Information Disclosure on the Internet Regarding

The Notice of the 23rd Annual General Meeting of Shareholders

The 23rd Fiscal Year (from April 1, 2021 to March 31, 2022)

Sun Frontier Fudousan Co., Ltd.

This document is provided on the website (https://www.sunfrt.co.jp) of Sun Frontier Fudousan Co., Ltd. (the "Company") on the internet to shareholders in accordance with laws and regulations and Article 16 of the Articles of Incorporation.

■ System for Ensuring Proper Business Operations and Overview of Operation Status

(1) Systems to ensure proper business operations

System to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation. The outline of the system to ensure the appropriateness of the business of other companies is as follows.

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

All directors and employees shall strive to establish a management system that is trusted by society on an ongoing basis in the future by strengthening internal management systems and raising awareness of compliance, based on the recognition that it is our social responsibility as a company to always embody the spirit of legal compliance and execute business based on a fair and high level of ethics.

In concrete terms, the Internal Audit Office, which is under direct control of the President and Representative Director, will be established to conduct regular internal audits of all divisions and group companies without exception. In internal audits, the Company shall ascertain the status of business operations and systems, and shall fairly investigate and verify whether all business operations are conducted appropriately in compliance with laws and regulations, the Articles of Incorporation, and internal rules, and whether corporate systems, organizations, and rules are proper and appropriate. The results of audits shall be reported to the President and Representative Director. In addition, the Company will establish a "Corporate Ethics Help Line" and establish an internal reporting system with various contact methods that thoroughly protects reporters 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.

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

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

(iii) 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 and Representative Director (including a team of external experts such as corporate lawyers) in the event of an unforeseen event.

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

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

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

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

President and Representative Director shall prepare and report its financial statements in accordance with fair and appropriate accounting standards in order to enhance the reliability of financial reporting and increase corporate value of the Company and its group companies.

(vi) Matters relating to employees who are required to assist Audit & Supervisory 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, etc., 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.

(vii) 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.

(viii) Matters related to ensuring the effectiveness of instructions given by Audit & Supervisory Board Members to employees in Paragraph (vi)
The auditor's assistant in Paragraph (vi) 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 and 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.

(ix) 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 have or may 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, etc.
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.

(x) 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 expenses to be incurred in the execution of their duties, reimbursement of expenses incurred and repayment of obligations incurred, except in cases where such expenses can be proved not to have arisen in the execution of their duties.

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

President and 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 external accounting auditors are conducted efficiently and effectively.

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

(i) Directors’ execution of duties

We have established internal rules to ensure that directors act in compliance with laws and regulations and the Articles of Incorporation. During the fiscal year under review, the Company held 18 Board of Directors meetings to discuss each proposal, supervise the status of business execution, and actively exchange opinions.

(ii) Execution of duties by Audit & Supervisory Board

During the fiscal year under review, the Audit & Supervisory Board Members held 14 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 and Representative Director, the accounting auditor, and the Internal Audit Office to audit the execution of duties by the directors and to confirm the development and operational status of the internal control system.

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

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

(iv) Compliance and Risk Management

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

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

Consolidated Statement of Changes in Equity

(From April 1, 2021 to March 31, 2022)

(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	48,573	(67)	66,916
Changes during period					
Dividends of surplus			(3,071)		(3,071)
Profit attributable to owners of parent			7,415		7,415
Net changes in items other than shareholders' equity					
Total changes during period	-	-	4,343	-	4,343
Balance at end of the period	11,965	6,445	52,917	(67)	71,260

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	2	(292)	(289)	16	3,129	69,773
Changes during period						
Dividends of surplus						(3,071)
Profit attributable to owners of parent						7,415
Net changes in items other than shareholders' equity	0	311	312	14	9	335
Total changes during period	0	311	312	14	9	4,679
Balance at end of the period	3	19	22	30	3,139	74,452

Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

1. Scope of Consolidation

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

Number of consolidated subsidiaries	22 companies
Names of consolidated subsidiaries	SF Building Support Inc.
	SF Building Maintenance Inc.
	Sun Frontier Space Management Inc.
	SF Engineering Inc.
	Sun Frontier Sado Co., Ltd.
	Okesa Kanko Taxi Co., Ltd.
	Sun Frontier Okinawa Co., Ltd.
	Sun Frontier Hotel Management Inc.
	Sky Heart Hotel Inc.
	Japan System Service Inc.
	Communication Development Inc.
	Hotel Oosado Inc.
	Navd 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 Hotel Oosado Inc. and newly established Navd Inc. are included in the scope of consolidation.

Sun Frontier Community Arrangement Co., Ltd., which was a subsidiary of the Company, was excluded from the scope of consolidation because it ceased to exist as a result of an absorption-type merger with Sun Frontier Fudousan Co., Ltd. as the surviving company.

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

Not applicable.

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

Not applicable.

(4) Special purpose company subject to disclosure

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

2. Application of Equity Method

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

Number of equity-method affiliates	2 companies
Names of equity-method affiliates	Power Consulting Networks Co., Ltd. SKY ESTATE CO., LTD.

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

Not applicable.

(3) Special note regarding application of the equity method

Not applicable.

3. Matters concerning Accounting Policies

(1) Valuation standards and methods for significant assets

(i) Valuation standards and methods for securities

Other securities (available-for-sale securities)

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

(ii) Inventories

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

(2) Depreciation or amortization method for significant depreciable assets

(i) Property, plant and equipment	The declining-balance method is applied. However, buildings (excluding facilities attached to buildings) and facilities attached to buildings acquired on or after April 1, 2016 are depreciated using the straight-line method. The estimated useful lives are as follows: Buildings 3 to 29 years Other 2 to 15 years Small-amount depreciable assets with an acquisition cost of 100,000 yen or more but less than 200,000 yen are amortized over three years on a straight-line basis.
(ii) Intangible assets	The straight-line method is used. Software for internal use is amortized on a straight-line basis over the estimated internal useful life (5 years).

(3) Significant provisions

(i) Allowance for doubtful accounts	The allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables, the estimated amount of irrecoverable debt based on recoverability of individual cases for specified receivables such as doubtful accounts.
(ii) Provision for bonuses	To prepare for the payment of bonuses to employees, the Company records the portion of the estimated bonuses to be paid during the current consolidated fiscal year.
(iii) Provision for bonuses for directors (and other officers)	Provision for directors’ bonuses is provided based on the estimated amount to be paid during the current consolidated fiscal year.
(iv) Provision for fulfillment of guarantees	In order to prepare for losses related to Rent Guarantee Business operations, costs for which the amount incurred can be estimated individually are recorded in the amount of such costs, and for others, the estimated losses are recorded by taking into account the past guarantee fulfillment rate.
(v) Provision for share-based remuneration	In order to prepare for the provision of the Company’s shares to employees based on the Share Benefit Regulations, the provision for the Company’s shares is recorded based on the estimated amount of the share benefit obligation at the end of the current consolidated fiscal year.

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

(i) Fiscal year of consolidated subsidiaries

Consolidated domestic subsidiaries and Sun Frontier Fudousan Taiwan Co., Ltd. close their books on March 31, and SUN FRONTIER VIETNAM CO., LTD., PT. SUN FRONTIER INDONESIA, PT. SUN FRONTIER PROPERTY ONE, SUN FRONTIER DANANG CO., LTD., 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.

(ii) Standards for recording significant revenues and expenses

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

(a) Real Estate Revitalization Business

Replanning Business

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

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

(b) Real Estate Service Business

(1) Property Management Business

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

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

(2) Building Maintenance Business

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

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

(3) Sales Brokerage Business

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

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

(4) Leasing Brokerage Business

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

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

(c) Hotel and Tourism Business

(1) Hotel Operation Business

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

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

(2) Hotel Development Business

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

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

(d) Others

(1) Overseas Development Business

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

properties based on real estate sales agreements with clients.
The performance obligation is fulfilled at the time the property is delivered, and revenue is recorded at the time of delivery.

(2) Construction Business
Construction Business is engaged in renovation planning, repair and renovation related to renewal planning, repair and renovation work for commercial buildings, telecommunications work, contracted interior construction for large, medium, and small facilities, etc.
When control over goods or services is transferred to clients over a certain period, revenue is recorded over a certain period as the performance obligation to transfer goods or services to clients is fulfilled.
Contracts with a very short period between the transaction start date and the time when the performance obligation is expected to be fulfilled, or contracts with a small order amount received per unit of construction are subject to alternative treatment. Revenue is not recognized over a certain period but is recognized when the performance obligation is fulfilled.

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

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

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

(vi) Amortization methods and periods for goodwill
Goodwill is amortized on a straight-line basis over mainly 10 years.

(vii) Application of consolidated taxation system
Consolidated taxation system is applied.

(viii) Application of tax effect accounting for transition from the consolidated taxation system to the group tax sharing system

The Company and certain consolidated domestic subsidiaries companies will shift from the consolidated taxation system to the group tax sharing system from the following fiscal year. However, the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have not been applied to the items for which the group tax sharing system has been adopted and the non-consolidated tax payment system has been revised in line with the transition to the group tax sharing system established under the Act for Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020) due to the treatment in Paragraph 3 of the “Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020), and the amounts of deferred tax assets and deferred tax liabilities have been based on the provisions of the tax act prior to the revision.

Moreover, from the beginning of the following fiscal year, the Company plans to apply the “Treatment of the Accounting and Disclosure under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021), which provides for the handling of accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting with the application of the group tax sharing system.

(Changes in accounting policies due to changes in accounting standard, etc.)

1. Application of accounting standards for revenue recognition

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) was applied at the beginning of the three months ended June 30, 2021 and so revenue is recognized in the amount expected to be received in exchange for the promised goods or services at the time when control of the goods or services is transferred to the client.

Consequently, if the event that control over goods or services related to renewal planning, repair and renovation work for commercial buildings, telecommunications work, contracted interior construction work for large, medium, and small facilities, etc., is transferred to clients over a certain period of time, revenue will be recorded over a certain period of time as performance obligations to transfer goods or services to clients are fulfilled.

The application of the said accounting standard is in accordance with the transitional treatment provided in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard, but there is no impact on the balance at beginning of the period of retained earnings. As a result of the application of the said accounting standard, net sales in current consolidated fiscal year increased by 17 million yen and operating profit, ordinary profit and profit before income taxes each increased by 3 million yen. Moreover, “notes and accounts receivable – trade” that was included in “current assets” in the Consolidated Balance Sheet of the previous fiscal year, has been included in “Notes, Account receivable and contract assets” from the current consolidated fiscal year.

2. Application of accounting standards for fair value measurement

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019. Hereinafter referred to as “Fair Value Measurement Accounting Standard”) was applied at the beginning of the first quarter ended June 30, 2021 and so in accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting

Standard, and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policies set forth in the said accounting standard will be applied in the future.
Moreover, there is no impact on the Consolidated Financial Statements.

(Change of Presentation Method)

Consolidated Balance Sheet

"Gain on sales of non-current assets" (1 million yen in the previous fiscal year) which was independently listed in "Extraordinary income" in the previous fiscal year has been included in "Other" in the current fiscal year due to its decreasing financial materiality.

(Notes on Accounting Estimates)

1. Assessment of the real estate for sale

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

Real estate for sale	14,222 million yen
Real estate for sale in process	62,934 million yen

(2) Other information

For real estate for sale, etc., if the net selling price falls below the acquisition cost, the net selling price is stated as the balance sheet amount. The net selling price is calculated by deducting the estimated future cost of construction work and the estimated selling expenses from the return value estimated based on the business plan.
The business plan that forms the basis for the value of the return to profits includes the expected tenant rent and the occupancy rate of hotel rooms, and is based on important assumptions such as the assumed market conditions in the future and the forecast of the convergence time of the COVID-19.
In the following fiscal year and thereafter, the net selling price may change due to changes in assumptions used in formulating business plans in the events that were not anticipated at the time of formulating business plans. This may have a significant impact on the amount of real estate for sale, etc., recognized in the 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 12,080 million yen

(2) Other information

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. The determination of impairment losses recognition is 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 and thereafter, the assumptions used in formulating business plans may change in the events that were not anticipated when the business plan was formulated. This may have a material impact on the non-current asset amounts to be recognized in the consolidated financial statements for the following fiscal year and thereafter.

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

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

(ii) Own shares remaining in the trust

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

(Notes to Consolidated Balance Sheet)

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

(i) Assets pledged as collateral are as follows:

Real estate for sale	8,963 million yen
Real estate for sale in process	59,769 million yen
Buildings	4,040 million yen
Land	9,700 million yen
Other	1,374 million yen
Total	83,848 million yen

(ii) Secured obligations are as follows:

Long-term borrowings	47,724 million yen

(2) Accumulated depreciation of property, plant and equipment 4,540 million yen

Note. The above amounts include accumulated impairment losses.

(3) Contingent liabilities

Debt guarantee

Liability guarantee by rent guarantee

Clients pertaining to Rent Guarantee Business (amount equivalent to the guarantee limit)	43,143 million yen
Provision for fulfillment of guarantees	(39) million yen
Total	43,103 million yen

(Notes to Consolidated Statement of Income)

Not applicable.

(Notes to Consolidated Statement of Changes in Equity)

(1) Total number of issued shares

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

(2) Matters concerning Treasury shares

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

(i) Cash dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Base date	Effective date
June 22, 2021 Annual general meeting of shareholders	Common shares	2,047	42.00	March 31, 2021	June 23, 2021
November 9, 2021 Board of Directors	Common shares	1,023	21.00	September 30, 2021	December 7, 2021

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

The total amount of dividends decided at the Board of Directors on November 9, 2021 includes dividends of 1 million yen for the Company’s shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

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

The following resolution is scheduled.

Resolution	Type of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (yen)	Base date	Effective date
June 21, 2022 Annual general meeting of shareholders	Common shares	Retained earnings	1,121	23.00	March 31, 2022	June 22, 2022

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

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

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

(Notes on Financial Instruments)

(1) Items relating to financial instruments

(i) Policy on financial instruments

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

(ii) Content as well as risks of financial instruments

Trade receivables are exposed to clients' credit risk.

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

(iii) Risk management system for the financial instruments

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

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

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

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

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

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

(iv) Supplementary explanation of fair value of financial instruments

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

(2) Fair value of financial instruments

At March 31, 2022, the book values of the Consolidated Balance Sheet, fair values and differences between them are as follows.

(unit: million yen)

	Consolidated Balance Sheet amount	Market value	Difference
Long-term borrowings (including current portion)	51,043	50,275	(768)
Total liabilities	51,043	50,275	(768)

Note 1. The description "cash and time deposits" is omitted because it is cash and deposits are settled in a short period of time, and so the market value approximates the book value.

Note 2. Shares with no market price

Category	Consolidated Balance Sheet value (Millions of yen)
Shares of subsidiaries and affiliates	126
Unlisted shares	107

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

Category	Within 1 year (Millions of yen)	Over 1 year and within 2 years (Millions of yen)	Over2 years and within 3 years (Millions of yen)	Over 3years and within 4 years (Millions of yen)	Over 4years and within 5 years (Millions of yen)	Over 5 years (Millions of yen)
Short-term borrowings	30	–	–	–	–	–
Long-term borrowings	6,874	8,320	23,071	2,826	3,106	6,844

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

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

Level 1 Market Value: Market value calculated based on quoted prices of the same asset or liability in an active market (unadjusted)
Level 2 Market Value: Market value calculated using direct or indirect observable inputs other than Level 1 inputs
Level 3 Market Value: Market value calculated using significant unobservable inputs

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

Financial assets and liabilities not recognized in Consolidated Balance Sheet at market value

Category	Market value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	-	50,275	-	50,275

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

Long-term borrowings

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

(Notes on Lease and Real Estate)

The Company operates rental office buildings (including land) as well as hotel facilities (including land) in Tokyo and other areas. For the fiscal year ended March 31, 2022, net rental income from such rental properties was 159 million yen (rent revenue is recorded in net sales and rental expenses are recorded in cost of sales).

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

(Unit: million yen)

Consolidated Balance Sheet amount			Market value at the end of the current consolidated fiscal year
Balance at the beginning of the current consolidated fiscal year	Fiscal year under review Increase/Decrease	Balance at the end of the current consolidated fiscal year	
2,183	4,475	6,659	9,255

Note 1. The amount recorded in the Consolidated Balance Sheet is the acquisition cost excluding the accumulated depreciation.

Note 2. The major increase in increase/decrease during the fiscal year under review was due to new acquisition of facility (4,567 million yen) and decrease was due to depreciation (91 million yen)

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

(Notes on Revenue Recognition)

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

(Millions of yen)

	Reportable segments				Other (Note 1)	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total		
Revenue from contracts with clients	51,644	5,447	6,797	63,889	1,690	65,580
Other income (Note 1)	4,301	1,255	114	5,671	-	5,671
Net sales to external clients	55,946	6,703	6,911	69,561	1,690	71,251

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

Note 2. Other income includes rental income, etc. under Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

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

Basic information for understanding revenue is as described in “(4) Other significant matters for preparation of consolidated financial statements (ii) Standards for recording significant revenues and expenses.”

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

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

The Company's contract balance is as follows.

(Millions of yen)

	Current consolidated fiscal year (March 31, 2022)
Receivables arising from contracts with clients (at beginning of the period)	1,482
Receivables arising from contracts with clients (at end of the period)	854
Contract assets (at beginning of the period)	25
Contract assets (at end of the period)	18
Contract liabilities (at beginning of the period)	758
Contract liabilities (at end of the period)	561

Note 1. Receivables arising from contracts with clients

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

Note 2. Contract assets

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

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

Note 3. Contract liabilities

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

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

Of the contract liabilities at the beginning of current consolidated fiscal year, the amount recognized in revenue in current consolidated fiscal year was 758 million yen.
The decrease in contract assets in current consolidated fiscal year was mainly due to a decrease in construction orders.
The decrease in contract liabilities in current consolidated fiscal year was mainly due to a decrease in deposit balance in Replanning Business.

(Notes on Per Share Information)

(1) Net assets per share	1,463.74 yen
(2) Earnings per share	152.26 yen
(3) Fully diluted earnings per share	152.12 yen

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

(Notes on Special Purpose Companies subject to Disclosure)

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

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

In this business, sub-divided real estate investment product purchasers (hereinafter referred to as investors) will enter into an agreement with voluntary partnership to participate in the real estate specified business and make contributions in kind or cash investment. Voluntary partnership is structured to receive distributions of profits and losses arising from real estate investments in kind or in cash 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. In the case of cash investment type, real estate will be transferred between the Company and voluntary partnership.

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

	Fiscal year under review (March 31, 2022)
Number of Special Purpose Companies	5 union
Total assets as of the latest balance sheet date (simple sum)	4,062 million yen
Total liabilities (simple sum)	126 million yen

The total amount of assets and liabilities of one of the above units is not included in the total amount because the closing date has not arrived yet.

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

The description of transaction amount and transaction balance have been omitted due to lack of importance.

(Note on Significant Subsequent Events)

Not applicable.

(Other Note)

Not applicable.

Non-consolidated Statement of Changes in Equity

(From April 1, 2021 to March 31, 2022)

(Unit: million yen)

	Shareholder's equity							
	Share capital	Capital surplus		Retained earnings			Treasury shares	Total shareholders' equity
		Capital reserve	Total capital surplus	Legal reserve	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance at beginning of the period	11,965	6,449	6,449	13	49,825	49,838	(67)	68,186
Changes during period								
Dividends of surplus					(3,071)	(3,071)		(3,071)
Profit					9,284	9,284		9,284
Net changes in items other than shareholders' equity								
Total changes during period	-	-	-	-	6,213	6,213	-	6,213
Balance at end of the period	11,965	6,449	6,449	13	56,039	56,052	(67)	74,399

	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	2	2	16	68,204
Changes during period				
Dividends of surplus				(3,071)
Profit				9,284
Net changes in items other than shareholders' equity	0	0	14	14
Total changes during period	0	0	14	6,227
Balance at end of the period	3	3	30	74,432

Notes to Non-consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Matters Concerning Significant Accounting Policies)

1. Valuation standards and methods for assets

(1) Valuation standards and methods for securities

(i) Shares of subsidiaries and affiliates — Stated at cost using the moving-average method.

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

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

(2) Assessment criteria and assessment methods of Inventories

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

2. Depreciation of non-current assets

(1) Property, plant and equipment

The declining-balance method is applied.

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

The estimated useful lives are as follows:

Buildings	3 to 29 years
Other	2 to 15 years

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

(2) Intangible assets

The straight-line method is used.

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

3. Standards for provisions

(1) Allowance for doubtful accounts	The allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables, the estimated amount of irrecoverable debt based on recoverability of individual cases for specified receivables such as doubtful accounts.
(2) Provision for bonuses	To prepare for the payment of bonuses to employees, the Company records the portion of the estimated bonuses to be paid during the current fiscal year.
(3) Provision for bonuses for directors (and other officers)	Provision for directors' bonuses is provided based on the estimated amount to be paid during the current fiscal year.
(4) Provision for share-based remuneration	In order to prepare for the provision of the Company's shares to employees based on the Share Benefit Regulations, the provision for the Company's shares is recorded based on the estimated amount of the share benefit obligation at the end of the current fiscal year.

4. Method of recording revenue and expenses

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

(a) Real Estate Revitalization Business

Replanning Business

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

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

(b) Real Estate Service Business

(1) Property Management Business

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

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

(2) Sales Brokerage Business

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

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

(3) Leasing Brokerage Business

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

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

(c) Hotel and Tourism Business

Hotel Development Business

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

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

(d) Others

Construction Business

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

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

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

5. Basis for preparation of other financial statements

(1) Standards for translation of significant assets or liabilities denominated in foreign currencies into Japanese currency
Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing at the respective balance sheet dates, and translation differences are charged or credited to income.

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

(3) Application of consolidated taxation system
Consolidated taxation system is applied.

(4) From the next fiscal year, the Company will shift from the consolidated taxation system to the group tax sharing system. However, the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have not been applied to the items for which the group tax sharing system has been adopted and the non-consolidated tax payment system has been revised in line with the transition to the group tax sharing system established under the Act for Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020) due to the treatment in Paragraph 3 of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020), and the amounts of deferred tax assets and deferred tax liabilities have been based on the provisions of the tax act prior to the revision. Moreover, from the beginning of the following fiscal year, the Company plans to apply the "Treatment of the Accounting and Disclosure under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021), which provides for the handling of accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting with the application of the group tax sharing system.

(Changes in Accounting Policies due to revisions of accounting standards, etc.)

1. Application of "Accounting Standard for Revenue Recognition," etc.

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of fiscal year ended March 31, 2022, and revenue is recognized at the amount expected to be received in exchange for promised goods or services at the time when control over goods or services is transferred to the client.
Consequently, when control over goods or services related to renewal planning, repair and renovation work for commercial buildings, telecommunications work, contracted interior construction work for large, medium, and small facilities, etc., is transferred to clients over a certain period, revenue will be recorded over a certain period as performance obligations to transfer goods or services to clients are fulfilled.
The application of the accounting standards is in accordance with the transitional treatment provided in the proviso to paragraph 84 of the accounting standards, but there is no impact on the beginning balance of retained earnings brought forward. The adoption of this accounting standard has no impact on the Non-consolidated Financial Statements in fiscal year ended March 31,2022.

2. Application of “Accounting Standard for Fair Value Measurement”, etc.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019. Hereinafter referred to as “Fair Value Measurement Accounting Standard”) and others have been applied since the beginning of the fiscal year under review and in accordance with the transitional treatment in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed by the Fair Value Measurement Accounting Standard and others will be applied prospectively. There is no impact on financial statements for fiscal year ended March 31, 2022.

(Notes on Changes in Presentation Methods)

Income Statement related

“Foreign exchange gains” (35 million yen in the previous fiscal year), which was included in “Other” in non-operating income in the previous fiscal year, has been separately listed in fiscal year ended March 31, 2022, due to its increased materiality.

(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	13,289 million yen
Real estate for sale in process	48,674 million yen

(2) Other information

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

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

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

2. Non-current assets impairment

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

Non-current assets related to hotel development business 9,787 million yen

(2) Other information

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 and thereafter, the assumptions used in formulating business plans may change in the events that were 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.

(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 were 67 million yen and 56,500 shares.

(Notes to Balance Sheet)

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

(i) Assets pledged as collateral are as follows:

Real estate for sale	8,963 million yen
Real estate for sale in process	46,962 million yen
Buildings	3,631 million yen
Land	9,564 million yen
Other	1,374 million yen
Total	70,496 million yen

(ii) Secured liabilities are as follows:

Long-term borrowings	40,631 million yen

(2) Accumulated depreciation of property, plant and equipment 640 million yen

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

Short-term monetary receivables	330 million yen
Short-term monetary debt	115 million yen

(4) Monetary obligations to directors 56 million yen

(5) Guarantee obligations

Guarantees for borrowings loans by financial institutions of affiliated companies

Sun Frontier Hotel Management Inc.	7,882 million yen
Sun Frontier Sado Co., Ltd.	121 million yen
Communication Development Inc.	74 million yen

(Notes to Statement of Income)

Transactions with affiliated companies

Transaction volume from operating transactions

Net sales	187 million yen
Cost of sales and Selling, general and administrative expenses	339 million yen

Non-operating transactions 160 million yen

(Notes to Statement of Changes in Equity)

Matters concerning the Treasury shares

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

(Notes on Tax Effect Accounting)

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

	(Unit: million yen)
Deferred tax assets	
Inventory assets	494
Disallowed unrealized loss on shares of affiliates	661
Accrued enterprise tax	175
Allowance for doubtful accounts	39
Taxes and duties	47
Accounts payable	4
Accrued expenses	43
Provision for bonuses	77
Long-term accounts payable	17
Disallowed unrealized loss on non-current assets	9
Excess depreciation	36
Other	81
Subtotal	1,690
Valuation allowance	(656)
Deferred tax assets total	1,034
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(1)
Deferred tax liabilities total	(1)
Deferred tax assets net	1,033

(Notes on Transactions with Related Parties)

1. Subsidiaries and affiliates

(Unit: million yen)

Type	Company name	Percentage of voting rights held	Relationship with related parties	Contents of the transaction	Transaction amount	Subject	Year-end balance
Subsidiary	Sun Frontier Hotel Management Inc.	Possession Direct 100% Indirect -	Lease transaction Management Concurrent appointment posts Loan of funds Debt guarantee	Receipt of building rent (Note 1 (i))	111	Current liabilities Other (Advances received)	10
				Receipt of administrative service expenses (Note 1 (ii))	9	Current assets Other (Advances)	0
				Receipt of interest (Note 1 (iii))	31	Long-term loans receivable from affiliates	2,000
				Debt Guarantee (Note 1 (iv))	7,882	-	-

Note 1. Transaction Terms and Policy for Determining Transaction Terms

(i) The Company receives building rent under general terms and conditions similar to those for independent third party transactions.

(ii) With regard to administrative service costs, the price is reasonably determined in consideration of costs for providing services, etc.

(iii) The interest rate for loans is determined by taking the market interest rate into account.

(iv) The Company provides guarantees for loans from banks. No debt guarantee fee has been received for this.

2. Officers and individual major shareholders, etc.

There are no significant transactions that should be noted.

(Notes on Revenue Recognition)

Basic information to understand revenue

It is the same as Notes to Consolidated Financial Statements.

(Notes on Per Share Information)

(1) Net assets per share	1,527.80	yen
(2) Earnings per share	190.65	yen
(3) Fully diluted earnings per share	190.47	yen

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

(Notes on Significant Subsequent Events)

Not applicable.