (b)	-	-	-	-	-	6	6 million yen

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

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

For the year ended March 31, 2021

	Within 1 year	> 1 year within 2 years	> 2 years within 3 years	> 3 years within 4 years	> 4 years within 5 years	> 5 years	Total
Tax loss carryforwards (a)	-	-	-	14	1	902	917 million yen
Valuation allowance	-	-	-	(14)	(1)	(901)	(917) million yen
Deferred tax assets (b)	-	-	-	-	-	0	0 million yen

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

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

## 2. Reconciliation between the statutory effective tax rate and tax rate and the Corporate Income Taxes effective tax rate

	For the year ended March 31, 2020	For the year ended March 31, 2021
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Entertainment expenses, etc. permanently excluded from deductible expenses	0.4%	0.6%
Per capita inhabitant tax	0.1%	0.3%
Change in valuation allowance	3.1%	12.3%
Difference in applicable tax rate from consolidated subsidiaries	0.7%	(1.0)%
Tax credit	(0.6)%	(0.3)%
Other	(0.1)%	0.7%
Corporate Income Taxes share after applying tax effect accounting	34.2%	43.2%

(Business Combination, etc.)

(Common Control Transactions, etc.)

On November 1, 2020, the Company's hotel development business was transferred to Sun Frontier Hotel Management Inc., a consolidated subsidiary of the Company, through a corporate split (simplified absorption-type company split).

### 1. Purpose

The aim is to further expand services integrating hotel development and the hotel operation organization, hotel operation know-how will be utilized for hotel development, and by integrating development and management.

### 2. Overview of transaction

#### (1) Name and description of the target business

Name of business: Hotel Development Business

Business: Hotel construction and sales

#### (2) Date of business combination

November 1, 2020

(3) Legal form of business combination

Absorption-type company split (simplified absorption-type company split) in which the business is the split company and Sun Frontier Hotel Management Inc. is the successor company

(4) Name of the company after the company split

Sun Frontier Hotel Management Inc.

3. Overview of Accounting Treatment

Based on the "Accounting Standard for Business Combinations" and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," the Company accounts for these transactions under common control.

(Asset Retirement Obligations)

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

In addition, the amount which belongs to the burden of current consolidated fiscal year is calculated based on the expected occupancy period.

(Rental, etc. Real Estate)

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

For the year ended March 31, 2020, net rental income from such rental properties was 203 million yen (rent revenue is recorded in net sales and rental expenses are recorded in cost of sales).

For the year ended March 31, 2021, net rental income from such rental properties was 171 million yen (rent revenue is recorded in net sales and rental expenses are recorded in cost of sales).

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

(Unit: millions of yen)

		For the year ended March 31, 2020	For the year ended March 31, 2021
Consolidated Balance Sheet value	Beginning balance	2,227	2,174
	Middle Increase/Decrease	(52)	9
	Year-end balance	2,174	2,183
Year-end market value		4,454	4,447

- Notes:
1. The amount recorded in Consolidated Balance Sheet is amount cost deducting accumulated depreciation.
  2. The major decrease in increase/decrease during the previous fiscal year was due to depreciation (52 million yen). For the year ended March 31, 2021, the increase was mainly due to equipment upgrades (65 million yen) and the decrease was due to depreciation (56 million yen).
  3. Fair values at the end of the fiscal period are amount based on real estate appraisal reports by external real estate appraisers or amount adjusted using certain appraisal values or indicators.

(Segment Information, etc.)

## Segment information

### 1. Overview of Reportable Segments

The reportable segments of the Company are the constituent units of the company group for which separate financial information is available and which are subject to periodic review by the Board of Directors in order to determine the allocation of management resources and evaluate performance. The head office formulates comprehensive strategies for each type of product and service and conducts business activities.

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

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

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

The methods of accounting for the reportable business segments are the same as those described in “Significant matters that form the basis of preparation of consolidated financial statements” Reportable segment profit is based on ordinary profit (loss).

### 3. Information on Net Sales, Profit (loss), Assets and Liabilities for Each Reportable Segment

For the fiscal year ended March 31,2020

(Unit: million yen)

	Reportable segments				Other (Note: 1.)	Total	Adjustment (Note: 2.)	Amount on consolidated statement of income (Note: 3.)
	Real Estate Revitalization Business	Real Estate Service Business	Operation Business	Total				
Net sales								
Net sales to external customers	59,103	3,079	5,405	67,588	5,629	73,218	-	73,218
Internal sales or transfers between segments	958	396	-	1,354	29	1,384	(1,384)	-
Subtotal	60,061	3,476	5,405	68,943	5,659	74,602	(1,384)	73,218
Segment profit (loss)	18,855	2,253	(192)	20,917	1,419	22,337	(6,209)	16,127
Segment assets	101,581	621	2,375	104,578	4,360	108,939	21,353	130,293
Segment liabilities	54,912	1,286	347	56,547	4,038	60,585	4,898	65,483
Others								
Depreciation	1,057	0	97	1,155	16	1,172	129	1,301
Amortization of goodwill	-	-	83	83	47	130	-	130
Interest expenses	453	-	0	454	26	480	(25)	455
Income(loss) on investments based on equity method	-	-	-	-	-	-	(1)	(1)
Increase in Property, plant and equipment and intangible assets	1,612	8	176	1,797	9	1,807	143	1,951

- Notes:
- The "Other" segment is a business segment that is not included in the reportable segment and includes the rent guarantee business, overseas business, construction solutions business, etc.
  - Details of the "Adjustment" are as follows:
    - Adjustment in segment profit of negative 6,209 million yen includes elimination of intersegment transactions of negative 157 million yen and company-wide expenses of negative 6,052 million yen is not allocated to each reportable segment. Company-wide expenses are mainly selling, general and administrative expenses that are not attributable to reportable segments.
    - Adjustment in segment assets of 21,353 million yen include eliminations of intersegment transactions of 676 million yen and company-wide assets of 22,030 million yen that are not allocated to each reportable segment. Company-wide assets consist mainly of surplus operating funds (cash and time deposits and marketable securities) and administration department's assets that do not belong to any reportable segment.
    - Adjustment in segment liabilities of 4,898 million yen include elimination of intersegment transactions of 369 million yen and company-wide liabilities of 5,268 million yen that are not allocated to each reportable segment.
    - Adjustment of depreciation under the "Others" of 129 million yen includes depreciation of company-wide assets not allocated to each reportable segment of 129 million yen.
    - Adjustment of income(loss) on investments based on equity method under the "Others" of negative 1 million includes negative 1 million yen of income(loss) on investments based on equity method relating to company-wide assets not allocated to each reportable segment.
    - Adjustment of increase in property, plant and equipment and intangible assets under the "Others" of 143 million yen includes the 143 million yen increase in property, plant and equipment and intangible assets related to company-wide

assets not allocated to each reportable segment.

3. Segment profit is reconciled to ordinary profit (loss) in the consolidated statement of income.

For the fiscal year ended March 31, 2021

(Unit: million yen)

	Reportable segments				Other (Note: 1.)	Total	Adjustment (Note: 2.)	Amount on consolidated statement of income (Note: 3.)
	Real Estate Revitalization Business	Real Estate Service Business	Operation Business	Total				
Net sales								
Net sales to external customers	48,077	3,239	3,069	54,386	5,246	59,632	-	59,632
Internal sales or transfers	321	416	-	737	48	785	(785)	-
Subtotal	48,398	3,656	3,069	55,123	5,294	60,418	(785)	59,632
Segment profit (loss)	11,261	2,345	(1,266)	12,339	1,489	13,828	(6,304)	7,524
Segment assets	96,566	801	5,127	102,495	1,640	104,135	23,350	127,485
Segment liabilities	50,486	1,625	905	53,017	1,275	54,292	3,419	57,712
Others								
Depreciation	1,092	8	138	1,239	19	1,259	87	1,346
Amortization of goodwill	-	2	59	62	48	110	-	110
Interest expenses	463	-	-	463	4	467	35	502
Income(loss) on investments based on equity method	-	-	-	-	-	-	(55)	(55)
Increase in Property, plant and equipment and intangible assets	173	106	135	415	81	496	31	528

Notes: 1. The "Other" segment is a business segment that is not included in the reportable segment and includes the rent guarantee business, overseas business, construction solutions business, etc.

2. Details of the "Adjustment" are as follows:

- (1) Adjustment in segment profit of negative 6,304 million yen includes elimination of intersegment transactions of negative 229 million yen and company-wide expenses of negative 6,074 million yen not allocated to each reportable segment. Company-wide expenses are mainly selling, general and administrative expenses that are not attributable to reportable segments.
- (2) Adjustment in segment assets of 23,350 million yen include eliminations of intersegment transactions of 182 million yen and company-wide assets of 23,533 million yen that are not allocated to each reportable segment. Company-wide assets consist mainly of surplus operating funds (cash and time deposits and marketable securities) and administration department's assets that do not belong to any reportable segment.
- (3) Adjustment in segment liabilities of 3,419 million yen include elimination of intersegment transactions of 34 million yen and company-wide liabilities of 3,454 million yen that are not allocated to each reportable segment.
- (4) Adjustment of depreciation under the "Others" of 87 million yen includes depreciation of company-wide assets not allocated to each reportable segment of 87 million yen.
- (5) Adjustment of income(loss) on investments based on equity method in the "Others" of negative 55 million yen includes income(loss) on investments based on equity method of negative 55 million yen related to company-wide assets not allocated to each reportable segment.
- (6) Adjustment of increase in property, plant and equipment and intangible assets under the "Others" of 31 million yen includes the 31 million yen increase in property, plant and equipment and intangible assets related to company-wide assets not allocated to each reportable segment.

3. Segment profit is reconciled to ordinary profit (loss) in the consolidated statement income.



## Related Information

For the fiscal year ended March 31,2020

### 1. Information by product and service

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

### 2. Regional information

#### (1) Net sales

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

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

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

### 3. Information by major customers

(Unit: million yen)

Name of the customer	Net sales	Associated segment name
Pacific Five LLC	9,800	Real Estate Revitalization Business

For the fiscal year ended March 31,2021

### 1. Information by product and service

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

### 2. Regional information

#### (1) Net sales

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

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

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

### 3. Information by major customers

(Unit: million yen)

Name of the customer	Net sales	Associated segment name
SST West Special Purpose Company	8,510	Real Estate Revitalization Business

Information on non-current assets impairment loss by report segment

For the fiscal year ended March 31,2020

(Unit: million yen)

	Reportable segments				Other	Corporate and elimination	Total
	Real Estate Revitalization Business	Real estate services	Operations	Total			
Impairment loss	-	-	53	53	-	(8)	44

For the fiscal year ended March 31,2021

(Unit: million yen)

	Reportable segments				Other	Corporate and elimination	Total
	Real Estate Revitalization Business	Real Estate Service Business	Operation Business	Total			
Impairment loss	-	-	51	51	-	-	51

Information on goodwill amortization and unamortized balance by report segment

For the fiscal year ended March 31,2020

(Unit: million yen)

	Reportable segments				Other	Corporate and elimination	Total
	Real Estate Revitalization Business	Real Estate Service Business	Operation Business	Total			
Balance at end of the period	-	-	103	103	420	-	524

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

For the fiscal year ended March 31,2021

(Unit: million yen)

	Reportable segments				Other	Corporate and elimination	Total
	Real Estate Revitalization Business	Real Estate Service Business	Operation Business	Total			
Balance at end of the period	-	99	-	99	452	-	552

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

Information on negative goodwill gain by report segment

Not applicable.

Related Party Information

1. Transactions with related parties

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

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

For the fiscal year ended March 31,2020

There are no important matters to be stated.

For the fiscal year ended March 31,2021

There are no important matters to be stated.

(ii) Officers and major shareholders of the Company Submitting Consolidated Financial Statements (limited to individuals), etc.

For the fiscal year ended March 31,2020

There are no important matters to be stated.

For the fiscal year ended March 31,2021

There are no important matters to be stated.

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

For the fiscal year ended March 31,2020

There are no important matters to be stated.

For the fiscal year ended March 31,2021

Type	Name of the company, etc.	Location	Share capital or investment (million yen)	Contents of business or occupation	Percentage of voting rights owned (%)	Relationship with related parties	Contents of the transaction	Transaction amount (million yen)	Item	Year-end balance (million yen)
Companies in which the majority of voting rights are held by the officers and his/her relatives	TAM Incubator Co., Ltd.	Shinagawa-ku, Tokyo	50	Asset management	None	None	Sale of real estate	68	-	-
Companies in which the majority of voting rights are held by the officers and his/her relatives	TH Kosan Co., Ltd.	Urayasu, Chiba	1	Asset management	None	None	Sale of real estate	65	-	-
Companies in which the majority of voting rights are held by the officers and his/her relatives	SS DNAFORM	Urayasu, Chiba	1	Asset management	None	None	Real estate leasing	10	-	-

Notes: 1. Among the amount listed, consumption tax is not included in the transaction amount.

2. Sales of real estate and leasing of real estate are conducted under general terms and conditions similar to those for independent third party transactions.

2. Notes on Parent Company and Significant Associated Companies

Not applicable.

(Special Purpose Companies subject to Disclosure)

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

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

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

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

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

	For the fiscal year ended March 31,2020	For the fiscal year ended March 31,2021
Number of Special Purpose Companies	1 union	2 union
Total assets as of the latest balance sheet date (simple sum)	835 million yen	2,048 million yen
Total liabilities (simple sum)	35 million yen	85 million yen

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

For the fiscal year ended March 31,2020

(Unit: million yen)

	Transaction amount	Item	Amount
Chairman's Compensation (Note)	1	Net sales	1
Management Commission Income (Note)	0	Net sales	0

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

For the fiscal year ended March 31,2021

(Unit: million yen)

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

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

(Per share information)

	For the year ended March 31,2020	For the year ended March 31,2021
Net assets per share (yen)	1,326.93	1,368.14
Earnings per share (yen)	219.03	87.77
Fully diluted earnings per share (yen)	218.97	87.73

Note 1. Basis for calculation of earnings per share and fully diluted earnings per share is as follows.

	For the year ended March 31,2020	For the year ended March 31,2021
Earnings per share		
Profit attributable to owners of parent company (million yen)	10,666	4,274
Amount not attributable to common shareholders (million yen)	-	-
Profit attributable to owners of parent company for common shares (million yen)	10,666	4,274
Average number of shares (shares)	48,698,856	48,698,856
Fully diluted earnings per share		
Adjustment of profit attributable to owners of parent company (million yen)	-	-
Common shares increase (shares)	12,630	20,021
(including share acquisition rights (million yen)	(11)	(16)
Outline of dilutive shares not included in the calculation of fully diluted earnings per share because they have no dilutive effect		-

Note 2. Basis for calculation of net assets per share is as follows.

	For the year ended March 31,2020	For the year ended March 31,2021
Total net assets (million yen)	64,809	69,773
Amount of deduction from total net assets (million yen)	188	3,145
(including share acquisition rights (million yen)	(11)	(16)
(including non-controlling interests (million yen)	(177)	(3,129)
Net assets at year end available to common shares (million yen)	64,620	66,627
Number of common shares used for the calculation of net assets per share (shares)	48,698,856	48,698,856

Note 3. The Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP) are included in weighted average number of shares for the period in common shares and treasury shares deducted in the calculation of the total number of outstanding shares at the end of the fiscal year under review. The weighted average number of shares for the period of the Company's shares held by the trust account is 56,500 shares for the previous fiscal year and 56,500 shares for the current fiscal year. The number of shares at the end of the fiscal year is 56,500 shares for the previous fiscal year and 56,500 shares for the current fiscal year.

(Significant Subsequent Events)

Not applicable.

(iv) Consolidated supplementary schedule

Schedule of corporate bonds

Not applicable.

Borrowings and other details

Classification	Balance at beginning of the period (million yen)	Balance at end of the period (million yen)	Average interest rate (%)	Due date
Short-term borrowings	478	-	-	-
Long-term borrowings due within one year	3,985	5,530	0.97	-
Long-term borrowings (excluding those due within one year)	44,906	41,991	1.15	2022 - 2036
Total	49,369	47,521	-	-

- Notes:
1. The average interest rate is the weighted average interest rate on the year-end borrowings balance.
  2. The repayment schedule for Long-term borrowings (excluding those due within one year) for five (5) years after the Consolidated Balance Sheet date is as follows:

	Over 1 year and within 2 years (million yen)	Over 2 years and within 3 years (million yen)	Over 3 years and within 4 years (million yen)	Over 4 years and within 5 years (million yen)
Long-term borrowings	15,780	12,595	7,722	3,162

Asset retirement obligations

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

(2) Other

Quarterly information of current consolidated fiscal year

(Cumulative period)	1st Quarter	2nd Quarter	3rd Quarter	Current consolidated fiscal year
Net sales (million yen)	13,672	32,164	46,442	59,632
Quarterly profit before income taxes (million yen)	1,946	5,378	6,553	7,462
Quarterly profit attributable to owners of parent company (million yen)	1,238	3,459	4,059	4,274
Quarterly profit per share (yen)	25.43	71.04	83.35	87.77

(Accounting Period)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit (loss) per share (yen)	25.43	45.61	12.30	4.42

## 2. Non-Consolidated Financial Statements, etc.

(1) Non-Consolidated Financial Statements

(i) Non-Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2020	As of March 31, 2021
<b>Assets</b>		
Current assets		
Cash and time deposits	13,602	14,943
Account receivable	* 2 268	* 2 282
Real estate for sale	* 1 7,511	* 1 11,534
Real estate for sale in process	* 1 75,037	* 1 58,646
Short-term advance to affiliated company	120	390
Other	* 2 2,235	* 2 1,371
Allowance for doubtful accounts	(0)	(0)
Total current assets	98,774	87,167
Non-current assets		
Property, plant and equipment		
Buildings	* 1 1,333	* 1 661
Land	* 1 6,668	* 1 6,472
Other	* 1 1,604	* 1 1,614
Total property, plant and equipment	9,606	8,748
Intangible assets		
Other	134	111
Total intangible assets	134	111
Investments and other assets		
Subsidiaries' and affiliates' stocks	5,790	15,283
Long-term advance to affiliated company	2,811	1,243
Deferred tax assets	917	964
Other	* 2 4,204	* 2 1,427
Allowance for doubtful accounts	(531)	(218)
Total investments and other assets	13,192	18,701
Total non-current assets	22,933	27,561
Total assets	121,708	114,729



(Unit: million yen)

	As of March 31, 2020	As of March 31, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	* 2 1,918	* 2 966
Short-term borrowings	* 1, * 4 478	-
Current portion of long-term borrowings	* 1, * 4 3,386	* 1, * 4 3,258
Income taxes payable	3,447	194
Deposits payable	* 2 1,616	* 2 1,654
Provision for bonuses	138	125
Provision for bonuses for directors (and other officers)	76	50
Other	* 2 1,207	* 2 1,576
Total current liabilities	12,268	7,827
Non-current liabilities		
Long-term borrowings	* 1, * 4 42,097	* 1, * 4 36,629
Long-term deposits received	* 2 2,296	* 2 1,963
Provision for share-based remuneration	35	48
Other	75	56
Total non-current liabilities	44,505	38,696
Total liabilities	56,773	46,524
<b>Net assets</b>		
Shareholders' equity		
Share capital	11,965	11,965
Capital surplus		
Capital reserve	6,449	6,449
Capital surplus total	6,449	6,449
Retained earnings		
Legal reserve	13	13
Other retained earnings		
Retained earnings brought forward	46,559	49,825
Retained earnings total	46,572	49,838
Treasury shares	(67)	(67)
Total shareholders' equity	64,919	68,186
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3	2
Valuation and translation adjustments total	3	2
Share acquisition rights	11	16
Total net assets	64,934	68,204
Total liabilities and net assets	121,708	114,729

## (ii) Non-consolidated Statement of Income

(Unit: million yen)

	For the year ended March 31,2020	For the year ended March 31,2021
Net sales	* 164,472	* 142,002
Cost of sales	* 140,733	* 128,973
Gross profit	23,739	13,029
Selling, general and administrative expenses	* 1, * 25,981	* 1, * 25,011
Operating profit	17,757	8,017
Non-operating income		
Interest income	* 171	* 169
Dividend income	0	0
Penalty income	159	-
Reversal of allowance for doubtful accounts	-	312
Other	1	55
Total non-operating income	232	438
Non-operating Expenses		
Interest expenses	439	432
Allowance for doubtful accounts provision	491	-
Other	236	28
Total non-operating expenses	1,167	461
Ordinary profit	16,822	7,994
Extraordinary income		
Gain on extinguishment of tie-in shares	-	26
Other	1	-
Total extraordinary income	1	26
Extraordinary loss		
Loss on valuation of investments in capital of subsidiaries and associates	-	190
Loss on devaluation of subsidiaries' and affiliates' stocks	455	99
Other	-	6
Extraordinary loss total	455	296
Profit before income taxes	16,368	7,724
Income taxes - current	5,348	2,452
Income taxes - deferred	(102)	(42)
Total income taxes	5,245	2,409
Profit	11,122	5,314

Cost of sales specification

Classification	Note Number	For the year ended March 31,2020		For the year ended March 31,2021	
		Amount (million yen)	Percent distribution (%)	Amount (million yen)	Percent distribution (%)
Real Estate Revitalization Business cost					
Buildings Land		36,543	89.7	26,405	91.1
Expense		2,331	5.7	2,150	7.4
(including rent)		(595)		(436)	
(including Taxes and Public Charges)		(323)		(305)	
(including depreciation)		(1,013)		(1,011)	
Real Estate Revitalization Business cost total		38,875	95.4	28,556	98.6
Real Estate Service Business cost					
Outsourcing costs		324	0.8	308	1.1
Expense		7	0.0	11	0.0
Real Estate Service Business cost total		332	0.8	319	1.1
Operation Business cost					
Labor costs		5	0.0	-	-
Expense		-	-	-	-
(including rent)		(-)		(-)	
(including depreciation)		(-)		(-)	
Operation Business cost total		5	0.0	-	-
Other Business cost					
Outsourcing costs		108	0.3	79	0.3
Labor costs		5	0.0	5	0.0
Expense		1,408	3.5	12	0.0
Other Business cost total		1,521	3.7	97	0.3
Cost of sales		40,733	100.0	28,973	100.0

Note: Cost accounting is based on individual cost accounting.

## (iii) Non-Consolidated Statement of Changes in Equity

For the year ended March 31,2020

(Unit: million yen)

	Shareholders' equity							
	Share capital	Capital surplus		Legal reserve	Retained earnings		Treasury shares	Total shareholders' equity
		Capital reserve	Total capital surplus		Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of the period	11,965	6,449	6,449	13	37,314	37,327	(67)	55,674
Changes during period								
Dividends of surplus					(1,877)	(1,877)		(1,877)
Profit					11,122	11,122		11,122
Net changes in items other than shareholders' equity								
Total changes during period	-	-	-	-	9,245	9,245	-	9,245
Balance at end of the period	11,965	6,449	6,449	13	46,559	46,572	(67)	64,919

	Valuation and translation difference		Share acquisition rights	Net assets total
	Valuation difference on available-for-sale securities	Total valuation and translation difference		
Balance at beginning of the period	3	3	5	55,683
Changes during period				
Dividends of surplus				(1,877)
Profit				11,122
Net changes in items other than shareholders' equity	(0)	(0)	5	5
Total changes during period	(0)	(0)	5	9,251
Balance at end of the period	3	3	11	64,934

For the year ended March 31,2021

(Unit: million yen)

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

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

## Notes

### (Important Accounting Policies)

#### 1. Valuation standards and methods for assets

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

###### (i) Shares of subsidiaries and affiliates

Stated at cost using the moving-average method.

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

Securities with market quotations

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

Securities without market quotations

Stated at cost using the moving-average method.

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

Real estate for sale and real estate for sale in process

Stated at cost determined by the specific identification method (The figures shown in the balance sheet have been calculated by writing them down based on decline in profitability.) Leased assets are amortized in accordance with property, plant and equipment standards.

#### 2. Depreciation of non-current assets

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

The declining-balance method is applied.

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

The estimated useful lives are as follows:

Buildings	3 to 29 years
Other	2 to 15 years

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

##### (2) Intangible assets

The straight-line method is used

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

#### 3. Standards for provisions

##### (1) Allowance for doubtful accounts

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

##### (2) Provision for bonuses

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

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

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

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

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

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

##### Standards for recording completed construction and completed construction costs

(i) Construction work for which the outcome of the construction activity is deemed certain at the end of the current consolidated fiscal year

The percentage of completion method is applied (the percentage of completion of construction activity is estimated by the incurred cost).

(ii) Other construction

Construction completion method is applied.

#### 5. 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.

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

(1) Accounting for consumption taxes

Consumption tax and local consumption tax are accounted for by the tax exclusion method, and non-deductible consumption tax and local consumption tax are accounted for as expenses for the current fiscal year.

(2) Application of consolidated tax payment system

Consolidated taxation system is applied.

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

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

(Notes on Accounting Estimates)

1. Assessment of the real estate for sale

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

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

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

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

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

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

2. Non-current assets impairment

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

Non-current assets related to hotel development business	6,874 million yen
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(2) Information on significant accounting estimates related to the identified items

Due to the impact of the spread of COVID-19, the occupancy rate of hotel rooms has decreased and profitability has declined. As a result, signs of impairment have emerged as a significant deterioration in the business environment. Impairment losses are losses based on a comparison of the estimated undiscounted future cash flows over the remaining economic useful lives of the hotel's major assets with the carrying amounts of the hotel's asset groups.

The business plan of the hotel, which is the basis of future cash flows, has been formulated under the policy of conducting long-term management, based on important assumptions including the forecast of the occupancy rate of hotel rooms, etc., as well as the assumption of future market conditions and the forecast of the convergence time of the COVID-19.

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



(Change of Presentation Method)

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied from the end of the current fiscal year and significant accounting estimates are stated in the financial statements.

However, the notes do not include information pertaining to the previous fiscal year in accordance with the transitional treatment provided in the proviso to Paragraph 11 of the Accounting Standard.

(Non-Consolidated Balance Sheet)

"Construction warrantee reserve," which was separately listed in "current liabilities" in the previous fiscal year, was included in "other" from this fiscal year due to their decreasing materiality. The financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, in non-consolidated balance sheet in the previous fiscal year, "construction warrantee reserve" of 2 million yen and "other" of 1,205 million yen, which had been included in "current liabilities," have been reclassified as "other" of 1,207 million yen.

(Non-Consolidated Statement of Income)

"Borrowing related expenses," which was separately listed in "non-operating expenses" in the previous fiscal year, is included in "Other" from this fiscal year because it is less than 10/100 of the total amount of non-operating expenses. The financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, in non-consolidated statement of income in the previous fiscal year, "borrowing related expenses" of 153 million yen and "other" of 6 million yen, which had been included in "non-operating expenses," have been reclassified as "other" of 160 million yen.

(Additional Information)

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

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

(i) Overview of transaction

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

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

The total amount method is applied to the Employee Stock Ownership Plan (J-ESOP) in accordance with the "Practical Solution on Transactions of Delivering the Company's Own 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 at the end of the previous fiscal year were 67 million yen and 56,500 shares and at the end of the current fiscal year were 67 million yen and 56,500 shares.

(Related to Non-consolidated Balance Sheet)

\* 1. Assets pledged as collateral and corresponding obligations are as follows.

(1) Assets pledged as collateral

	As of March 31, 2020	As of March 31, 2021
Real estate for sale	7,511 million yen	9,180 million yen
Real estate for sale in process	70,309	58,203
Buildings	899	412
Land	6,533	6,398
Other	1,526	1,568
Total	86,780 million yen	75,763 million yen

(2) Liabilities for the above

	As of March 31, 2020	As of March 31, 2021
Short-term borrowings	478 million yen	- million yen
Current portion of long-term borrowings	3,386	2,862
Long-term borrowings	42,097	35,223
Total	45,962 million yen	38,086 million yen

\* 2. Assets and liabilities of affiliated companies (excluding those listed by category)

	As of March 31, 2020	As of March 31, 2021
Short-term cash receivables	232 million yen	302 million yen
Short-term cash debt	321	165
Long-term cash receivables	6	7
Long-term cash debt	103	-

3. Debt Guarantees

Guarantees for borrowings loans by financial institutions of affiliated companies

	As of March 31, 2020	As of March 31, 2021
Sun Frontier Okinawa Co., Ltd.	2,740 million yen	- million yen
Sun Frontier Hotel Management Inc.	-	6,721

\* 4. The Company has entered into overdraft agreements and loan commitment agreements with its banks (13 banks in the previous fiscal year) to procure funds for the construction of hotels, etc.

The balance of outstanding borrowings related to overdraft agreements and loan commitments at the end of the fiscal year is as follows.

	As of March 31, 2020	As of March 31, 2021
Total amount of overdraft credit lines and loan commitments	13,920 million yen	12,200 million yen
Outstanding borrowings	9,893	8,500
Net amount	4,027 million yen	3,700 million yen

(Related to Non-consolidated Statement of Income)

\* 1 Total amount of transactions with affiliated companies and transactions other than business transactions

	For the year ended March 31, 2020	For the year ended March 31, 2021
Operating transactions (revenue)	1,011 million yen	382 million yen
Operating transactions (expenses)	299	372
Non-operating transactions (revenue)	68	69

\* 2 Major expense items and amount in selling, general and administrative expenses are as follows.

	For the year ended March 31, 2020	For the year ended March 31, 2021
Sales commission	969 million yen	415 million yen
Commission paid	704	660
Salaries and allowances	1,799	1,826
Provision for bonuses provision	138	125
Provision for bonuses for directors (and other officers) provision	76	50
Provision for share-based remuneration	12	12
Allowance for doubtful accounts	0	0
Depreciation	81	88
Approximate percentage		
Selling costs	16.2%	8.3%
General and administrative expenses	83.8%	91.7%

(Change of Presentation Method)

"Taxes and public charges," which were presented as a major expense item in the previous fiscal year, are not presented as a major expense item in the current fiscal year due to their lack significance in amount.

"Taxes and public charges" for the previous fiscal year were 647 million yen.

(Securities)

Since there is no market price for shares of subsidiaries and affiliates and it is extremely difficult to ascertain the market value of shares of subsidiaries and affiliates, the market value of shares of subsidiaries and affiliates is not stated.

The non-consolidated balance sheet amounts of shares of subsidiaries and affiliates for which it is extremely difficult to ascertain their fair values are as follows.

Classification	(Unit: million yen)	
	As of March 31, 2020	As of March 31, 2021
Subsidiary stock	5,565	15,058
Shares of affiliates	224	224
Total	5,790	15,283

(Tax Effect Accounting)

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

	As of March 31, 2020	As of March 31, 2021
Deferred tax assets		
Inventories	542 million yen	594 million yen
Denial of loss on devaluation of subsidiaries' and affiliates' stocks	277	469
Accrued enterprise tax	200	39
Allowance for doubtful accounts	136	67
Taxes and duties	69	62
Accounts payable	57	13
Accrued expenses	43	41
Provision for bonuses	42	73
Long-term accounts payable	17	17
Unrealized loss non-current assets denied	8	8
Excess depreciation	2	2
Other	54	83
Subtotal deferred tax assets	1,452	1,474
Valuation allowance	(458)	(509)
Total deferred tax assets	993 million yen	965 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale securities	1 million yen	1 million yen
Market value valuation difference due to merger	74	-
Deferred tax total liabilities	76 million yen	1 million yen
Deferred tax net assets	917 million yen	964 million yen

2. Reconciliation between the statutory effective tax rate and the Corporate Income Taxes' effective tax rate

Omitted because the difference between the statutory effective tax rate and Corporate Income Taxes' contribution rate after the application of tax effect accounting is 5/100 or less of the statutory effective tax rate for both the previous and current fiscal year.

(Business Combination, etc.)

(Common Control Transactions, etc.)

Notes are omitted because the same contents are stated in "Notes (Business Combinations, etc.)" of the consolidated financial statements.

(Significant Subsequent Events)

Not applicable.

## (iv) Non-Consolidated Supplementary Schedule

Detailed statement of property, plant and equipment, etc.

(Unit: million yen)

Category	Type of asset	Balance at beginning of the fiscal year	Increase during the fiscal year ended March 31, 2021	Decrease during the fiscal year ended March 31, 2021	Current amortization	Balance at end of the fiscal year	Accumulated depreciation
Property, plant and equipment	Buildings	1,333	121	709	83	661	416
	Land	6,668	-	195	-	6,472	-
	Other	1,604	47	13	25	1,614	118
	Total	9,606	169	918	108	8,748	535
Intangible assets	Other	134	27	-	50	111	104
	Total	134	27	-	50	111	104

Notes: 1. Of the increase during the current period, the main items are as follows.

Buildings	Plant and equipment (sub-leases)	56 million yen
	Construction in progress (hotel)	40 million yen

2. Of the decrease during the year, the main items are as follows.

Buildings	Buildings (transfer of assets to Sun Frontier Hotel Management Inc.)	709 million yen
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## Schedule of allowances

(Unit: million yen)

Item	Balance at beginning of the fiscal year	Increase during the fiscal year ended March 31, 2021	Decrease during the fiscal year ended March 31, 2021	Balance at end of the fiscal year
Allowance for doubtful accounts	531	185	497	219
Provision for bonuses	138	125	138	125
Provision for bonuses for directors (and other officers)	76	50	76	50
Provision for share-based remuneration	35	12	-	48

## (2) Major assets and liabilities

Omitted because consolidated financial statements are prepared.

## (3) [Other]

Not applicable.

## Item. 6 Stock-Related Administration for the Company

Fiscal year	April 1 to March 31																																					
Annual General Meeting of Shareholders	June																																					
Record date	March 31																																					
Record date of dividends	Interim dividends: September 30 Year-end dividends: March 31																																					
Number of shares per unit	100 shares																																					
Purchase of shares less than one unit	(Special Account) 2-8-4 Izumi, Suginami-ku, Tokyo, Mizuho Trust & Banking Co., Ltd., Securities Agency (Special Account) Mizuho Trust & Banking Co., Ltd. 2-8-4 Izumi, Suginami-ku - Amount to be separately determined as the amount equivalent to the commission for the entrustment of the purchase and sale of shares																																					
Handling office																																						
Transfer agent																																						
Forward office																																						
Purchase and sales fee																																						
Publication method	The Company's method of public notice is electronic public notice. However, if the use of the electronic public notice becomes impossible, due to an accident or any other unavoidable reason, the public notices of the Company shall be made by publication in The Nihon Keizai Shimbun published in Tokyo. The URL for public notice of the Company is as follows. <a href="https://www.sunftr.co.jp/">https://www.sunftr.co.jp/</a>																																					
Special benefits to shareholders	The "Complimentary Coupon" for hotels operated by the Company is presented to shareholders listed on the shareholder register as of the end of March in accordance with the number of shares held. 1. Details of discount coupons <table border="1" data-bbox="491 1106 1406 1509"> <thead> <tr> <th>Type</th> <th>Target hotel</th> </tr> </thead> <tbody> <tr> <td>(i) Complimentary coupon 1,000 yen</td> <td>                     • HIYORI Ocean Resort Okinawa • HIYORI Chapter Kyoto Tribute Portfolio Hotel • HIYORI Hotel Maihama • HIYORI Hotel Osaka Namba Ekimae • Hiyori Hotel Tokyo Ginza East • Tabino Hotel Hida-Takayama • Tabino Hotel Sado • Tabino Hotel Kurashiki Mizushima • Tabino Hotel Kashima • Tabino Hotel Miyakojima (scheduled to open this summer) • Tabino Hotel Matsumoto (scheduled to open this summer) • COURTYARD BY MARRIOTT Osaka Honmachi • Sado Resort Hotel AZUMA                 </td> </tr> <tr> <td>(ii) Complimentary coupon 5,000 yen</td> <td></td> </tr> </tbody> </table> <p>* In HIYORI Ocean Resort Okinawa and COURTYARD BY MARRIOTT Osaka Honmachi, you can use it at restaurants in the building.</p> 2. Number of shares held and ranking by holding period <table border="1" data-bbox="491 1601 1406 2024"> <thead> <tr> <th rowspan="2">Number of shares held</th> <th rowspan="2">Holding period</th> <th colspan="2">Number of gifts</th> </tr> <tr> <th>(i) Complimentary coupon 1,000 yen</th> <th>(ii) Complimentary coupon 5,000 yen</th> </tr> </thead> <tbody> <tr> <td>100 shares or more but less than 300 shares</td> <td>-</td> <td>1 sheet</td> <td>-</td> </tr> <tr> <td>300 shares or more but less than 500 shares</td> <td>-</td> <td>-</td> <td>1 sheet</td> </tr> <tr> <td>500 shares or more and less than 1,000 shares</td> <td>-</td> <td>-</td> <td>2 sheets</td> </tr> <tr> <td>1,000 shares or more</td> <td>-</td> <td>-</td> <td>4 sheets</td> </tr> <tr> <td>500 shares or more and less than 1,000 shares</td> <td rowspan="2">3 years or more * 1</td> <td>-</td> <td>4 sheets</td> </tr> <tr> <td>1,000 shares or more</td> <td>-</td> <td>8 sheets</td> </tr> </tbody> </table> <p>* 1 Shareholders listed (or recorded) with the same shareholder number for three consecutive years or more on the shareholder register as of the end of March 2021.</p>			Type	Target hotel	(i) Complimentary coupon 1,000 yen	• HIYORI Ocean Resort Okinawa • HIYORI Chapter Kyoto Tribute Portfolio Hotel • HIYORI Hotel Maihama • HIYORI Hotel Osaka Namba Ekimae • Hiyori Hotel Tokyo Ginza East • Tabino Hotel Hida-Takayama • Tabino Hotel Sado • Tabino Hotel Kurashiki Mizushima • Tabino Hotel Kashima • Tabino Hotel Miyakojima (scheduled to open this summer) • Tabino Hotel Matsumoto (scheduled to open this summer) • COURTYARD BY MARRIOTT Osaka Honmachi • Sado Resort Hotel AZUMA	(ii) Complimentary coupon 5,000 yen		Number of shares held	Holding period	Number of gifts		(i) Complimentary coupon 1,000 yen	(ii) Complimentary coupon 5,000 yen	100 shares or more but less than 300 shares	-	1 sheet	-	300 shares or more but less than 500 shares	-	-	1 sheet	500 shares or more and less than 1,000 shares	-	-	2 sheets	1,000 shares or more	-	-	4 sheets	500 shares or more and less than 1,000 shares	3 years or more * 1	-	4 sheets	1,000 shares or more	-	8 sheets
Type	Target hotel																																					
(i) Complimentary coupon 1,000 yen	• HIYORI Ocean Resort Okinawa • HIYORI Chapter Kyoto Tribute Portfolio Hotel • HIYORI Hotel Maihama • HIYORI Hotel Osaka Namba Ekimae • Hiyori Hotel Tokyo Ginza East • Tabino Hotel Hida-Takayama • Tabino Hotel Sado • Tabino Hotel Kurashiki Mizushima • Tabino Hotel Kashima • Tabino Hotel Miyakojima (scheduled to open this summer) • Tabino Hotel Matsumoto (scheduled to open this summer) • COURTYARD BY MARRIOTT Osaka Honmachi • Sado Resort Hotel AZUMA																																					
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500 shares or more and less than 1,000 shares	-	-	2 sheets																																			
1,000 shares or more	-	-	4 sheets																																			
500 shares or more and less than 1,000 shares	3 years or more * 1	-	4 sheets																																			
1,000 shares or more		-	8 sheets																																			

Note: Shareholders of the Company are not entitled to exercise their rights pertaining to shares constituting less than one unit of shares held by them, except for the following rights:

The rights provided for in each item of Article 189, Paragraph 2 of the Companies Act of Japan

The right to make a request provided for in the provisions of Article 166, Paragraph 1 of the Companies Act of Japan

The right to receive the allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by each shareholder

The right to make a request to the Company for transfer of shares constituting less than one unit

## Item. 7 Reference Information on the Company

### 1. Information on the Parent Company

The Company has no parent companies, etc. as stipulated in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

### 2. Other Reference Information

The following documents have been submitted from the start date of the fiscal year ended March 31, 2021 to the filing date of Annual Securities Report.

(1) Annual Securities Report and Documents Attached, and Confirmation Letter

The 22nd fiscal year (from April 1, 2020 to March 31, 2021) June 23, 2021

Submitted to the Director-General of the Kanto Local Finance Bureau

(2) Internal Control Report and Documents Attached

Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2021

(3) Quarterly Report and Confirmation Letter

First quarter for the 22nd Fiscal Period (from April 1, 2020 to June 30, 2020)

Submitted to the Director-General of the Kanto Local Finance Bureau on August 7, 2020

Second quarter for the 22nd Fiscal Period (from July 1, 2020 to September 30, 2020) November 11, 2020

Submitted to Director-General of Kanto Local Finance Bureau

Third quarter for the 22nd Fiscal Period (from October 1, 2020 to December 31, 2020) February 10, 2021

Submitted to the Director-General of the Kanto Local Finance Bureau

(4) Extraordinary Report

(i) Extraordinary Report pursuant to Article 19, Paragraph 2, Item 9-2 (Results of Exercise of Voting Rights in General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau on June 25, 2020

(ii) Extraordinary Report pursuant to Article 19, Paragraph 2, Item 7 (Simplified Absorption-type Company Split) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau on September 17, 2020

(iii) Extraordinary Report pursuant to Article 19, Paragraph 2, Item 9-2 (Results of Exercise of Voting Rights in General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2021

(5) Correction Report of the Extraordinary Report

Corrected Report book (Corrected Report book of (1) Extraordinary Report of (4) above)

Submitted to the Director-General of the Kanto Local Finance Bureau on September 30, 2020



**Part II Information on Guarantors, etc., for the Company**

Not applicable.

[English Translation of the Independent Auditor's Report Originally Issued in the Japanese Language]

**Independent Auditor's Report on the Financial Statements and Internal Control Over  
Financial Reporting**

June 23, 2021

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

BDO Sanyu  
Tokyo Office, Japan

Hiroshi Saito  
Designated Partner  
Engagement Partner  
Certified Public Accountant

Satoshi Morita  
Designated Partner  
Engagement Partner  
Certified Public Accountant

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the accompanying consolidated financial statements of Sun Frontier Fudousan Co., Ltd ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the Sun Frontier Fudousan's Annual Securities Report, which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of equity and the consolidated statement of cash flows for the fiscal year then ended, and notes to the consolidated financial statements and supplementary schedules, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of real estate for sale	
The key audit matter	How the matter was addressed in our audit
<p>The Company owns real estate for sale and others in the Replanning Business and Hotel Development Business of the Real Estate Revitalization Business segment. As described in notes to consolidated financial statements (significant accounting estimates), the Consolidated Balance Sheet for the current consolidated fiscal year, recorded 13,601 million yen in real estate for sale and 72,282 million yen in real estate for sale in process, accounting for 67.3% of total assets.</p> <p>Real estate for sale is exposed to risks such as changes in the real estate market in the future and declines in tenant rent and hotel room occupancy rate, and unrealized loss may occur due to a decline in the net selling price.</p> <p>The net selling price is the estimated amount of sales less the estimated amount of future construction costs and the estimated amount of selling expenses. The estimated amount of sales is mainly the profit return value estimated based on the business plan formulated by the Company.</p> <p>The business plan that forms the basis of the appraisal value includes the expected future rent for tenants and the occupancy rate of hotel rooms. The business plan is based on the assumption that the market conditions will recover in the future and the time when the COVID-19 will come to an end, as well as the management's assumptions and judgment.</p> <p>Based on the above, the valuation of real estate for sale, etc. has a large potential impact on the consolidated financial statements and involves assumptions and judgments by the management, and requires a high level of judgment in consideration of audit. Therefore, the Audit Corporation has determined that this matter is a major consideration in key audit matter.</p>	<p>The Audit Corporation mainly implemented the following procedures for the evaluation of real estate for sale, etc.</p> <ul style="list-style-type: none"> <li>• The net selling price was compared with the book value for properties valued at the net selling price based on the profit return value estimated based on the business plan.</li> <li>• The net selling price and actual selling price of the real estate for sale etc. sold to current consolidated fiscal year in the previous consolidated fiscal year were compared.</li> <li>• Regarding the timing of the convergence of COVID-19 and the tenant rent and the occupancy rate of hotel rooms after the convergence, which are important assumptions in formulating the business plan, we asked the manager and the Executive Officer in charge how to make estimates and the basis for them, confirmed their reflection in the business plan, and evaluated the reasonableness of estimates and the degree of uncertainty.</li> <li>• With regard to the properties that the business plan states are to be held until the spread of COVID-19 settles down, by confirming the current cash flow situation, the future cash flow budget, and the borrowings contract terms associated with each property, we examined the existence of a situation that will need to sell the properties earlier than planned, and evaluated the intention and ability of the Company to hold properties until the convergence of COVID-19.</li> </ul>
Impairment loss on non-current assets related to hotels	
The key audit matter	How the matter was addressed in our audit
<p>The Company owns non-current assets in the Hotel Development Business of the Real Estate Revitalization Business segment and in Hotel Operation Business of the Operation Business segment. As described in notes to consolidated financial statements (significant accounting estimates), the Consolidated Balance Sheet for the current consolidated fiscal year, recorded non-current assets related to hotels of 8,541 million yen accounting for 6.7% of total assets.</p> <p>The non-current assets of hotels is exposed to risks such as changes in the real estate market in the future and a decline in the occupancy rate of hotel rooms. Due to the impact of COVID-19, the occupancy rate of hotel rooms has declined and profitability has declined. Therefore, there are signs of impairment, and impairment loss may be generated.</p> <p>The determination of impairment loss recognition is based on a comparison of the estimated undiscounted future cash flows over the economic remaining life of the hotel's key assets with the book value of the hotel's asset group. Since the hotel is intended to be managed over a long period of time, the economic life of the hotel is long and the estimated future cash flows are also long.</p> <p>The business plan of the hotel, which is the basis of future cash flows, includes the occupancy rate of hotel rooms, etc., and</p>	<p>The Audit Corporation mainly implemented the following procedures in order to examine whether the recognition and judgment of the impairment loss of non-current assets related to the hotel was appropriately conducted.</p> <ul style="list-style-type: none"> <li>• The estimated total undiscounted future cash flows based on the business plan and the book value of the hotel non-current assets were compared. In addition, the degree of confidence and uncertainty in management's estimates was assessed by comparing historical estimates of undiscounted future cash flows with actual figures.</li> <li>• Regarding the timing of the convergence of COVID-19 and the occupancy rate after the convergence, which are important assumptions in formulating the business plan, we interviewed the manager and the Executive Officer in charge how to make the estimate and the basis for it, checked whether it was reflected in the business plan, and evaluated the rationality of the estimate and the degree of uncertainty.</li> <li>• With regard to the hotels that the business plan states are to be managed over the long term even after the COVID-19 subsidies, by confirming the current cash flow situation and future cash flow budget, we examined the existence of a situation that will need to withdraw from hotel operation</li> </ul>

<p>is based on the assumption of future market conditions and the forecast of the time when the COVID-19 will converge, as well as the assumption and judgment by the management.</p> <p>Based on the above, the recognition of non-current assets impairment losses for hotels has a large potential impact on the consolidated financial statements and involves assumptions and judgments by management, and requires a high level of judgment in audit considerations. Therefore, the Audit Corporation has determined that the recognition of impairment losses for hotels is a major consideration in key audit matter.</p>	<p>earlier than planned, and evaluated the intention and ability of the Company to manage the hotels over the long term even after the COVID-19 has subsided.</p>
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## **Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements. In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a modified opinion on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

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

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Audit of the Internal Control Report**

### **Opinion**

We also have audited the accompanying internal control report of the Company as at March 31, 2021, in accordance with Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan. In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2021, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Internal Control Report**

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and examining the design and operation of internal control over financial reporting. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

### **Auditor's Responsibilities for the Audit of the Internal Control Report**

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that expresses our opinion on the internal control report based on our audit from an independent point of view. In accordance with internal control auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated, and other matters required by internal control auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, 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 its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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- Notes: 1. The above is an electronic version of the information contained in the original copy of Audit Report. The original copy is kept separately by the Company (Annual Securities Report Submission Company).  
2. XBRL data is not included in audit coverage.

**Independent Auditor's Report on the Financial Statements**

June 23, 2021

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

BDO Sanyu  
Tokyo Office, Japan

Hiroshi Saito  
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 of Sun Frontier Fudousan Co., Ltd. provided in the "Financial Information" section in the Sun Frontier Fudousan's Annual Securities Report, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, significant accounting policies, the related notes, and the supplementary schedules of Sun Frontier Fudousan Co., Ltd. as at March 31, 2021 and for the 22nd fiscal year from April 1, 2020 to March 31, 2021, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sun Frontier Fudousan Co., Ltd. as at March 31, 2021, and its financial performance for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of real estate for sale	
The key audit matter	How the matter was addressed in our audit
<p>The Company owns real estate for sale and other properties in Replanning Business. As described in notes to financial statements (significant accounting estimates), the Non-consolidated Balance Sheet for the current consolidated fiscal year, recorded 11,534 million yen in real estate for sale and 58,646 million yen in real estate for sale in process, accounting 61.1% of total assets.</p> <p>Real estate for sale is exposed to risks such as changes in the real estate market in the future and declines in tenant rent and hotel room occupancy rate, and unrealized loss may occur due to a decline in the net selling price.</p> <p>The net selling price is the estimated amount of sales less the estimated amount of future construction costs and the estimated amount of selling expenses. The estimated amount of sales is mainly the profit return value estimated based on the business plan formulated by the Company.</p> <p>The business plan that forms the basis of the appraisal value includes the expected future rent for tenants and the occupancy rate of hotel rooms. The business plan is based on the assumption that the market conditions will recover in the future and the time when the COVID-19 will come to an end, as well as the management's assumptions and judgment.</p> <p>Based on the above, the valuation of real estate for sale, etc. has a large potential impact on the consolidated financial statements and involves assumptions and judgments by the management, and requires a high level of judgment in consideration of audit. Therefore, the Audit Corporation has determined that this matter is a major consideration in key audit matter.</p>	<p>The Audit Corporation mainly implemented the following procedures for the evaluation of real estate for sale, etc.</p> <ul style="list-style-type: none"> <li>• The net selling price was compared with the book value for properties valued at the net selling price based on the profit return value estimated based on the business plan.</li> <li>• The net selling price and actual selling price of the real estate for sale etc. sold to current consolidated fiscal year in the previous consolidated fiscal year were compared.</li> <li>• Regarding the timing of the convergence of COVID-19 and the tenant rent and the occupancy rate of hotel rooms after the convergence, which are important assumptions in formulating the business plan, we asked the manager and the Executive Officer in charge how to make estimates and the basis for them, confirmed their reflection in the business plan, and evaluated the reasonableness of estimates and the degree of uncertainty.</li> <li>• With regard to the properties that the business plan states are to be held until the spread of COVID-19 settles down, by confirming the current cash flow situation, the future cash flow budget, and the borrowings contract terms associated with each property, we examined the existence of a situation that will need to sell the properties earlier than planned, and evaluated the intention and ability of the Company to hold properties until the convergence of COVID-19.</li> </ul>

Impairment loss on non-current assets related to hotels	
The key audit matter	How the matter was addressed in our audit
<p>It Company owns non-current assets in the Hotel Development Business. As described in the notes to financial statements (significant accounting estimates), the Non-consolidated Balance Sheet for the current consolidated fiscal year, recorded 6,874 million yen in non-current assets related to hotels, accounting for 6.0% of total assets.</p> <p>The non-current assets of hotels is exposed to risks such as changes in the real estate market in the future and a decline in the occupancy rate of hotel rooms. Due to the impact of COVID-19, the occupancy rate of hotel rooms has declined and profitability has declined. Therefore, there are signs of impairment, and impairment loss may be generated.</p> <p>The determination of impairment loss recognition is based on a comparison of the estimated undiscounted future cash flows over the economic remaining life of the hotel's key assets with the book value of the hotel's asset group. Since the hotel is intended to be managed over a long period of time, the economic life of the hotel is long and the estimated future cash flows are also long.</p> <p>The business plan of the hotel, which is the basis of future cash flows, includes the occupancy rate of hotel rooms, etc., and is based on the assumption of future market conditions and the</p>	<p>The Audit Corporation mainly implemented the following procedures in order to examine whether the recognition and judgment of the impairment loss of non-current assets related to the hotel was appropriately conducted.</p> <ul style="list-style-type: none"> <li>• The estimated total undiscounted future cash flows based on the business plan and the book value of the hotel non-current assets were compared. In addition, the degree of confidence and uncertainty in management's estimates was assessed by comparing historical estimates of undiscounted future cash flows with actual figures.</li> <li>• Regarding the timing of the convergence of COVID-19 and the occupancy rate after the convergence, which are important assumptions in formulating the business plan, we interviewed the manager and the Executive Officer in charge how to make the estimate and the basis for it, checked whether it was reflected in the business plan, and evaluated the rationality of the estimate and the degree of uncertainty.</li> <li>• With regard to the hotels that the business plan states are to be managed over the long term even after the COVID-19 subsidies, by confirming the current cash flow situation and future cash flow budget, we examined the existence of a</li> </ul>



forecast of the time when the COVID-19 will converge, as well as the assumption and judgment by the management.

Based on the above, the recognition of non-current assets impairment losses for hotels has a large potential impact on the consolidated financial statements and involves assumptions and judgments by management, and requires a high level of judgment in audit considerations. Therefore, the Audit Corporation has determined that the recognition of impairment losses for hotels is a major consideration in key audit matter.

situation that will need to withdraw from hotel operation earlier than planned, and evaluated the intention and ability of the Company to manage the hotels over the long term even after the COVID-19 has subsided.

## **Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-Consolidated Financial Statements**

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

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are 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 Non-Consolidated Financial Statements**

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the non-consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these non-consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the non-consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the non-consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 of the non-consolidated financial statements and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as evaluate the presentation, structure, and content of the non-consolidated financial statements, including the related notes thereto, and whether the non-consolidated financial statements fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

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

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We 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.

Notes to the Reader of Independent Auditor's Report: The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

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- Notes: 1. The above is an electronic version of the information contained in the original copy of Audit Report. The original copy is kept separately by the Company (Annual Securities Report Submission Company).  
2. XBRL data is not included in audit coverage.