

206th Fiscal Year (January 1, 2023 to December 31, 2023)

Annual Securities Report

- 1 This document is an English translation of the Annual Securities Report filed pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act, with the table of contents and pages of data submitted on March 27, 2024, using the Electronic Disclosure for Investors' NETwork (EDINET) set forth in Article 27-30-2 of said Act.
- 2 Appended to the end of this document are English translations of the Auditor's 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 filed at the same time as the Annual Securities Report.
- 3 This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Tokyo Tatemono Co., Ltd.

Table of contents

Page

Annual Securities Report for 206th Fiscal Year (January 1, 2023, to December 31, 2023)

| | |
|--|----------------------|
| Cover | 1 |
| Part I: Corporate Information | 2 |
| I. Corporate Overview | 2 |
| 1. Key Management Indicators, etc. | 2 |
| 2. Corporate History | 4 |
| 3. Description of Business | 6 |
| 4. Subsidiaries and Affiliated Companies | 8 |
| 5. Employees | 11 |
| II. Business Overview | 14 |
| 1. Management Policy, Business Environment and Management Issues to be Addressed | 14 |
| 2. Disclosure of Sustainability-related Financial Information | 18 |
| 3. Business Risk and Other Risk Factors | 26 |
| 4. Management Analysis of Financial Position, Operating Results and Cash Flows | 29 |
| 5. Material Agreements, etc. | 36 |
| 6. Research and Development | 36 |
| III. Property and Equipment | 37 |
| 1. Summary of Capital Investment | 37 |
| 2. Major Property and Equipment | 38 |
| 3. Plans for Capital Investment, Disposals of Property and Equipment, etc. | 42 |
| IV. Information on the Company | 43 |
| 1. Information on the Company's Stock, etc. | 43 |
| 2. Information on Acquisition, etc. of Treasury Shares | 49 |
| 3. Dividend Policy | 50 |
| 4. Status of Corporate Governance, etc. | 51 |
| V. Financial Information | 85 |
| 1. Consolidated Financial Statements | 86 |
| 2. Non-Consolidated Financial Statements | 138 |
| VI. Stock-Related Administration for the Company | 158 |
| VII. Reference Information on the Company | 159 |
| 1. Information on the Parent Company | 159 |
| 2. Other Reference Information | 159 |
| Part II: Information on Guarantors, etc. for the Company | 161 |
| | |
| Independent Auditor's Report | End of this document |
| Internal Control Report | End of this document |
| Confirmation Letter | End of this document |

Cover

Document Filed: Annual Securities Report (“Yukashoken Hokokusho”)

Clause of stipulation: Article 24, Paragraph 1 of the Financial Instruments and Exchange Act

Filed to: Director-General of Kanto Local Finance Bureau

Filing Date: March 27, 2024

Fiscal Year: 206th Fiscal Year (from January 1, 2023 to December 31, 2023)

Company Name: Tokyo Tatemono Kabushiki Kaisha

Company Name in English: Tokyo Tatemono Co., Ltd.

Title and Name of Representative: Hitoshi Nomura, Representative Director, President and Chief Executive Officer

Address of Registered Head Office: 1-9-9 Yaesu, Chuo-ku, Tokyo
(Above is the address registered as the location of the head office of the Company.
Actual business operations are conducted at the “Nearest Place of Contact.”)

Telephone Number: +81-3-3274-0111 (Representative)

Name of Contact Person: Yusuke Mishima, Managing Officer, General Manager of Accounting Department

Nearest Place of Contact: 1-4-16 Yaesu, Chuo-ku, Tokyo

Telephone Number: +81-3-3274-0111 (Representative)

Name of Contact Person: Yusuke Mishima, Managing Officer, General Manager of Accounting Department

Place for Public Inspection: Tokyo Tatemono Co., Ltd. Kansai Branch
(3-4-8 Honmachi, Chuo-ku, Osaka-shi, Osaka)
Tokyo Stock Exchange, Inc.
(2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I: Corporate Information

I. Corporate Overview

1. Key Management Indicators, etc.

(1) Consolidated Management Indicators

| Fiscal Year | | 202nd | 203rd | 204th | 205th | 206th |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|
| Year-End | | December 2019 | December 2020 | December 2021 | December 2022 | December 2023 |
| Operating revenue | (Millions of yen) | 323,036 | 334,980 | 340,477 | 349,940 | 375,946 |
| Ordinary profit | (Millions of yen) | 44,611 | 47,072 | 46,270 | 63,531 | 69,471 |
| Profit attributable to owners of parent | (Millions of yen) | 29,796 | 31,795 | 34,965 | 43,062 | 45,084 |
| Comprehensive income | (Millions of yen) | 46,402 | 24,490 | 38,898 | 41,616 | 67,511 |
| Net assets | (Millions of yen) | 384,211 | 399,129 | 427,661 | 456,838 | 508,035 |
| Total assets | (Millions of yen) | 1,564,049 | 1,624,640 | 1,650,770 | 1,720,134 | 1,905,309 |
| Net assets per share | (yen) | 1,794.15 | 1,862.81 | 1,996.52 | 2,135.08 | 2,378.61 |
| Profit per share | (yen) | 141.59 | 152.12 | 167.35 | 206.15 | 215.82 |
| Diluted earnings per share | (yen) | — | — | — | — | — |
| Shareholders' equity ratio | (%) | 24.0 | 24.0 | 25.3 | 25.9 | 26.1 |
| Return on equity | (%) | 8.2 | 8.3 | 8.7 | 10.0 | 9.6 |
| Price earnings ratio | (times) | 12.1 | 9.3 | 10.0 | 7.8 | 9.8 |
| Cash flows from operating activities | (Millions of yen) | 24,096 | 43,524 | 65,889 | (3,332) | 20,588 |
| Cash flows from investing activities | (Millions of yen) | (64,082) | (66,724) | (1,642) | (21,204) | (54,069) |
| Cash flows from financing activities | (Millions of yen) | 48,000 | 38,307 | (32,187) | 18,421 | 77,908 |
| Cash and cash equivalent at end of period | (Millions of yen) | 39,497 | 54,645 | 87,008 | 82,439 | 127,303 |
| Number of employees [Average number of part-time employees, etc.] | (persons) | 5,396 [5,440] | 5,344 [5,070] | 5,648 [4,782] | 5,878 [4,687] | 4,661 [4,525] |

(Note) 1. Diluted earnings per share is not shown because there are no potential shares.

2. The Company has introduced a Board Benefit Trust (BBT) from the 201st fiscal year, and the Company shares held by the trust, which are recorded as treasury shares in shareholders' equity, are included in treasury shares, which is deducted from the number of shares issued and outstanding at the end of the period for the calculation of net assets per share. For the profit per share calculation, these shares are included in treasury shares, which are deducted during the calculation of average number of common shares during the period.

3. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) and other related accounting standards have been applied from the beginning of the 205th fiscal year, and the key management indicators and other items for the 205th fiscal year and thereafter are those after the application of said accounting standard and others.

(2) Management Indicators of the Company

| Fiscal Year | | 202nd | 203rd | 204th | 205th | 206th |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|
| Year-End | | December 2019 | December 2020 | December 2021 | December 2022 | December 2023 |
| Operating revenue | (Millions of yen) | 199,931 | 210,283 | 219,005 | 217,383 | 229,645 |
| Ordinary profit | (Millions of yen) | 34,120 | 41,694 | 47,450 | 47,509 | 49,235 |
| Profit | (Millions of yen) | 25,971 | 30,025 | 25,564 | 32,023 | 32,264 |
| Share capital | (Millions of yen) | 92,451 | 92,451 | 92,451 | 92,451 | 92,451 |
| Total number of shares issued | (shares) | 216,963,374 | 209,167,674 | 209,167,674 | 209,167,674 | 209,167,674 |
| Net assets | (Millions of yen) | 379,325 | 392,317 | 406,956 | 425,708 | 460,859 |
| Total assets | (Millions of yen) | 1,351,283 | 1,456,329 | 1,474,985 | 1,543,513 | 1,712,838 |
| Net assets per share | (yen) | 1,814.81 | 1,876.94 | 1,948.17 | 2,037.96 | 2,206.09 |
| Dividend amount per share (Interim dividend paid per share) | (yen) | 41.00 (19.00) | 46.00 (22.00) | 51.00 (24.00) | 65.00 (29.00) | 73.00 (36.00) |
| Profit per share | (yen) | 123.41 | 143.65 | 122.35 | 153.30 | 154.45 |
| Diluted earnings per share | (yen) | — | — | — | — | — |
| Shareholders' equity ratio | (%) | 28.1 | 26.9 | 27.6 | 27.6 | 26.9 |
| Return on equity | (%) | 7.0 | 7.8 | 6.4 | 7.7 | 7.3 |
| Price earnings ratio | (times) | 13.8 | 9.9 | 13.7 | 10.4 | 13.7 |
| Dividend payout ratio | (%) | 33.2 | 32.0 | 41.7 | 42.4 | 47.3 |
| Number of employees [Average number of part-time employees, etc.] | (persons) | 655 [62] | 677 [74] | 725 [87] | 760 [95] | 807 [100] |
| Total shareholder return (Benchmark: TOPIX incl. dividends) | (%) | 153.5 (118.1) | 131.8 (126.8) | 159.5 (143.0) | 158.1 (139.5) | 209.5 (178.9) |
| Highest share price | (yen) | 1,740 | 1,828 | 1,852 | 2,190 | 2,191 |
| Lowest share price | (yen) | 1,078 | 904 | 1,367 | 1,569 | 1,484 |

(Note) 1. Diluted earnings per share is not shown because there are no potential shares.

2. The highest and lowest share prices are market prices on the Tokyo Stock Exchange (Prime Market) from April 4, 2022, and prior to that are market prices on the Tokyo Stock Exchange (First Section).
3. The Company has introduced a Board Benefit Trust (BBT) from the 201st fiscal year, and the Company shares held by the trust, which are recorded as treasury shares in shareholders' equity, are included in treasury shares, which is deducted from the number of shares issued and outstanding at the end of the period for the calculation of net assets per share. For the profit per share calculation, these shares are included in treasury shares, which are deducted during the calculation of average number of common shares during the period.
4. Pursuant to a resolution of the Board of Directors meeting held on January 20, 2020, the Company cancelled 7,795,700 shares of treasury shares as of January 31, 2020. Accordingly, the total number of issued and outstanding shares decreased by 7,795,700 shares in the 203rd fiscal year.
5. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) and other related accounting standards have been applied from the beginning of the 205th fiscal year, and the key management indicators and other items for the 205th fiscal year are those after the application of said accounting standard and others.

2. Corporate History

Founded on October 1, 1896, with a capital of ¥1,000,000 by Zenjiro Yasuda and others, the Company began operations with general real estate business and real estate collateralized loans as its main businesses. Subsequently, the Company established a branch in Yokohama as well as branches and sub-branches overseas but was severely affected by the ending of World War II, including the loss of all of its overseas assets.

Postwar, the Company concentrated on the building leasing business and expanded its operations to include residential sales, brokerage, appraisal, and consulting, thereby establishing itself as a comprehensive real estate company. In recent years, the Company has expanded its Parking business, Leisure business, Asset Management business, and Overseas businesses, as well as promoting several large-scale redevelopment projects.

An outline of the transition to date is as follows.

| | |
|----------------|--|
| October 1896 | Tokyo Tatemono is established (Head office located at 18 Gofuku-cho, Nihonbashi, Tokyo) |
| October 1896 | Commence real estate sales and purchases through installment plans, which are the earliest form of residential loans. |
| November 1896 | Opens Yokohama Branch (reorganized to Yokohama Sales Office, Property Management Department II in January 2000, abolished in November 2022) |
| March 1903 | Opens Tianjin Branch (abolished in August 1945) |
| September 1907 | Listed on the former Tokyo Stock Exchange |
| August 1928 | Begins sales of land for residence in Sekiguchidaimachi |
| November 1929 | Head office relocate to Tokyo Tatemono Building (Former Tokyo Tatemono Head Office Building) |
| June 1947 | Opens Osaka Service Office (Current Kansai Branch) |
| May 1949 | Re-listed on the Tokyo Stock Exchange |
| September 1952 | Obtains building lots and buildings transaction business license |
| March 1956 | Registered as a first-class architect office |
| November 1956 | Establishes Tokyo Fudosan Kanri Co., Ltd. (A consolidated subsidiary as of March 2013) |
| March 1958 | Completes extensions and renovations at head office building of Tokyo Tatemono. Formalizes Commercial Properties business postwar |
| October 1959 | Establishes Tokyo Real Estate Cleaning Co., Ltd. (Current Tokyo Building Service Co., Ltd.) (A consolidated subsidiary as of March 2013) |
| August 1962 | Establishes Totate Shoji Co., Ltd. (Current Tokyo Tatemono Amenity Support Co., Ltd.) |
| August 1963 | Starts residential land development in Nakagawara, Fuchu City. Formalizes Residential business postwar |
| June 1964 | Opens Shinjuku Service Office (Current Shinjuku Sales Office, Property Management Department II) |
| March 1965 | Registered as a real-estate appraiser |
| September 1968 | Starts sales of condominiums in Fujisawa City |
| February 1974 | Obtains approval for special construction business |
| November 1979 | Completes Shinjuku Center Building |
| May 1980 | Commencement of operations, Totate Housing Services Co., Ltd. (Current Tokyo Tatemono Real Estate Sales Co., Ltd.) (Wholly owned subsidiary as of July 2015) |
| November 1984 | Establishes Kyodo Building Management Co., Ltd. (Current Tokyo Tatemono Investment Advisors Co., Ltd.) |
| June 1987 | Establishes Kawaguchiko Resort Development Co., Ltd. (Current Tokyo Tatemono Resort Co., Ltd.) |
| November 1987 | Opens Sapporo Service Office (Promoted to Sapporo Branch in October 1992, abolished in March 2021) |
| November 1995 | Permission for real estate specified joint enterprise law |
| November 1998 | Obtains first registration in Japan for the SPC Act (Current Act on Securitization of Assets) |
| April 2000 | Establishes Tokyo Realty Investment Management, Inc. (A consolidated subsidiary as of December 2016; became a wholly owned subsidiary as of April 2023) |
| February 2001 | Establishes E-State Online Co., Ltd. |
| October 2002 | Opens Fukuoka Branch (Current Kyushu Branch) |
| April 2003 | Unifies condominium brands into “Brillia” |
| October 2005 | Opens Nagoya Branch |
| October 2005 | Establishes PRIME PLACE Co., Ltd. |
| November 2006 | Establishes Tokyo Tatemono (Shanghai) Real Estate Consulting Co., Ltd. |
| September 2007 | Completes Kasumigaseki Common Gate |
| November 2008 | Opens SMARK Isesaki |
| February 2011 | Acquires shares of Nihon Parking Corporation (A consolidated subsidiary; became a wholly owned subsidiary as of June 2011) |
| May 2012 | Completes Nakano Central Park |
| March 2013 | Completes Tokyo Square Garden |
| October 2013 | Completes Brillia Tama New Town |
| February 2014 | Establishes Tokyo Tatemono Asia Pte. Ltd. |
| April 2014 | Completes The Otemachi Tower |

| | |
|--------------|---|
| March 2015 | Completes Brillia Tower Ikebukuro, Japan's first high-rise condominium integrated with a main government building |
| March 2017 | Acquires additional shares of Seishin Service Co., Ltd. (A consolidated subsidiary; became a wholly owned subsidiary as of December 2019) |
| May 2020 | Head office relocate to Tokyo Tatemono Yaesu Building |
| May 2020 | Completes Hareza Tower |
| August 2021 | Acquires shares of EXPERT OFFICE Co., Ltd. (A consolidated subsidiary; became a wholly owned subsidiary as of January 2022) |
| October 2023 | Establishes Tokyo Tatemono US Ltd. |

3. Description of Business

The main businesses of the Group, which consists of the Company, its 66 subsidiaries and associates (including 32 consolidated subsidiaries and 22 entities accounted for using equity method), as well as the names and positions of major companies in these businesses, are as follows. The classification of each business is the same as that of the segment information described in “(1) Notes to Consolidated Financial Statements (Segment Information)” of “1. Consolidated Financial Statements” under “V. Financial Information.”

(1) Commercial Properties Business

The Company is engaged in developing, selling, leasing, and operating office buildings, retail facilities, logistics properties, etc. Consolidated subsidiaries, Tokyo Tatemono Resort Co., Ltd., Meieki 2-chome Kaihatsu Tokutei Mokuteki Kaisha, the silent partnership operated by Tokyo Prime Stage Y.K., and three other companies, along with an entity accounted for using equity method, Kasumigaseki Kaihatsu Tokutei Mokuteki Kaisha, operate the leasing and management of office buildings, etc.

Consolidated subsidiaries, Tokyo Fudosan Kanri Co., Ltd., Shinjuku Center Building Management Co., Ltd., Tokyo Building Service Co., Ltd., and Seishin Service Co., Ltd., operate building management.

Consolidated subsidiary EXPERT OFFICE Co., Ltd. operates serviced offices and coworking spaces.

Consolidated subsidiary PRIME PLACE Co., Ltd. manages and operates retail facilities.

(2) Residential Business

The Company is engaged in developing, subdividing, selling, and leasing condominiums and other residential properties.

Tokyo Tatemono Amenity Support Co., Ltd., a consolidated subsidiary, undertakes the management of condominiums, etc.

The Company and its consolidated subsidiary Kachidoki GROWTH TOWN Co., Ltd., operate the leasing and management of condominiums.

E-State Online Co., Ltd., a consolidated subsidiary, and two other companies provide services related to web promotions for sales of condominiums, etc.

(3) Asset Service Business

Consolidated subsidiary Tokyo Tatemono Real Estate Sales Co., Ltd. engages in real estate transactions and provides brokerage and consulting services.

Consolidated subsidiary Nihon Parking Corporation develops and operates parking facilities, among other businesses.

(4) Other Business

(Leisure Business)

Consolidated subsidiary Tokyo Tatemono Resort Co., Ltd. operates hotels, resort facilities, deluxe bathing facilities, and golf courses.

The Company and its consolidated subsidiary Kawaguchiko Country Club Inc., operate golf courses.

(Asset Management Business)

Consolidated subsidiary Tokyo Tatemono Investment Advisors Co., Ltd. engages in real estate investment consulting and real estate fund business formation and management.

Tokyo Realty Investment Management, Inc., a consolidated subsidiary, operates an asset management business for investment corporations as an asset management company under the Act on Investment Trusts and Investment Corporations.

(Overseas Businesses)

The Company and its consolidated subsidiaries, Tokyo Tatemono Asia Pte. Ltd. and Tokyo Tatemono US Ltd. are engaged in real estate development and other businesses in China, Southeast Asia and the United States through two consolidated subsidiaries and 16 entities accounted for using equity method.

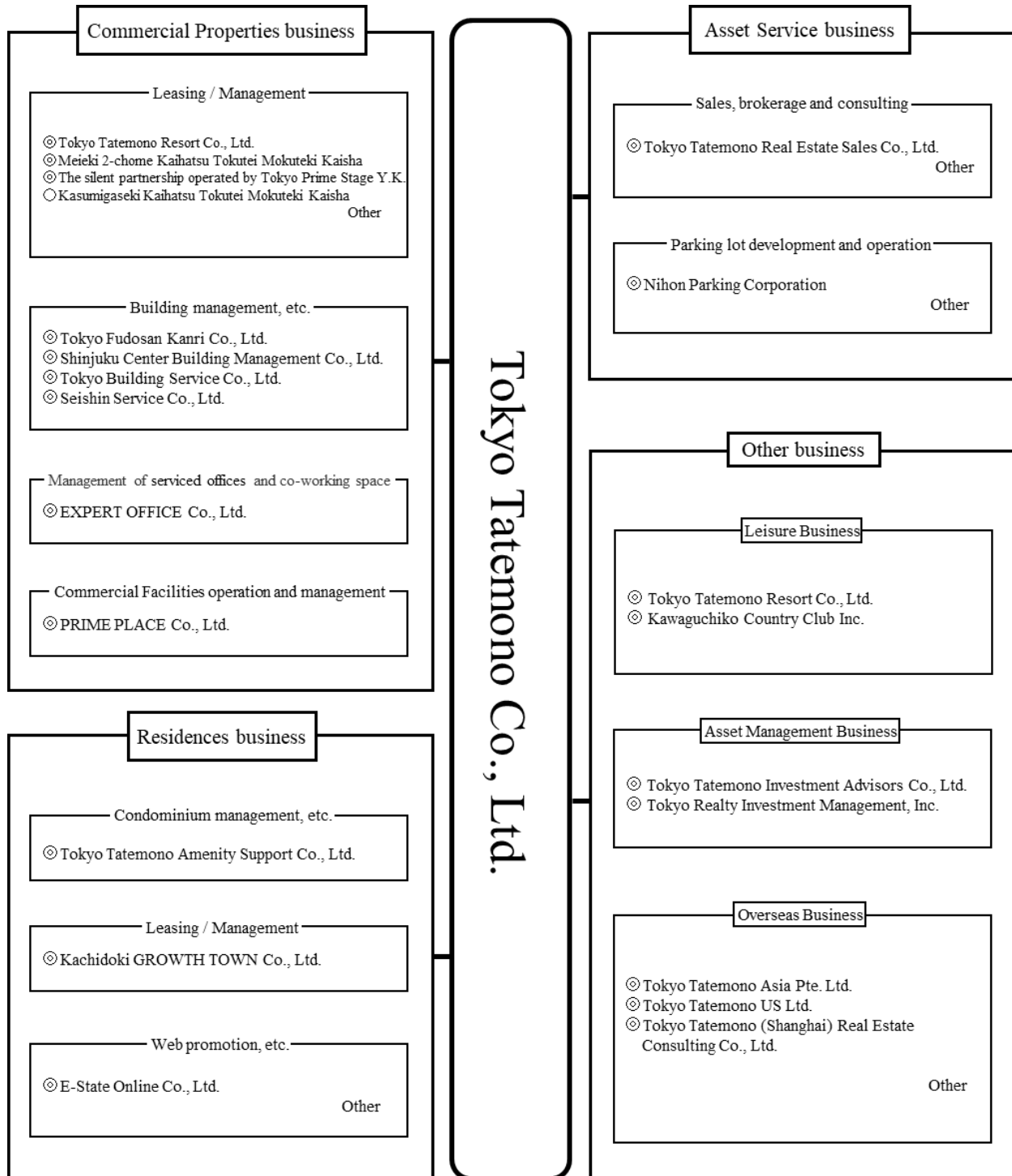
Tokyo Tatemono (Shanghai) Real Estate Consulting Co., Ltd., a consolidated subsidiary, operates a real estate consulting business in China.

(Other)

The Company provides real estate appraisals.

The following is the business structure diagram which illustrates the matters explained above.

(Chart of business structure)



⊗ Consolidated subsidiaries

○ Entities accounted for using equity method

4. Subsidiaries and Affiliated Companies

| Name | Address | Share capital or Investments In Capital (Millions of yen) | Principal Business (Note) 1 | Percentage of Voting Rights Owned or Held (%) | Indirect (%) | Relationship | | | | |
|--|--|---|--|---|--------------|--|------------------------------|--|--|--------------------------------------|
| | | | | | | Holding Positions of Officer(s) (Note) 2 | | Fund Transactions, etc. (Millions of yen) | Business Transactions | Lease of Facilities |
| | | | | | | Company Officer(s) (person) | Company Employee(s) (person) | | | |
| (Consolidated Subsidiaries) | | | | | | | | | | |
| Tokyo Tatemono Real Estate Sales Co., Ltd. | Chuo-ku, Tokyo | 4,321 | Asset Service business | 100.0 | — | 2 | 3 | Short-term loans receivable (Note) 3 18,119 | — | Leased office space from the Company |
| Tokyo Tatemono Resort Co., Ltd. | Chuo-ku, Tokyo | 100 | Commercial Properties business, Other business | 100.0 | — | 2 | 5 | Short-term borrowings (Note) 3 2,764 Short-term loans receivable (Note) 3 1,040 Long-term loans receivable (Note) 3. 13,185 | — | Leased office space from the Company |
| Tokyo Tatemono Amenity Support Co., Ltd. | Chuo-ku, Tokyo | 100 | Residential business | 100.0 | — | 2 | 8 | Short-term borrowings (Note) 3 1,934 Long-term borrowings (Note) 3 3,500 | — | Leased office space from the Company |
| Tokyo Tatemono Investment Advisors Co., Ltd. | Chuo-ku, Tokyo | 200 | Other business | 100.0 | — | 1 | 6 | Short-term borrowings (Note) 3 3,091 | — | Leased office space from the Company |
| E-State Online Co., Ltd. | Chiyoda-ku, Tokyo | 100 | Residential business | 100.0 | — | — | 5 | Short-term borrowings (Note) 3 614 | Outsourcing services related to web promotion | Leased office space from the Company |
| PRIME PLACE Co., Ltd. | Chuo-ku, Tokyo | 100 | Commercial Properties business | 100.0 | — | 2 | 3 | Short-term borrowings (Note) 3 1,411 | Outsourcing operation and management of retail facilities | Leased office space from the Company |
| Kawaguchiko Country Club Inc. | Fujikawaguchiko-machi, Yamanashi Pref. | 10 | Other business | 100.0 | — | 1 | 1 | — | — | — |
| Kachidoki GROWTH TOWN Co., Ltd. | Chuo-ku, Tokyo | 100 | Residential business | 100.0 | — | — | 2 | Short-term borrowings (Note) 3 506 Short-term loans receivable (Note) 3 400 Long-term loans receivable (Note) 3 1,850 | — | — |
| Tokyo Tatemono (Shanghai) Real Estate Consulting Co., Ltd. | Shanghai, People's Republic of China | million RMB 7 | Other business | 100.0 | — | 1 | 3 | — | — | — |
| Shinjuku Center Building Management Co., Ltd. | Shinjuku-ku, Tokyo | 30 | Commercial Properties business | 100.0 | — | — | 4 | Short-term borrowings (Note) 3 911 | Outsourcing commercial properties management and cleaning services | Leased office space from the Company |
| Nihon Parking Corporation | Chiyoda-ku, Tokyo | 100 | Asset Service business | 100.0 | — | 2 | 4 | Short-term borrowings (Note) 3 1,547 Short-term loans receivable (Note) 3 1,188 Long-term loans receivable (Note) 3 5,486 | — | Leased office space from the Company |

| Name | Address | Share capital or Investments In Capital (Millions of yen) | Principal Business (Note) 1 | Percentage of Voting Rights Owned or Held (%) | Indirect (%) | Relationship | | | | |
|---|-------------------|---|--------------------------------|---|--------------|--|------------------------------|---|--|--------------------------------------|
| | | | | | | Holding Positions of Officer(s) (Note) 2 | | Fund Transactions, etc. (Millions of yen) | Business Transactions | Lease of Facilities |
| | | | | | | Company Officer(s) (person) | Company Employee(s) (person) | | | |
| Tokyo Fudosan Kanri Co., Ltd. | Sumida-ku, Tokyo | 120 | Commercial Properties business | 76.0 | — | 3 | 5 | Short-term borrowings (Note) 3 15,395 | Outsourcing commercial properties management services | Leased office space from the Company |
| Tokyo Building Service Co., Ltd. | Sumida-ku, Tokyo | 50 | Commercial Properties business | 100.0 | 57.7 | 1 | 2 | Short-term borrowings (Note) 3 1,848 Long-term borrowings (Note) 3 1,500 | Outsourcing commercial properties management and cleaning services | — |
| Meieki 2-chome Kaihatsu Tokutei Mokuteki Kaisha (Note) 4. | Chiyoda-ku, Tokyo | 12,700 | Commercial Properties business | — | — | — | — | — | Operating and managing commercial properties on consignment | — |
| The silent partnership operated by Tokyo Prime Stage Y.K. (Note) 4. | Chiyoda-ku, Tokyo | 54,897 | Commercial Properties business | — | — | — | — | — | Operating and managing commercial properties on consignment | — |

| Name | Address | Share capital or Investments In Capital (Millions of yen) | Principal Business (Note) 1 | Percentage of Voting Rights Owned or Held (%) | Indirect (%) | Relationship | | | | |
|---|--------------------------|---|--------------------------------|---|--------------|--|------------------------------|---|---|--------------------------------------|
| | | | | | | Holding Positions of Officer(s) (Note) 2 | | Fund Transactions, etc. (Millions of yen) | Business Transactions | Lease of Facilities |
| | | | | | | Company Officer(s) (person) | Company Employee(s) (person) | | | |
| Tokyo Tatemono Asia Pte. Ltd. (Note) 4 | Singapore | million SGD 331 | Other business | 100.0 | — | — | 3 | — | — | — |
| Tokyo Realty Investment Management, Inc. | Chuo-ku, Tokyo | 350 | Other business | 100.0 | — | 1 | 4 | Short-term borrowings (Note) 3 255 | — | Leased office space from the Company |
| Seishin Service Co., Ltd. | Chuo-ku, Tokyo | 80 | Commercial Properties business | 100.0 | — | 2 | 5 | Short-term loans receivable (Note) 3 6 | Outsourcing commercial properties management services | Leased office space from the Company |
| EXPERT OFFICE Co., Ltd. | Chiyoda-ku, Tokyo | 100 | Commercial Properties business | 100.0 | — | 1 | 3 | Short-term loans receivable (Note) 3 683 | — | Leased office space from the Company |
| PT Dharma Tatemono Property (Note) 4 | Indonesia | billions IDR 10,951 | Other business | 100.0 | 50.0 | — | 2 | Long-term loans receivable 4,558 | — | — |
| PT Dharma Tatemono Residences | Indonesia | billions IDR 8,891 | Other business | 100.0 | 50.0 | — | 2 | Long-term loans receivable 4,706 | — | — |
| Tokyo Tatemono US Ltd. | United States of America | millions USD 0 | Other business | 100.0 | — | — | 2 | — | — | — |
| 10 other companies | | | | | | | | | | |
| (Entities accounted for using equity method) | | | | | | | | | | |
| Kasumigaseki Kaihatsu Tokutei Mokuteki Kaisha | Chiyoda-ku, Tokyo | 150 | Commercial Properties business | — | — | — | — | — | Operating and managing commercial properties on consignment | — |
| Yangon Museum Development Pte. Ltd. | Singapore | millions USD 140 | Other business | 35.0 | 35.0 | — | 2 | Guaranteed by the Company | — | — |
| 20 other companies | | | | | | | | | | |

(Notes) 1. Segment names are listed in the “Principal Business” column.

2. Company Employee(s) in the column “Holding positions of Officer(s)” include Managing Officers.

3. Based on the CMS (Cash Management System).

4. Specified subsidiary.

5. Employees

(1) Employees within the Group

As of December 31, 2023

| Segment | Number of Employees | |
|--------------------------------|---------------------|---------|
| Commercial Properties business | 1,848 | [2,281] |
| Residential business | 1,407 | [761] |
| Asset Service business | 632 | [273] |
| Other business | 652 | [1,187] |
| Company-wide (common) | 122 | [23] |
| Total | 4,661 | [4,525] |

- (Note) 1. The number of employees is the number of individuals working within our group (excludes individuals seconded from the Group to third parties but includes individuals seconded from third parties to the Group). The annual average number of temporary employees is indicated in brackets.
2. The number of employees listed as “Company-wide (common)” is the number of employees belonging to corporate departments, etc. that cannot be classified into specific segments.
3. As of the end of the fiscal year under review, the number of employees and the number of temporary employees (average number of people employed) of consolidated companies decreased by 1,217 and 162, respectively, due to the sale of shares of Tokyo Tatemono Kids Co., Ltd. (Other) and Tokyo Tatemono Staffing Co., Ltd. (Other) being excluded from the scope of consolidation due to the sale of their shares in June 2023 and October 2023, respectively.

(2) Employees of the Company

As of December 31, 2023

| Number of Employees | Average Age | Average Years of Service | Average Annual Salary (thousands of yen) |
|---------------------|-------------------|--------------------------|--|
| 807 [100] | 41 years10 months | 11 years 4 months | 10,235 |

| Segment | Number of Employees | |
|--------------------------------|---------------------|-------|
| Commercial Properties business | 307 | [37] |
| Residential business | 346 | [37] |
| Asset Service business | 7 | [3] |
| Other business | 25 | [1] |
| Company-wide (common) | 122 | [22] |
| Total | 807 | [100] |

- (Notes) 1. The number of employees is the number of individuals (excludes individuals seconded from the Company but includes individuals seconded from third parties to the Company). The annual average number of temporary employees is indicated in brackets.
2. The average annual salary includes bonuses and extra wages.
3. The number of employees listed as “Company-wide (common)” is the number of employees belonging to corporate departments, etc. that cannot be classified into specific segments.

(3) Relationship with Labor Union

The Company’s labor union is outlined below.

Name: Tokyo Tatemono Labor Union

Established: July 21, 1946

Number of members: 405

Relationship with Other Organizations: As a single association and has no relationships with other organizations.

No labor union is established throughout the entire Group.

(4) Percentage of female workers in management positions, percentage of male workers taking childcare leave, and differences in wages between male and female workers

(i) The Company

| FY2023 | | | | |
|--|---|---|-------------------|--|
| Percentage of female workers in management positions (%) (Note)1 | Percentage of male workers taking childcare leave (%) (Note) 2. | Differences in wages between male and female workers (%) (Note) 3, (Note) 4 | | |
| | | All workers | Full-time workers | Part-time and fixed-term temporary workers |
| 9.4 | 78.1 | 50.9 | 58.1 | 37.1 |

(Note) 1. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Law No. 64, 2015), as of December 31, 2023.

2. The above figures are calculated based on the percentage of employees who took childcare leave, etc. as stipulated in Article 71-4, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ministry of Labor Ordinance No. 25, 1991) based on the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Law No. 76, 1991), and the period covered is from January 1, 2023 to December 31, 2023.

3. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Law No. 64, 2015), and the period covered is from January 1, 2023 to December 31, 2023.

4. The salary structure is based on position and performance, and although there is no difference in treatment based on gender, there are differences in factors such as personnel composition by form of employment and qualification grade.

(ii) Consolidated subsidiaries

| FY2023 | | | | | | |
|--|--|---|----------|---|-------------------|--|
| Name | Percentage of female workers in management positions (%) (Note)1 | Percentage of male workers taking childcare leave (%) | | Differences in wages between male and female workers (%) (Note) 3 | | |
| | | | | All workers | Full-time workers | Part-time and fixed-term temporary workers |
| Tokyo Tatemono Amenity Support Co., Ltd. | 6.9 | 25.0 | (Note) 2 | 92.0 | 67.7 | 91.4 |
| Tokyo Fudosan Kanri Co., Ltd. | 1.3 | 42.8 | (Note) 2 | 63.8 | 76.2 | 38.6 |
| Tokyo Tatemono Resort Co., Ltd. | 5.0 | 28.6 | (Note) 2 | 78.7 | 71.5 | 88.7 |
| Seishin Service Co., Ltd. | 3.6 | 100.0 | (Note) 2 | 80.2 | 80.2 | 90.1 |
| Tokyo Tatemono Real Estate Sales Co., Ltd. | 13.5 | 71.4 | (Note) 2 | 62.1 | 70.7 | 29.9 |
| Tokyo Building Service Co., Ltd. | — | — | | 72.4 | 73.0 | 98.7 |
| Parking Support Center Corporation | 8.3 | 50.0 | (Note) 2 | 86.4 | 81.4 | 81.1 |
| E-State Online Co., Ltd. | 5.3 | — | | 75.5 | 78.7 | 95.4 |
| PRIME PLACE Co., Ltd. | 18.6 | — | | 54.3 | 68.2 | 55.5 |
| Nihon Parking Corporation | 5.2 | — | | 21.0 | 21.9 | — |
| Tokyo Realty Investment Management, Inc. | 6.3 | — | | — | — | — |

(Notes) 1. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Law No. 64, 2015), as of December 31, 2023.

2. The above figures are calculated based on the percentage of employees who took childcare leave, etc. as stipulated in Article 71-4, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ministry of Labor Ordinance No. 25, 1991) based on the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Law No. 76, 1991), and the period covered is from January 1, 2023 to December 31, 2023.

3. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Law No. 64, 2015), and the period covered is from January 1, 2023 to December 31, 2023.

II. Business Overview

1. Management Policy, Business Environment and Management Issues to be Addressed

The management policy, business environment, and management issues to be addressed by the Group are as follows.

Any forward-looking statement in this document is based on the Group judgments as of the end of the fiscal year under review.

(1) Management Policy

(i) Group Long-Term Vision and Medium-Term Business Plan

Aiming for sustainable growth and medium- to long-term enhancement of corporate value, the Group has set forth its long-term vision “Becoming a Next-Generation Developer” for around 2030 and the Group’s Medium-Term Business Plan covering the period from fiscal 2020 to fiscal 2024. Under our long-term vision, we aim to achieve a consolidated business profit of ¥120 billion around 2030 by reaching an overarching balance between “solving social issues” and “growing as a company” as well as contributing to the achievement of the SDGs. Toward the realization of our long-term vision, the Group Medium-Term Business Plan (FY2020-FY2024) aims to achieve the numerical targets for the management indices shown below under “(2) Business Targets” by steadily promoting the following “Five Key Strategies” and an “Evolved Approach to ESG Management.”

Our Group’s Long-Term Vision

Becoming a Next-Generation Developer

In an era full of uncertainty and rapid change in terms of demographics, diverse values, accelerating technological progress, and more, various issues have emerged on the path to creating a sustainable society.

The Tokyo Tatemono Group recognizes that the role developers play must also change significantly.
The group’s aim is to be a good company for stakeholders by leveraging its businesses to solve social issues and achieve higher levels of growth as a company.

| | |
|---|---|
| Steady Profit Growth | Helping Solve a Variety of Social Issues |
| Target for 2030: Consolidated business profit* of ¥120.0 billion | Contributing to the SDGs  |

Basic Profit Growth Policy

- **Steadily expand stable leasing profit, making it the core of our profit composition**
- **Target a well-balanced profit structure, mindful of capital efficiency**

* Consolidated business profit = consolidated operating profit + share of profit (loss) of entities accounted for using equity method
To capture the growth of overseas businesses, we have defined business profit as a target profit indicator. Business profit is the sum of operating profit and share of profit (loss) of entities accounted for using equity method.

a. Key Strategy 1: Promotion of large-scale redevelopment

- Through reducing environmental impact, strengthening countermeasures against natural disasters, creating a bustling center of activity, creating a rich community, and creating new value through collaboration with diverse partners and the use of advanced technology, we aim to realize urban development that contributes to solving social issues and increase the value of our portfolio of office buildings.
- The Company will promote several large-scale redevelopment projects, including a redevelopment project involving the former head office building in front of Tokyo Station, in order to increase stable leasing income.

b. Key Strategy 2: Further strengthening of condominium business





























- By continuously capturing opportunities to develop highly competitive condominiums and providing high-quality housing that responds to social changes, we will further strengthen our for-sale condominium business.

- To ensure stable profits, we will continue to pursue large-scale redevelopment and rebuilding projects.
- c. Key Strategy 3: Expansion of property sales to investors
- We aim to achieve continuous profit growth and improve capital efficiency by proactively acquiring development opportunities for diverse assets that meet real estate investment needs and promoting strategic investments and sales.
 - From the capital efficiency perspective, we will also review our portfolio of non-current assets, considering their profitability and future potential.
- d. Key Strategy 4: Strengthening of brokerage, fund, and parking businesses
- We aim to expand the Group-related assets by strengthening the brokerage business, which focuses on increasing the real estate stock, and the Parking business, which caters to the need for effective real estate utilization.
 - Through sales of properties developed and held by the Company to REITs or funds sponsored by the Company and others, the Group AUM will be expanded, and the Fund business is expected to grow.
- e. Key Strategy 5: Growth in overseas businesses
- We will continue to promote our long-term business in China and development in other Asian countries.
 - Our goal is to increase profits by capturing new business opportunities through collaboration with leading local partners.
- f. “Evolved Approach to ESG Management”
- As part of the Group-wide, cross-sectional promotion of sustainability initiatives, the Sustainability Committee and other committees will discuss important ESG-related issues, set targets, monitor progress, and evaluate achievements, thereby ensuring the ongoing development of sustainability initiatives.
 - By utilizing the evaluation items by ESG rating agencies, etc. as a benchmark tool, we aim to be included in ESG indices.

(ii) Materiality

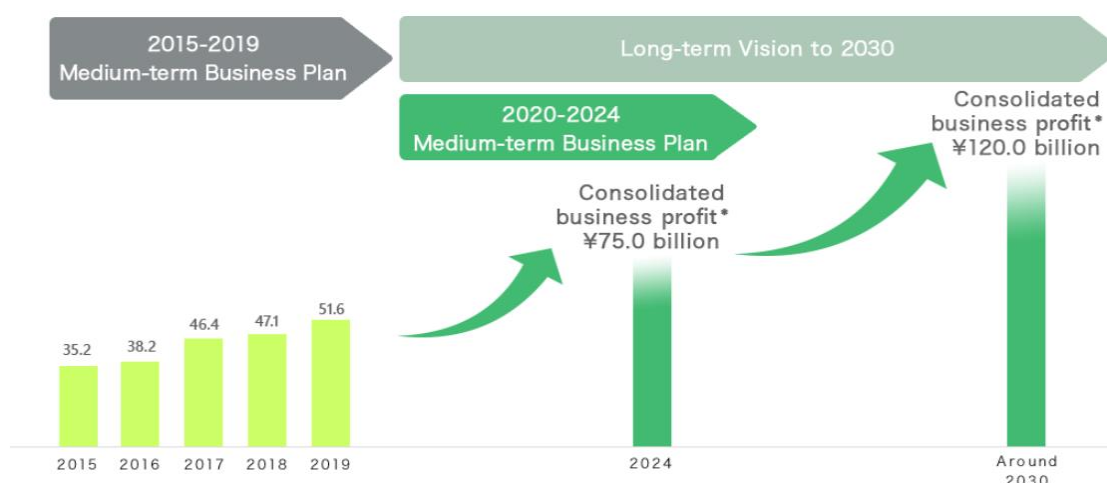
In order to achieve our Long-term Vision, we are aware of the shared value with society to be achieved through our business, and we have reviewed the material issues to be addressed through backcasting and identified 14 materialities (material issues that are highly relevant for our business) from the perspectives of social value creation and value creation infrastructure. We will contribute to realizing a sustainable society by addressing material issues and creating shared value with society through our business.

Materiality of the Tokyo Tatemono Group

| | Material issues | Shared values with society | Contribution to SDGs |
|-------------------------|--|---|---|
| Social value creation |  Strengthening Tokyo's competitiveness as an international city | Creating value of place and value of experience |           |
| |  Contributing to a safe and secure society | | |
| |  Community building and revitalization | | |
| |  Wellbeing | | |
| |  Addressing the diverse needs of customers and society | | |
| |  Value co-creation and innovation | | |
| |  Social implementation of technology | | |
| |  Revitalizing and Utilizing Real Estate Stock | | |
| |  Promoting a decarbonized society | Coexistence with the earth and the environment | |
| |  Promoting a recycling-oriented society | | |
| Value creation platform |  Improve employee growth and job satisfaction | Value-creating talent |       |
| |  Diversity & Inclusion | | |
| |  Advancement of governance | Realizing sustainability management | |
| |  Strengthen risk management framework | | |

(2) Management Indicators

Under the Medium-Term Business Plan (FY2020-FY2024), the Group has adopted “consolidated business profit,” which is the sum of consolidated operating profit and share of profit (loss) of entities accounted for using equity method, as its target profit indicator, and has set a target of “consolidated business profit of ¥75 billion” for FY2024, the final year of the plan.



*Consolidated business profit = consolidated operating profit + share of profit (loss) of entities accounted for using equity method

At the same time, we have set “ROE of 8-10%” as an indicator of capital efficiency in FY2024, and “Debt-equity ratio of approximately 2.4 times” and “Interest-bearing debt / EBITDA multiple of approximately 12 times” as financial indicators, aiming to achieve our profit targets while maintaining financial soundness and improving capital efficiency, as well as to optimize our business portfolio and asset mix.

| | |
|-----------------------------|--|
| Profit Target | Consolidated business profit:^{*1} ¥75.0 billion |
| Capital Efficiency | ROE: 8-10% |
| Financial Indicators | Debt-equity ratio^{*2}: Appr. 2.4X Interest-bearing debt / EBITDA multiple^{*3} : Appr. 12X |

*1 Consolidated business profit = consolidated operating profit + share of profit (loss) of entities accounted for using equity method

*2 Debt-equity ratio = consolidated interest-bearing debt / consolidated owners' equity

*3 Interest-bearing debt / EBITDA multiple = interest-bearing debt / (operating profit + interest & dividend income + share of profit (loss) of entities accounted for using equity method + depreciation + goodwill amortization expense)

(3) Business Environment and Management Issues to be Addressed

The Japanese economy is expected to continue a recovery trend due to further normalization of economic and social activities and the recovery of personal consumption and expansion of inbound demand. However, it will be necessary to continue to closely monitor the impact of high prices, trends in wage increases and interest rates, and the risk of a slowdown in the global economy, and it seems that a situation of high uncertainty will continue for the foreseeable future.

In the real estate industry, while appropriately addressing the soaring construction costs and the risk of rising interest rates, we must work to create attractive place value and experience value that attract people as they increasingly seek face-to-face interaction and real-life experiences as we enter the post-coronavirus era. In addition, in response to the diversifying needs for work and living styles triggered by the coronavirus pandemic, we believe it is necessary to continue providing products and services that meet these needs and to undertake multifaceted efforts towards achieving sustainable urban development.

Under such circumstances, as the Group approaches the final fiscal year of the Medium-Term Business Plan (FY2020 to FY2024), we will make every effort to ensure the steady achievement of this plan by focusing on our key strategies: promotion of large-scale redevelopment, further strengthening of the condominium business, expansion of property sales to investors, strengthening the brokerage, fund, and parking businesses, growth in overseas businesses, and evolved approach to ESG management.

Against this backdrop, towards the achievement of our Long-term Vision, we will promote efforts related to value co-creation and innovation, well-being, and promotion of a decarbonized, recycling-oriented society, which have been identified as the Group's materialities. Specifically, in the Yaesu, Nihonbashi, and Kyobashi areas where the Company is implementing several redevelopment projects, we will operate facilities that support the accumulation of global startup companies and community building, thus contributing to the creation and growth of startup companies and promoting exchanges with major companies and venture capitalists, thereby strengthening the innovation ecosystem (Note 1). In addition, in the same area, to achieve offices that enhance well-being that contribute to productivity improvement and reduction in turnover rates, we will conduct demonstration experiments using digital technology, among other diverse efforts to enhance the place value and experience value in the area. Furthermore, in order to realize a decarbonized, recycling-oriented society, we will accelerate various initiatives, such as expanding the development of ZEH and promoting sustainable carbon neutral initiatives using logistics properties and a self-consignment system (Note 2), which won the 2023 Climate Change Action Minister of the Environment Award sponsored by the Ministry of the Environment and the Minister of Land, Infrastructure, Transport and Tourism Award at the 29th Achievement Awards sponsored by the Japan Association for Real Estate Sciences. In response to the urgent issue of soaring construction costs, we will work to mitigate the impact on financial performance by focusing on cost control, strengthening collaboration with construction contractors, and developing attractive products that are highly appealing, as well as continuing to make rigorous selection of investments.

Under the Long-term Vision of “Becoming a Next-Generation Developer,” which looks ahead to around 2030, the Group will steadily achieve the goals of the Group's Medium-Term Business Plan ending in FY2024 and will continue to strive to both solve social issues and achieve higher levels of growth as a company through its business, with the aim of becoming a good company for all stakeholders.

- (Notes) 1. The business environment is simulated as a natural ecosystem in which various players in industry, academia, and government, including venture companies, large corporations, investors, and research institutions, cluster and collaborate to create a virtuous cycle that fosters cutting-edge industries and economic growth.
2. Transmission of electricity produced by our own power generation facilities to facilities, etc. elsewhere in our company via a power transmission and distribution network maintained and operated by a general transmission and distribution company.

2. Disclosure of Sustainability-related Financial Information

The Group's disclosure of sustainability-related financial information is as follows. Any forward-looking statement mentioned below is based on the Group's judgments as of the end of the consolidated fiscal year under review.

Under our Long-term Vision of "Becoming a Next-Generation Developer," which looks ahead to around 2030, the Group aims to both solve social issues and achieve higher levels of growth as a company through its business, and it has also set contribution to the achievement of the SDGs as a goal. We have identified 14 materialities as issues to be addressed to achieve these goals, and we are implementing various sustainability initiatives that will lead to the resolution of the materialities through the promotion of key strategies based on the Group's Medium-term Business Plan and an "Evolved Approach to ESG Management."

In addition, in order to implement sustainability initiatives throughout the entire Group in a continuous manner, we have established a Sustainability Committee and are working to steadily promote and enhance sustainability by establishing and operating a PDCA cycle that includes all Group companies.

For details on the above Long-term Vision, the Group's Medium-Term Business Plan, and materialities, please refer to "1. Management Policy, Business Environment and Management Issues to be Addressed (1) Management Policy."

(1) Governance

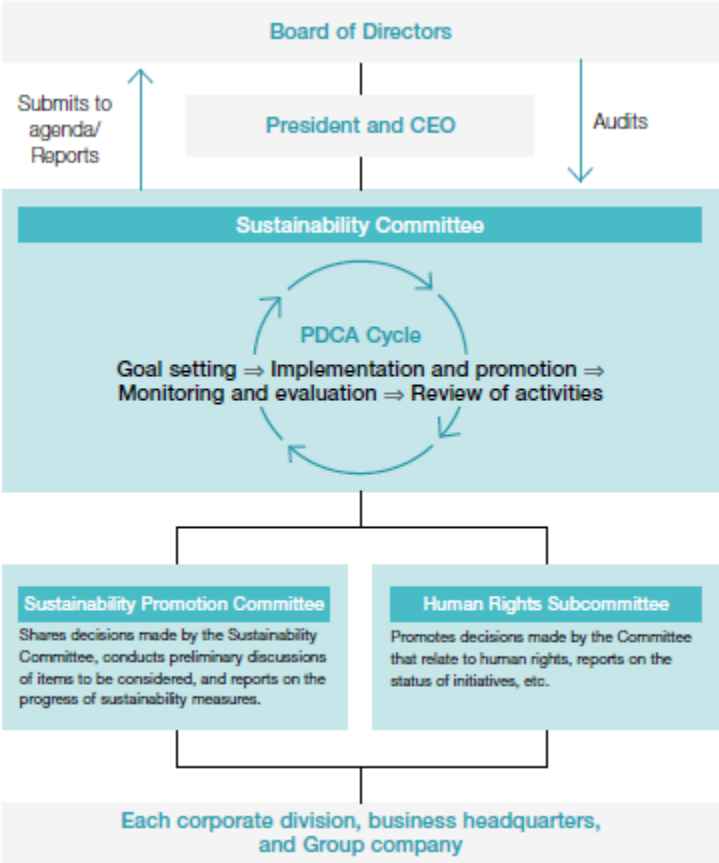
For promoting sustainability, including addressing climate change, we have established a Sustainability Committee chaired by the Company's President & Chief Executive Officer, and as subordinate organizations, we have set up a Sustainability Promotion Committee and a Human Rights Subcommittee.

The Sustainability Committee, positioned as a meeting body directly managed by the Company's President & Chief Executive Officer alongside the Group Management Meeting, Risk Management Committee, and Internal Control Committee, holds meetings at least twice a year to discuss and consult on the formulation of policies related to the Group's sustainability, system establishment, setting of metrics and targets, and monitoring and evaluating progress. The Sustainability Committee deliberates and discusses important matters related to climate change, including the identification of risks and opportunities, greenhouse gas emission reduction targets and response policies, and the status of initiatives.

Important matters deliberated and discussed by the Sustainability Committee are submitted or reported to the Board of Directors, which makes decisions on important sustainability-related matters and monitors and supervises the status of the Company's response to such matters.

The Sustainability Promotion Committee shares decisions made by the Sustainability Committee, discusses matters for consideration in advance, and reports and discusses, etc. the progress of the sustainability promotion by the Group. The Human Rights Subcommittee implements decisions made by the Sustainability Committee and reports and discusses the status of human rights initiatives.

[Sustainability promotion framework]



(2) Strategy

(i) Addressing climate change

Addressing climate change is a social issue that requires global solutions, and the real estate industry is also required to take initiatives, including reducing greenhouse gas emissions from owned real estate and business activities. The Group recognizes that the intensification of natural disasters including wind and water disasters caused by climate change could significantly impact the assets it owns, and the Group recognizes that this is an issue that must also be addressed as a priority from this perspective.

The Company has endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and has conducted scenario analysis to identify climate change risks and opportunities, evaluate their materiality, and examine and disclose their impact on the Group's business profit.

a. Scenario setting

We have set future worldviews (scenarios) for scenario analysis. Using scenarios released by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), we have set a 4°C scenario where the average temperature rises at least 4°C compared to pre-industrial levels by 2100, a 2°C scenario where the temperature rise is kept below 2°C, and a 1.5°C scenario where the rise is further limited to 1.5°C.

b. Identification of risks and opportunities/assessment of materiality

Focusing on the Group's core businesses, Commercial Properties business and Residential business, we identified climate change risks and opportunities for each business phase of development, operation/management, and sales/disposal, based on the reality of developing and owning buildings in specific areas, and assessed their materiality in terms of their expected degree of impact on the Group's finances and likelihood. The period of impact was categorized into short-term (1 to 5 years), medium-term (5 to 10 years), and long-term (over 10 years).

[Identified climate change risks, opportunities and their materiality]

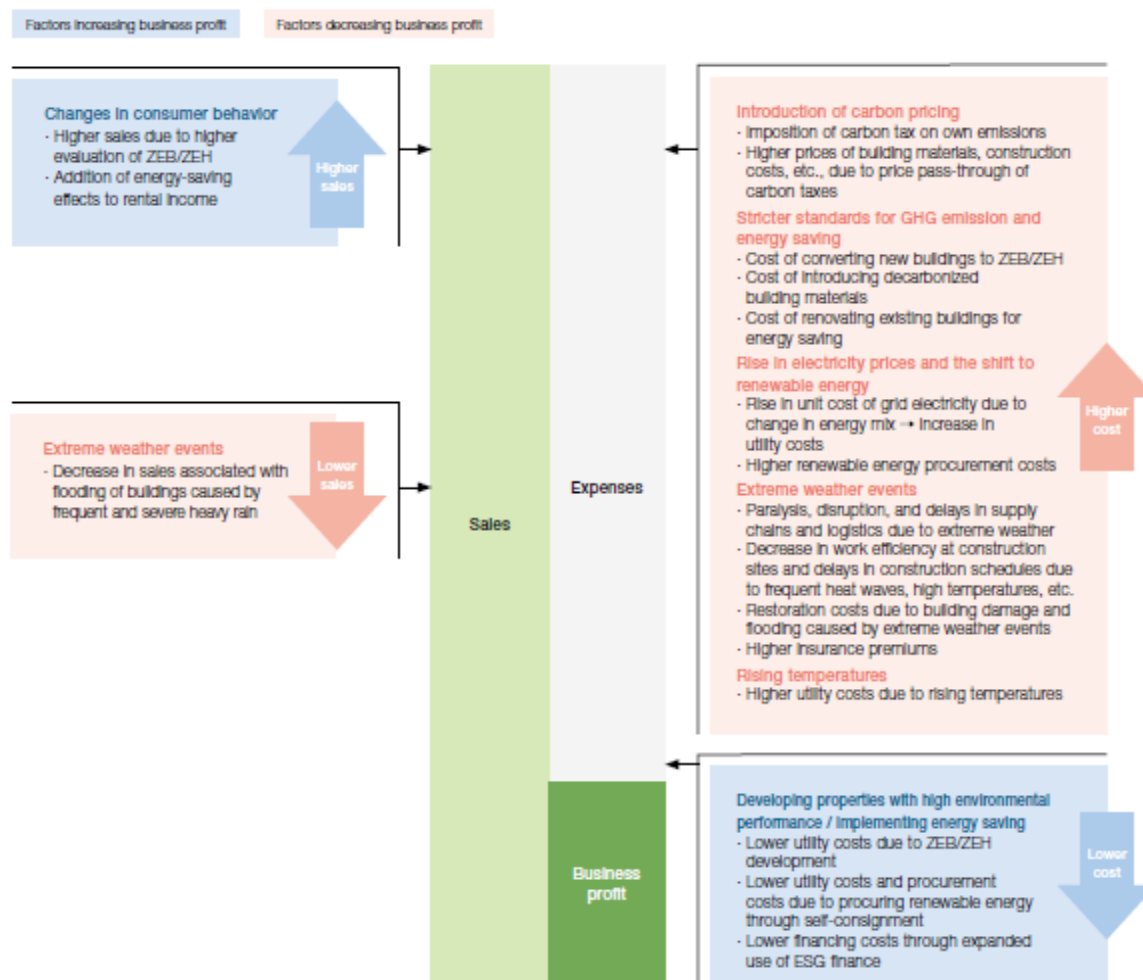
| | Category | Item | Impact on Group business | Period of impact | Materiality | |
|---|------------------------|--|--|---|-----------------------|--------------------|
| | | | | | 4°C scenario | 1.5°C/2°C scenario |
| Transition risk | Policies | Adoption of carbon pricing | Imposition of carbon tax on own emissions (Scope 1 and 2) | Medium-term | — | Medium |
| | | | Price hikes for construction materials, construction costs, etc. | Medium-term | — | Medium |
| | Regulations | Stricter standards for GHG emissions and energy saving | Higher costs of converting new buildings to ZEB/ZEH | Medium-term | Low | Low |
| | | | Higher costs of introducing decarbonized building materials | Medium-term | Medium | Medium |
| | | | Increase in cost of energy-saving renovation of existing buildings | Medium-term | Low | Low |
| | Technology and Markets | Higher unit cost of grid electricity | Higher utility costs due to change in energy mix | Short- to medium-term | — | Low |
| | | | Higher utility costs due to higher demand for fossil fuels | Short- to medium-term | Low | — |
| | Reputation | Burden from renewable energy procurement | Higher renewable energy procurement costs | Short- to medium-term | Low | Low |
| | | | Ensuring disaster preparedness and resilience | Higher costs of ensuring disaster preparedness and resilience | Short-term | Low |
| | Physical risks | Acute | Frequent and intense extreme weather events | Delayed construction schedule due to supply chain paralysis or disruption | Short-term | — |
| Costs arising from countermeasures and construction period delays | | | | Short-term | — | — |
| Loss of rental income in the event of flooding | | | | Short-term | Low | Low |
| Restoration costs arising from building damage and flooding | | | | Short-term | Low | Low |
| Higher insurance premiums | | | | Short-term | Low | Low |
| Chronic | | Rise in average temperature | Higher utility costs | Short-term | Low | Low |
| Opportunity | Technology | Efficiency Improvements with ZEB and ZEH Development | Reduction of utility costs | Short-term | Low | Low |
| | | | Procurement of renewable energy through self-consignment | Reduction in utility costs and renewable energy procurement costs | Short-term | Low |
| | Consumer behavior | Improved earnings from high environmental performance properties | Higher sales due to higher evaluation of ZEB/ZEH | Short- to medium-term | — | Medium |
| | | | Improvement of energy-saving effects | Addition of energy-saving effects to rental income | Short- to medium-term | — |
| | Markets | Expansion of ESG Finance | Reduction in financing costs | Short-term | — | Low |

c. Estimation of business impact

We have quantitatively evaluated the impact that the identified climate change risks and opportunities will have on the Group's finances in FY2030.

We have conducted qualitative analysis on risks and opportunities where quantitative data is difficult to obtain.

[Impact on the Group's business profit]



d. Countermeasures

The Company has identified promoting a decarbonized society as a materiality and is working to minimize climate change risks through its businesses and address this issue while also seizing these risks as opportunities. For promoting a decarbonized society, we have set medium- to long-term targets for reducing greenhouse gas emissions and are working towards their achievement by developing ZEB/ZEH, developing green buildings, introducing renewable energy, and also focusing on urban development and real estate development that consider resilience to the increasingly frequent natural disasters including wind and water disasters caused by climate change.

As medium- to long-term targets for reducing greenhouse gas emissions, we declared CO2 emissions net-zero by FY2050 in 2021 and set a target of 40% reduction in CO2 emissions by FY2030 compared to FY2019 for Scope 1, 2, and 3. In 2023, we will accelerate our efforts by raising the target for Scope 1 and 2 to a 46.2% reduction in CO2 emissions in FY2030 compared to FY2019, a level at which the increase in global average temperature will be limited to 1.5°C compared to pre-industrial levels. In addition, as process targets to achieve medium- to long-term targets, we have set targets for the promotion of ZEB/ZEH development, introduction of renewable energy, and acquisition of green building certification.

[Our initiatives to achieve greenhouse gas emission reduction targets (CO2 emission reduction)]

i. Effective utilization of surplus energy by generating and consuming renewable energy in our self-developed properties and by utilizing self-consignment

In the T-LOGI series of logistics properties developed by the Company, solar panels are installed on the roofs, and the renewable energy generated is consumed in-house at each facility. In addition, we intentionally generate renewable energy

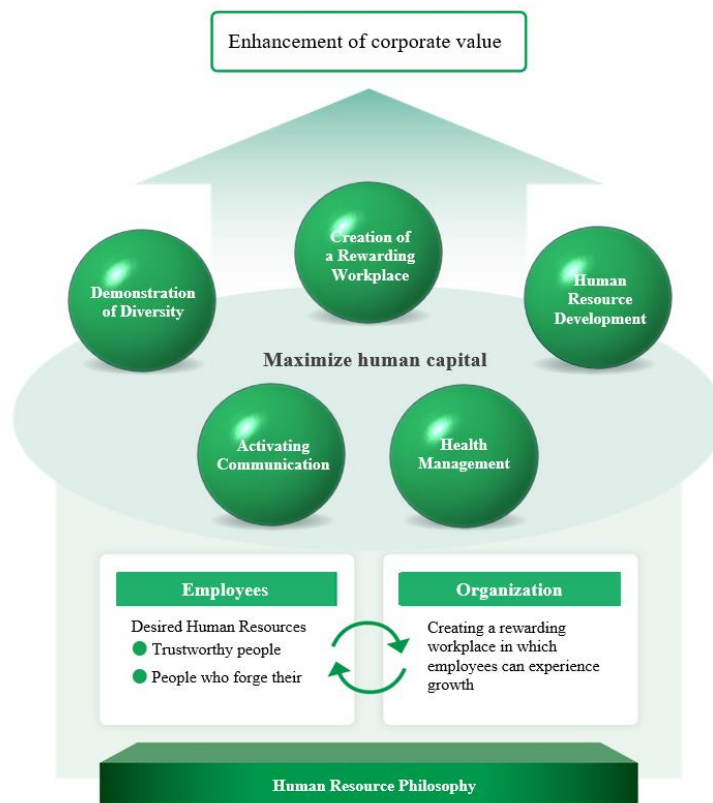
exceeding the self-consumption amount at each facility and perform self-consumption to transmit the surplus renewable energy to our suburban retail facilities and office buildings owned by the Company in multiple areas. In 2023, we started self-consumption to downtown commercial properties in the Yaesu, Nihonbashi, and Kyobashi areas in Tokyo. We are promoting decarbonization in urban areas where local production and consumption of renewable energy are challenging through these initiatives.

ii. Further promotion of ZEB/ZEH development

The Company has been actively pursuing the development of ZEB/ZEH. In 2023, we abandoned the target year limit previously set for FY2030 and added condominiums for rent to the scope, developing ZEB/ZEH in all newly constructed office buildings, logistics properties, condominiums for sale, and condominiums for rent as a principle.

(ii) Human capital

The Company recognizes that human resources are the source of value creation and sustainable growth for the Group and one of the most important foundations of management. We have identified the improvement of employee growth and job satisfaction as well as diversity and inclusion as materialities towards realizing our Long-term Vision, and are working on strengthening human capital as one of the most important management issues. To achieve an improvement in corporate value through the maximization of human capital value, based on our human resource philosophy and human resource policy, as described below, we are actively implementing initiatives for human resource development and improvement of internal environment, as well as expanding investments in human resources.



a. Human resource philosophy and human resource policy

i. Human resource philosophy: “The Company’s growth is tied to its employees’ growth; therefore, we are responsive to their contributions.”

The Company has established a human resource philosophy as the basis for personnel measures, aiming for an organization where both the company and employees grow together. Based on this human resource philosophy, we are committed to maintaining and evolving an environment and corporate culture where employees are motivated to aspire for growth, maximize their abilities, and take on the challenge of new value creation by implementing and operating human resource systems and various measures that promote the active participation and growth of employees and respond to their contributions.

- ii. Human resource policy
 - Desired Human Resources: Trustworthy people, People who forge their own paths
 - Creating a rewarding workplace in which employees can experience growth

Under the corporate philosophy of "Trust beyond the era," we have defined the human resources we seek and the ideal workplace in our human resource policy. Based on this policy, we are formulating and operating various personnel measures related to recruitment and development policies and work styles and conducting employee engagement surveys and 360-degree feedback surveys as workplace diagnostics, in working on improving the workplace environment. Through these initiatives, we aim to create a workplace environment as a company where we can fully utilize the capabilities of employees, allowing every employee to feel growth through their own challenges and contributions, thereby leading to an improvement in corporate value.

- b. Initiatives for human resource development and internal environmental improvement for maximizing the value of human resources

- i. Demonstration of diversity

By promoting the participation of diverse human resources and strengthening our organizational capabilities, we hope to provide products and services that meet the increasingly sophisticated and diverse needs of our customers, improve productivity, and promote the creation of innovation, thereby achieving growth as a company. Based on this idea, we have set diversity and inclusion as a materiality, and are actively recruiting new graduates as well as mid-career hires, while also focusing on acquiring highly specialized human resources and human resources who can promote digitalization and globalization. In addition, we have set the ratio of female managers and the employment rate of people with disabilities as metrics and targets and are advancing recruitment and promotion with an awareness of achieving these targets. Furthermore, we have established and are operating the following systems to create an environment in which diverse human resources can play an active role and experience ease of work and job satisfaction without feeling any barriers.

- Flextime system, teleworking system, and reduced working hours system to achieve flexible working styles
- Leave systems for pregnancy, childbirth, childcare, and nursing care, and re-employment system for retirees
- System that allows up to three years of leave for employees accompanying a spouse on an overseas transfer
- Promoting active participation utilizing the career experience of senior generations
- Encouraging the participation of people with disabilities with flexible work arrangements according to their aptitude and disability status

- ii. Creation of a rewarding workplace

In order to enhance employee growth and job satisfaction, we will conduct employee engagement surveys on a regular basis to create rewarding workplaces that will serve as the foundation for human resources growth and implement a PDCA cycle in which offices and branches with issues will work on improvements with the assistance of experts as part of efforts to continuously strengthen employee engagement. In addition, to enhance the ease of work for employees, we have set annual paid leave utilization rate and male childcare leave utilization rate as metrics and targets, introduced various systems to enable flexible working styles, and improved the ICT environment.

- iii. Human resources development

We have established a training system by hierarchical level aiming at role recognition and skill development according to the growth stage and set the average training hours per person and the career training participation rate as metrics and targets for conducting training. In addition, through self-development support systems, various qualification acquisition support systems, and external training programs, we are focusing on fostering a culture of self-learning among employees by preparing mechanisms that allow employees to think about and choose what knowledge and skills they need. Furthermore, with the aim of gaining a broad perspective and experience, we conduct personnel rotations that involve experiencing about three departments over approximately ten years after joining the Company, working on developing human resources who can be active in various fields.

- iv. Health management

Based on the Group Health Management Declaration so that officers and employees can work vigorously and in good health, both physically and mentally, the Group is implementing various measures aimed at maintaining and promoting the health of each Group officer and employee, and the Company is working on initiatives with set metrics and targets such as the health examination attendance rate, re-examination attendance rate, and smoking rate. In March 2023, in recognition of these health efforts, the Company was certified for the sixth time in three consecutive years as one of the

White 500 (the top 500 corporations in terms of health management survey results) among an Excellent Health Management Corporation awarded by the Ministry of Economy, Trade and Industry, which recognizes corporations that practice excellent health management. In addition, we are working to improve health literacy through ICT-based training and events, such as web-based dental questionnaires and walk rally events utilizing smartphone applications.

v. Activating communication

A slight problem was found in communication between hierarchical levels in an employee engagement survey. An analysis found that the rapid increase in the number of employees in recent years and the impact of the spread of coronavirus were the main reasons for the decrease in communication among employees, and we are working on improvements. We are working on developing a sense of unity by promoting internal communication through initiatives that serve as opportunities for communication, such as management and employee lunch meetings, social gathering expenses paid by the company, and visualizing the work experiences of each employee.

(3) Risk management

The Company has established a Risk Management Committee chaired by the President & Chief Executive Officer to oversee risk management for the Group. The Risk Management Committee formulates annual risk management plans, evaluates and analyzes risks that are important to the Group's management (priority risks), formulates preventive measures and countermeasures, and periodically monitors the status of countermeasures. For risks other than priority risks, the general managers of offices and branches and each committee act as risk owners to prevent and manage such risks.

Regarding sustainability risks, the Sustainability Committee, as the risk response organization (risk owner), works with relevant offices and branches to prevent and manage such risks, and reports important matters on the implementation status of such risks to the Risk Management Committee. Important matters discussed by the Risk Management Committee are brought up for discussion or reported to the Board of Directors based on internal regulations, and the effectiveness of the Group's risk management, including sustainability-related risks, is supervised by the Board of Directors.

For details of the risk management system, please refer to "3. Business Risk and Other Risk Factors (1) Risk Management System."

(4) Metrics and targets

(i) Addressing climate change

The Company has set metrics and targets (KPIs and targets) related to promoting a decarbonized society identified as materiality and is working on various measures while quantitatively monitoring the status in each fiscal year.

| Material issues | Item | Scope | KPIs and Targets | |
|----------------------------------|---|--|--|---|
| Promoting a decarbonized society | Reduction in greenhouse gas emissions | All businesses | Scope1・2・3 | Net zero CO2 emissions by FY2050 |
| | | | Scope1・2 | 46.2% reduction in CO2 emissions compared to FY2019 by FY2030 |
| | | | Scope3 (Note 1) | 40% reduction in CO2 emissions compared to FY2019 by FY2030 |
| | Promotion of development of ZEB and ZEH | Commercial properties business | In principle, all new office buildings and logistics properties to be developed will be ZEB | |
| | | Residential business | In principle, all new condominiums for sale and rent to be developed will be ZEH | |
| | Shift to renewable energy | All businesses | By FY2050, procure 100% of electricity consumed in business activities from renewable energy sources | |
| | | Commercial properties business | By FY2030, procure 100% of electricity consumed at owned real estate from renewable energy sources | |
| | | | By FY2024, procure at least 50% of electricity consumed at owned properties from renewable energy sources | |
| | Acquisition of Green Building Certification | Commercial properties business Residential business | Acquire Green Building Certification for, in principle, all new office buildings, logistics properties, and condominiums for rent, etc | |

(Note) 1. Scope 3 categories 11 and 13 are within the scope

2. For details on the progress toward each target, please refer to the Tokyo Tatemono Group Sustainability Report.

(ii) Human capital

The Company has set metrics and targets (KPIs and targets) related to the improvement of employee growth and job satisfaction as well as diversity and inclusion identified as materialities and is working on various measures while quantitatively monitoring the status in each fiscal year.

| Material issues | Item | Scope | KPIs and Targets |
|--|---|----------------------|---|
| Improve employee growth and job satisfaction | Promotion of skills development | Tokyo Tatemono | Average training time per employee Each fiscal year 15 hours or more |
| | | Tokyo Tatemono | Career training participationrate Each fiscal year 100% |
| | Promotion of health management | Tokyo Tatemono | Health checkup rate and follow-up test rate Each fiscal year 100% |
| | | Tokyo Tatemono | Smoking rate Every fiscal year 12% or less |
| | | Tokyo Tatemono | Ratio of employees maintaining a healthy weight 75% by 2028 |
| Diversity & Inclusion | Respect for human rights | Tokyo Tatemono Group | Dissemination of the Human Rights Policy Development to and compliance by group companies |
| | Work-life balance | Tokyo Tatemono | Average annual paid leave utilization rate Each fiscal year 70% or more |
| | | Tokyo Tatemono | Ratio of male employees taking parental leave By fiscal 2025 30% or more |
| | Promotion of diversity in our workforce | Tokyo Tatemono | Ratio of women in management positions 10% or more by fiscal 2030 |
| | | Tokyo Tatemono | Employment rate of people with disabilities Each year 2.3% or more |

(Note) For details on the progress toward each target, please refer to the Tokyo Tatemono Group Sustainability Report.

3. Business Risk and Other Risk Factors

In order to appropriately manage risks that may affect the Group’s business to stably increase corporate value, the Group has established relevant regulations and a risk management system and continuously monitors and controls risks.

(1) Risk Management System

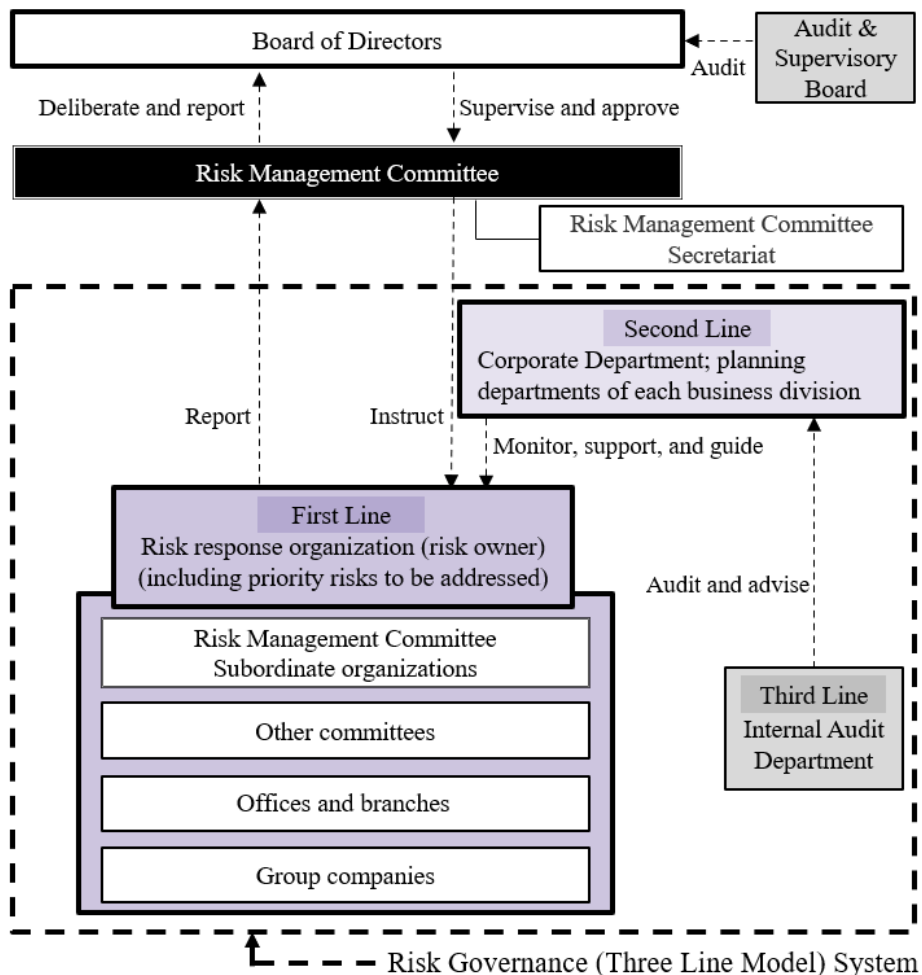
In promoting risk management, in accordance with its “Risk Management Regulations,” the Company has designated the President as the “Chief Risk Management Officer” and has established a “Risk Management Committee” chaired by the President & Chief Executive Officer to oversee risk management for the Group.

The Risk Management Committee formulates annual risk management plans, evaluates and analyzes risks that are important to the Group’s management (priority risks to be addressed), formulates preventive measures and countermeasures, and periodically monitors the status of countermeasures while regularly presenting agenda items for deliberation and submitting reports to the Board of Directors.

Regarding risks other than priority risks to be addressed (department and division management risks), the general managers of offices and branches, who are “risk management officers” as stipulated in the Risk Management Regulations, and each committee, serve as a risk response organization (risk owner) to appropriately prevent and manage said risks.

Furthermore, in order to maintain and improve the effectiveness of risk management activities, a risk governance (Three Line Model) system has been established in which the Corporate Department and planning departments of each business division (Second Line) monitor, support, and provide instructive guidance to offices and branches (First Line) with respect to risk management, and the Internal Audit Department (Third Line) audits and advises them in terms of their response to risk management at offices and branches.

(Risk Management Structure Diagram)



(2) Business Risk and Other Risk Factors

Risk is defined by the Group as “any factor of uncertainty arising in the course of business operation within the Group.” Risk assessments are conducted on risks in the Group from the perspectives of impact (financial loss, human loss, etc.), likelihood of occurrence, changes in business environment and corporate values. Henceforth the Risk Management Committee has established a process for identifying “priority risks to be addressed” that are to be monitored directly by the committee.

The main risks that could affect the Group’s business performance and financial position, including the priority risks to be addressed, are listed below. Furthermore, the risks indicated below do not cover all the risks associated with the Group, as there are other risks that may influence the judgment of investors.

Forward-looking statements in the document are the judgment of the Group based on information available as of the end of the fiscal year under review.

(i) Risks related to real estate development

The Group promotes its business after grasping and analyzing assumed risks in the real estate development business mainly in the Group Management Meeting and taking countermeasures beforehand. However, when a delay in business schedule or increase in costs, etc. occurs due to bad weather, natural disasters, delay in approval and permission, soil contamination or buried objects being found, or other unforeseen events, the Group’s operating results, financial position, etc. may be impacted.

(ii) Risks related to price fluctuations

The Group constantly monitors and analyzes the cost trends in each business, paying close attention to the impact on profitability. However, if there is a significant and rapid fluctuation in prices and the increase in costs cannot necessarily be reflected in rents or sales prices, the Group’s operating results, financial position, etc. may be impacted.

(iii) Risks related to trends in the real estate market

While the Group constantly monitors and analyzes domestic and international economic trends and real estate market conditions and closely monitors the impact on its operations, the Group's operating results and financial position may be affected by rapid or drastic fluctuations in economic conditions or market conditions resulting in a decline in office needs due to deteriorating corporate performance in the leasing office market, a decline in customers’ willingness to purchase condominiums in the condominium market, or a decline in investment demand in the real estate investment market.

(iv) Risks related to interest rate fluctuations

The Group has conducted stable fund procurement centering on interest-bearing debt in the form of long-term borrowings and has fixed interest rates for almost all long-term borrowings to minimize the impact of interest rate fluctuation. However, when interest rates rise, the Group’s operating results as well as its financial position, etc. may be impacted and the value of assets owned by the Group may decrease.

(v) Risks related to owned shares

The Group holds marketable shares in other companies that are deemed to help increase corporate value in the medium to long term through maintaining and strengthening business relationships as those for other purposes than pure investment (strategic shareholdings). Individual strategic shares are appropriately managed toward their reduction based on the “Corporate Governance Code (Principle 1-4)” by reporting their actual transactions and others periodically to the Board of Directors and assessing whether continuing to hold them is appropriate. However, when the market price of shares falls and the value of owned shares falls significantly, for instance, the Group’s operating results, financial position, etc. may be impacted.

(vi) Risks related to environmental issues and climate change

The Group believes that the intensification of policies and regulations related to climate change, as well as the increased frequency and severity of extreme weather events, could potentially impact the Group’s business operations. Through discussions at the Sustainability Committee chaired by the Company's President & Chief Executive Officer, the Company has endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and has conducted scenario analysis in accordance with the recommendations of the TCFD to identify climate change risks and opportunities, evaluate their materiality, and examine their impact on the Group's business profit. Following this, we have set targets related to the promotion of a decarbonized society – one of our identified materialities – and we are engaged in efforts to achieve these targets. However, should there be further intensification of policies and regulations due to climate change in the future, the Group’s operating results, financial position, etc. may be impacted.

(vii) Risks related to natural disasters, man-made disasters

The Group takes business continuity measures in cases of emergency, such as establishment of various regulations and manuals as well as implementation of periodic training in preparation for earthquakes, rainstorms, flooding and other natural disasters as well as wars, riots, terrorism and other man-made disasters. However, when natural or man-made disasters or such occur, business activities may be impacted as employees may suffer damage and the value of assets owned, managed or operated by the Group may decrease. Accordingly, the Group's operating results, financial position, etc. may be impacted.

(viii) Risks related to information leakage and security

The Group handles an enormous amount of personal and other confidential information in various businesses. Thus, the Group appropriately manages information by establishing informational management rules and information system management rules as well as by reinforcing systems to manage documents, data, etc. It further makes specific efforts, including enhancing security for information devices on both tangible and intangible fronts and conducting training to prepare for a potential information security risk while obtaining cyber insurance as needed. However, when information leakage outside the Group occurs due to cyberattacks, negligence of the Group's officers and employees, etc., the loss of social credibility of the Group, occurrence of compensation for damage, etc. may impact the Group's operating results, financial position, etc.

(ix) Risks related to legal compliance

The Group conducts business activities under legal regulations including the Companies Act, the Financial Instruments and Exchange Act, the Labor Standards Act, the Real Estate Brokerage Act and the Building Standards Act. The Group has further established a legal compliance structure based on the "Compliance Charter" and the "Compliance Rules" and provides education such as periodic training to the Group and its officers and employees. However, if the Group and its officers and employees violate laws, regulations, etc., the loss of social credibility of the Group, imposition of fines and penalties, etc. may impact the Group's operating results, financial position, etc.

(x) Risks related to establishment and revision of legislation, taxation systems, and government policies

The Group's businesses are affected by regulations including ordinances, tax systems, etc. set forth by local governments as well as by laws and regulations. Accordingly, the Group promotes business after collecting information from relevant authorities, industry groups, professionals, etc. in a timely manner and takes appropriate measures. However, when relevant laws and regulations, ordinances, tax systems, etc. are established, revised, etc. in the future, this may impact the Group's operating results, financial position, etc. due to the newly arising obligations, increase in cost burden, restriction on rights, etc., possibly leading to a decrease in the value of assets owned by the Group. Furthermore, when a difference arises in views of tax reporting with tax authorities, the Group's operating results, financial position, etc. may be impacted.

(xi) Country risk related to the Group's overseas operations

The Group operates in China, Southeast Asia, and the United States based on "Growth in Overseas Businesses," one of the key strategies spelled out in the Group's Medium-Term Business Plan. In conducting business overseas, it strives to collect necessary and appropriate information through partnerships with local entities that are well-versed in the political or economic climate and laws and regulations in the respective countries or regions where it operates. However, if a project is halted, a schedule is delayed or costs increase due to the deterioration of political or economic conditions, any change of laws and regulations, and worsening security, to name but a few, in the countries where we operate, it may impact the Group's operating results, financial position, etc.

(xii) Risks related to infectious diseases

If the economy stagnates or deteriorates in Japan due to factors such as the re-spread of coronavirus infections or the outbreak of influenza, the Group's operating results, financial position, etc. may be impacted. The same concern is shared with foreign countries in which the Group develops overseas businesses (China, Southeast Asia, and the United States); if the economy slows down or weakens, it could impact the Group's operating results, financial position, etc.

4. Management Analysis of Financial Position, Operating Results and Cash Flows

(1) Summary of Operating Results

The overview of financial position, operating results, and cash flows (hereinafter referred to as “operating results, etc.”) of the Group for the current consolidated fiscal year is as follows.

(i) Operating results

The Japanese economy in the current consolidated fiscal year has been on a moderate recovery trend as economic and social activities normalized with the subsidence of the coronavirus pandemic, improvement in employment and income environment, and effects of various policies. However, the situation remained uncertain with concerns about the prolonged situation in Ukraine, instability in the Middle East, downside risks in the global economy, and the impact of currency fluctuations.

In the real estate industry, the vacancy rate in the leasing office market remained at a relatively high level, but the rate started to decrease in some areas in the second half of the fiscal year with the spread of returning to the office. The residential property market continued to perform well despite a decrease in the number of new condominiums supplied and rising sales prices, against a backdrop of continued low interest rates and an increase in dual-income households. Although the real estate investment market remained strong overall, investment demand from overseas investors declined due to worsening real estate market conditions overseas and expectations of higher interest rates in Japan, while Japanese investors continued to show strong investment appetite.

Under this business environment, the Group has focused on promoting five key strategies based on the Group Medium-Term Business Plan for the period from FY2020 to FY2024, aiming to solve social issues and achieve higher levels of growth as a company as stated in our Long-term Vision for around 2030, and on an “Evolved Approach to ESG Management.” The Group made overall steady progress in one of its key strategies, “Pursue large-scale redevelopment,” including steady progress in acquiring important permits and approvals for redevelopment projects in the Yaesu, Kyobashi, and Shibuya areas. For further strengthening of the condominium business, we have endeavored to provide high-quality housing that accurately responds to changes in social and customer needs using our unique know-how and the Brillia brand, such as Brillia City Shakujii Koen ATLAS (Nerima-ku, Tokyo), a comprehensive rebuilding project of one of the largest apartment complexes in the 23 wards of Tokyo, and focused on creating diverse business opportunities including new redevelopment and reconstruction projects.

Regarding our “Evolved Approach to ESG Management” to accelerate efforts towards achieving a decarbonized society, we raised the Group's medium- to long-term targets for reducing greenhouse gas emissions to a level that would limit the global average temperature rise to 1.5°C compared to pre-industrial levels and formulated and disclosed new guidelines to promote understanding and implementation of sustainable procurement standards by suppliers aimed at achieving procurement that considers human rights respect and environmental conservation, etc. throughout the supply chain. The Group continuously pursues initiatives aimed at coexisting with nature, and the Otemachi Tower (Chiyoda-ku, Tokyo), which houses the Otemachi Forest, was recognized as a “Site of Coexistence with Nature” (note) by the Ministry of the Environment for its efforts in conserving biodiversity as a project that has been working on the regeneration of the natural environment in the city center for over 10 years since its completion. In the fiscal year under review, Metropolitan Meiji Park (located in Shinjuku-ku, Tokyo) was partially opened as the first Park-PFI project in Tokyo, and as a representative of the private sector, we are committed to creating a legacy for the city of Tokyo through this park that combines an abundant natural environment with lively functions, including a wooded area based on the concept of creating a forest that will grow over time with the citizens of the city. The external evaluation of the Group's ESG management has improved year by year, and in the fiscal year under review, the Group was selected as a constituent of the FTSE4Good Index Series and the FTSE Blossom Japan Index, which are leading ESG investment indices, and became a constituent stock of all ESG indices used by the Government Pension Investment Fund (GPIF) targeting Japanese stocks.

In addition, as part of our efforts to optimize the business portfolio, we divested all shares of two subsidiaries, one handling the childcare facility-related business and the other handling the temporary staffing services business. To strengthen the fund business, we converted Tokyo Realty Investment Management, Inc. into a wholly owned subsidiary, thereby advancing various initiatives toward achieving the Long-term Vision and the Group's Medium-Term Business Plan.

(Note) Implemented by the Ministry of the Environment from FY2023 as a key measure towards achieving the goal of effectively conserving more than 30% of land and sea areas as healthy ecosystems by 2030 (30by30 goal).

In the current consolidated fiscal year, the leasing of buildings and Parking business performed solidly, and sales from property sales to investors in the Commercial Properties business, Residential business, and Asset Service business increased compared to the previous fiscal year. Consequently, operating revenue totaled ¥375,946 million (up 7.4% from ¥349,940 million for the previous fiscal year), and operating profit was ¥70,508 million (up 9.4% from ¥64,478 million for the previous fiscal year).

Furthermore, due to an increase in the share of profit of entities accounted for using equity method in overseas businesses, business profit amounted to ¥74,428 million (up 12.3% from ¥66,304 million for the previous fiscal year), ordinary profit was ¥69,471 million (up 9.3% from ¥63,531 million for the previous fiscal year) and profit attributable to owners of parent was ¥45,084 million (up 4.7% from ¥43,062 million for the previous fiscal year).

The Group uses “business profit”, the sum of operating profit and share of profit (loss) of entities accounted for using equity method, as a target profit indicator.

The business results for each segment are as follows.

a. Commercial Properties business

In large-scale redevelopment projects, the Type-1 Urban Redevelopment Project for Yaesu 1-Chome East Area in Front of Tokyo Station (District A, District B) (Chuo-ku, Tokyo) received approval for the District A right conversion plan, and the establishment of the urban redevelopment union for the Type-1 Urban Redevelopment Project for Shibuya 2-Chome West Area (Shibuya-ku, Tokyo) was approved, demonstrating steady progress in essential authorization procedures. In for-sale properties for investors, we completed four logistics properties, including T-LOGI Ichinomiya (Ichinomiya-shi, Aichi Prefecture), and aggressively pushed forward the development of a diverse range of assets (“T-PLUS” series of medium-sized office buildings, hotels, retail facilities, etc.).

In the current consolidated fiscal year, we recorded sales from T-LOGI Narashino II (Narashino-shi, Chiba Prefecture), T-LOGI Honjo Kodama (Kodama-gun, Saitama Prefecture), etc. as property sales to investors, while costs for leasing of buildings increased compared to the previous fiscal year. Consequently, operating revenue was ¥155,256 million (up 7.0% from ¥145,155 million for the previous fiscal year), operating profit was ¥38,483 million (down 5.9% from ¥40,910 million for the previous fiscal year) and business profit was ¥40,153 million (down 2.5% from ¥41,204 million for the previous fiscal year).

| Category | FY2022 | | FY2023 | |
|-----------------------------------|---|--|---|--|
| | Quantity | Operating revenue (Millions of yen) | Quantity | Operating revenue (Millions of yen) |
| Leasing of buildings | Rentable 947,514 m ² (Of which for sublease 81,095 m ²) | 76,735 | Rentable 1,040,870 m ² (Of which for sublease 67,227 m ²) | 78,275 |
| Real estate sales | 2 deals | 29,812 | 8 deals | 38,643 |
| Building management service, etc. | — | 38,607 | — | 38,337 |
| Total operating revenue | — | 145,155 | — | 155,256 |
| Operating profit | — | 40,910 | — | 38,483 |
| Business profit | — | 41,204 | — | 40,153 |

b. Residential business

We have developed new projects through a variety of business methods. For example, in condominiums, we recorded revenues from SHIROKANE The SKY (Minato-ku, Tokyo), an urban redevelopment project to maintain and renew a variety of urban functions, including residential, commercial, industrial, and hospital buildings; and Brillia City Shakujii Koen ATLAS (Nerima-ku, Tokyo), a project to rebuild one of the largest apartment complexes in the 23 wards of Tokyo; and the “Minoh Sun Plaza No. 1 Site Sale Project” (Minoh-shi, Osaka), the first project in Kansai where the condominium site sale system was utilized. In for-sale properties for investors, we actively promoted the development of Brillia ist condominiums for rent and completed two properties including Brillia ist Kuramae Residence (Taito-ku, Tokyo).

In the current consolidated fiscal year, in addition to the condominiums mentioned above, we recorded Brillia Nerima Kasuga-cho (Nerima-ku, Tokyo) and other properties as income, and Blan Canvas Rokkomichi (Nada-ku, Kobe-shi) as income from property sales to investors. Consequently, operating revenue was ¥134,140 million (up 2.1% from ¥131,390 million for the previous fiscal year), operating profit was ¥27,155 million (up 16.5% from ¥23,304 million for the previous fiscal year) and business profit was ¥27,149 million (up 16.5% from ¥23,304 million for the previous fiscal year).

| Category | FY2022 | | FY2023 | |
|--------------------------------|---------------------------------|--|---------------------------------|--|
| | Quantity | Operating revenue (Millions of yen) | Quantity | Operating revenue (Millions of yen) |
| Residential sales | 1,435 units | 85,958 | 1,058 units | 84,029 |
| Real estate sales | — | 17,500 | — | 20,664 |
| Residence leasing | Rentable 125,085 m ² | 5,309 | Rentable 117,973 m ² | 5,948 |
| Condominium management service | Number of units 98,006 units | 13,743 | Number of units 99,083 units | 14,321 |
| Other | — | 8,879 | — | 9,176 |
| Total operating revenue | — | 131,390 | — | 134,140 |
| Operating profit | — | 23,304 | — | 27,155 |
| Business profit | — | 23,304 | — | 27,149 |

c. Asset Service business

The brokerage business of Tokyo Tatemono Real Estate Sales Co., Ltd. aimed to further increase profitability through means such as strengthening relationships with corporate customers and expanding transactions with investors. The Asset solution business of the company, in collaboration with the brokerage business and by strengthening sales to existing clients, successfully progressed in acquiring and selling real estate for sale, and the structuring and sale of small-lot real estate products as a new initiative. In the Parking business operated by Nihon Parking Corporation, we worked to acquire new facilities to further increase revenue, and also to enhance the functionality of the parking facilities system to improve customer service.

In the current consolidated fiscal year, the Parking business saw a recovery in the occupancy rate of existing facilities and an increase in the number of parking space due to the opening of new facilities, while the Asset solution business saw a significant increase in sales from property sales to investors compared to the previous fiscal year. Consequently, operating revenue was ¥63,800 million (up 27.0% from ¥50,240 million for the previous fiscal year), and operating profit and business profit were each ¥12,907 million (up 74.4% from ¥7,399 million for the previous fiscal year).

| Category | FY2022 | | FY2023 | |
|--------------------------|---|--|---|--|
| | Quantity | Operating revenue (Millions of yen) | Quantity | Operating revenue (Millions of yen) |
| Brokerage | 1,086 deals | 4,626 | 1,097 deals | 5,499 |
| Asset solution (Note) | — | 19,084 | — | 29,999 |
| Management service, etc. | — | 4,554 | — | 4,567 |
| Parking lot operations | Number of 80,057 parking spaces spaces | 21,975 | Number of 82,542 parking spaces spaces | 23,734 |
| Total operating revenue | — | 50,240 | — | 63,800 |
| Operating profit | — | 7,399 | — | 12,907 |
| Business profit | — | 7,399 | — | 12,907 |

(Note) This business mainly purchases real estate and resells them after improving their added value.

d. Other business

In the Leisure business, the Regina Resort, a dog-friendly resort hotel and golf course operated by Tokyo Tatemono Resort Co., Ltd. continued to maintain high occupancy rates throughout the year, and the number of visitors and sales recovered at hot-spring facilities, which had been suffering from the prolonged impact of the coronavirus pandemic. In addition, as part of efforts to optimize our business portfolio, we transferred all shares of two subsidiaries, one in the childcare facility-related business and the other in the temporary staffing services business. In Overseas businesses, we participated in the Sukhumvit 25 Project (Bangkok Metropolitan Administration), a medium-sized office building development project in Thailand, and in the Herndon Project (Virginia), a residential leasing development project near Washington, D.C. in the United States.

In the current consolidated fiscal year, revenue in the Leisure business decreased from the previous year due to the impact of the transfer of all shares in two subsidiaries, while share of profit of entities accounted for using equity method in Overseas businesses increased from the previous fiscal year. Consequently, operating revenue was ¥22,748 million (down 1.8% from ¥23,154 million for the previous fiscal year), operating profit was ¥2,204 million (down 12.5% from ¥2,518 million for the previous fiscal year) and business profit was ¥4,460 million (up 10.1% from ¥4,050 million for the previous fiscal year).

| Category | FY2022 | FY2023 |
|--------------------------------|--|--|
| | Operating revenue (Millions of yen) | Operating revenue (Millions of yen) |
| Leisure business | 18,541 | 18,582 |
| Other | 4,612 | 4,166 |
| Total operating revenue | 23,154 | 22,748 |
| Operating profit | 2,518 | 2,204 |
| Business profit | 4,050 | 4,460 |

(ii) Outline of Financial Position for the Consolidated Fiscal Year Under Review

(Assets)

Total assets at the end of FY2023 were ¥1,905,309 million, up ¥185,175 million from the end of the previous consolidated fiscal year. This was primarily attributable to the increase in real estate for sale (including real estate for sale in process and real estate for development), cash and deposits, property, plant and equipment, and investment securities.

(Liabilities)

Total liabilities at the end of FY2023 were ¥1,397,274 million, up ¥133,977 million from the end of the previous consolidated fiscal year. This was due to factors including an increase in interest-bearing debt. The balance of interest-bearing debt (excluding lease obligations) was ¥1,089,006 million, up ¥99,207 million from the end of the previous consolidated fiscal year.

(Net assets)

Total net assets at the end of FY2023 were ¥508,035 million, up ¥51,197 million from the end of the previous consolidated fiscal year. This was primarily attributable to an increase in retained earnings and valuation difference on available-for-sale securities.

(iii) Outline of Cash Flows for the Fiscal Year Under Review

Consolidated cash and cash equivalents (hereinafter “cash”) at the end of FY2023 stood at ¥127,303 million, up ¥44,864 million from the end of the previous consolidated fiscal year. This was primarily due to ¥20,588 million provided by operating activities, ¥54,069 million used in investing activities, and ¥77,908 million provided by financing activities.

Current consolidated fiscal year cash flows for each category are as follows.

(Cash flows from operating activities)

Cash provided by operating activities at the end of FY2023 stood at ¥20,588 million (up ¥23,921 million from the previous fiscal year). This was primarily attributable to cash inflows due to profit before income taxes and depreciation on the one hand and cash outflows due to an increase in inventories on the other.

(Cash flows from investing activities)

Net cash used in investing activities at the end of FY2023 stood at ¥54,069 million (down ¥32,864 million from the previous fiscal year). This was primarily attributable to cash outflows due to the acquisition of non-current assets and loans.

(Cash flows from financing activities)

Cash provided by financing activities at the end of FY2023 stood at ¥77,908 million (up ¥59,487 million from the previous fiscal year), primarily attributable to cash inflows due to long-term borrowings.

(iv) Production, Orders and Sales Results

Production, orders received, and sales results are shown in relation to the results of each segment in “(i) Operating Results.”

(2) Overview of Management’s Discussion and Analysis of Operating Results and Other Matters

The following is a summary of the recognition, analysis, and discussion of the Group’s operating results from the management’s perspective.

Any forward-looking statement mentioned below is based on the Group judgment as of the end of the current consolidated fiscal year.

(i) Objective indicators for determining the achievement of the management policy, strategy, goals, etc.

Under the Group’s Medium-Term Business Plan (FY2020-FY2024), which was instituted in FY2020, the Group has set a consolidated business profit target of ¥75.0 billion for FY2024, the final year of the plan. We have set a D/E ratio of approximately 2.4 times and an interest-bearing debt / EBITDA multiple of approximately 12 times as financial guidelines for achieving said targets.

Details of the achievement status in the current consolidated fiscal year are as follows.

| | FY2023 Actual Results |
|--------------------------------------|-----------------------|
| Consolidated business profit | ¥74.4 billion |
| D/E Ratio | 2.2 times |
| Interest-bearing debt / EBITDA ratio | 10.9 times |

(ii) Analysis of operating results

In the Group’s consolidated performance for the current consolidated fiscal year, the leasing of buildings and Parking business performed solidly, and sales from selling properties to investors in the Commercial Properties business, Residential business, and Asset service business increased compared to the previous fiscal year. Consequently, operating revenue totaled ¥375,946 million (up 7.4% from ¥349,940 million for the previous fiscal year), and operating profit was ¥70,508 million (up 9.4% from ¥64,478 million for the previous fiscal year). Furthermore, due to an increase in the share of profit of entities accounted for using equity method in overseas businesses, business profit amounted to ¥74,428 million (up 12.3% from ¥66,304 million for the previous fiscal year), ordinary profit was ¥69,471 million (up 9.3% from ¥63,531 million for the previous fiscal year) and profit attributable to owners of parent was ¥45,084 million (up 4.7% from ¥43,062 million for the previous fiscal year).

For an overview of the performance of each segment, please refer to “(i) Operating Results, under (1) Summary of Business Results.”

(iii) Capital resources and liquidity of cash

Capital requirements of the Group are mainly for the acquisition and development of real estate. Henceforth, the Group raises funds for these capital requirements by borrowing from financial institutions, issuing bonds, and cash flows from operating activities. In addition, the Company and its major consolidated subsidiaries have introduced a cash management system (CMS) to consolidate surplus funds of each company to the Company for centralized management, thereby improving the efficiency of funds.

Further, the analysis of capital resources and liquidity of funds is as described in “(iii) Outline of Cash Flows for the Fiscal Year Under Review, under (1) Summary of Business Results,” and the analysis of financial position is as described in “(ii) Outline of Financial Position for the Fiscal Year Under Review under (1) Summary of Business Results.”

(iv) Significant accounting estimates and assumptions used in making such estimates

Significant accounting estimates used in the preparation of the consolidated financial statements and the assumptions used in making such estimates are described in “(1) Notes to Consolidated Financial Statements (Material accounting estimates)” of “1. Consolidated Financial Statements etc., under V. Financial Information.”

5. Material Agreements, etc.

Not applicable.

6. Research and Development

Not applicable.

III. Property and Equipment

1. Summary of Capital Investment

For the current consolidated fiscal year, the Group made capital investments totaling ¥45,510 million in the Commercial Properties business, primarily for the additional acquisition of the Tokyo Tatemono Yaesu Building.

The breakdown of capital investments by segment is as follows:

(Investment figures include property, plant and equipment, and intangible assets. Amounts do not include consumption tax, etc.)

| Segment | FY2022 (Millions of yen) | FY2023 (Millions of yen) | Increase (decrease) (Millions of yen) |
|-----------------------------------|-----------------------------|-----------------------------|--|
| Commercial Properties business | 17,326 | 40,710 | 23,383 |
| Residential business | 1,357 | 884 | (472) |
| Asset Service business | 1,519 | 1,307 | (212) |
| Other business | 635 | 2,520 | 1,885 |
| Subtotal | 20,838 | 45,423 | 24,584 |
| Elimination or corporate expenses | 74 | 86 | 12 |
| Total | 20,912 | 45,510 | 24,597 |

2. Major Property and Equipment

Major facilities of the Company and its consolidated subsidiaries are as follows.

(1) Commercial Properties Business

As of December 31, 2023

| Company name | Facility Name (Location) | Main Use | Structural Scale, etc. | Land, etc. (Note) 1, (Note) 2 (m ²) | Buildings total floor (Note) 2 (m ²) | Book value (Note) 3 | | | |
|---|---|--|---|---|---|------------------------------------|--|-------------------------------|-------------------------------|
| | | | | | | Land, etc. (Millions of yen) | Buildings and structures (Millions of yen) | Other (Millions of yen) | Total (Millions of yen) |
| Tokyo Tatemono Co., Ltd. | Muromachi Building (Chuo-ku, Tokyo) | Rental office | Steel-framed reinforced concrete structure 9 floors above ground, 3 floors below ground | 755 | 9,113 | 7,847 | 546 | 0 | 8,394 |
| Tokyo Tatemono Co., Ltd. | Muromachi Building No.3 (Chuo-ku, Tokyo) | Rental office | Steel-framed reinforced concrete structure 10 floors above ground, 2 floors below ground | 1,444 | 12,382 | 9,473 | 1,061 | 29 | 10,563 |
| Tokyo Tatemono Co., Ltd. | Nihonbashi First Building (Chuo-ku, Tokyo) | Rental office Store for rent | Steel-framed reinforced concrete structure 9 floors above ground, 1 floor below ground | 285 | 2,004 | 1,722 | 411 | 1 | 2,134 |
| Tokyo Tatemono Co., Ltd. | Yaesu Building (Chuo-ku, Tokyo) | Rental office Store for rent | Steel frame 11 floors above ground, 2 floors below ground | 2,649 | 23,329 | 16,250 | 4,747 | 18 | 21,016 |
| Tokyo Tatemono Co., Ltd. | Nihonbashi TI Building (Chuo-ku, Tokyo) | Rental office Store for rent | Steel frame 9 floors above ground | 559 | 4,885 | 2,807 | 793 | 14 | 3,615 |
| Tokyo Tatemono Co., Ltd. | Tokyo Square Garden (Chuo-ku, Tokyo) | Rental office Commercial Retail, etc. | Steel-framed and steel-reinforced concrete structure 24 floors above ground, 4 floors below ground | 3,746 | 54,161 | 75,874 | 8,032 | 16 | 83,923 |
| Tokyo Tatemono Co., Ltd. | Nihonbashi Building (Chuo-ku, Tokyo) | Rental office Commercial Retail, etc. | Steel frame 13 floors above ground, 2 floors below ground | 2,021 [298] | 21,135 | 23,881 | 4,433 | 24 | 28,340 |
| Tokyo Tatemono Co., Ltd. | Kyobashi Edogrand (Chuo-ku, Tokyo) | Rental office Commercial Retail, etc. | Steel-framed and steel-reinforced concrete structure 32 floors above ground, 3 floors below ground | 610 | 8,497 | 5,635 | 4,196 | — | 9,832 |
| Tokyo Tatemono Co., Ltd. | Empire Building (Chuo-ku, Tokyo) | Rental office Store for rent | Steel-framed and steel-reinforced concrete structure 10 floors above ground, 1 floor below ground | 632 | 5,061 | 1,957 | 1,332 | 14 | 3,305 |
| Tokyo Tatemono Co., Ltd. | Yaesu Sakura-dori Building (Chuo-ku, Tokyo) | Rental office | Steel-framed reinforced concrete structure 11 floors above ground, 2 floors below ground | 623 | 5,538 | 13,441 | 1,139 | 14 | 14,596 |
| Tokyo Tatemono Co., Ltd. | Jimbocho Building (Chiyoda-ku, Tokyo) | Rental office | Steel-framed reinforced concrete structure 8 floors above ground, 1 floor below ground | 1,214 | 9,046 | 7,990 | 920 | 24 | 8,935 |
| Tokyo Tatemono Co., Ltd. | JA Building · Keidanren Building (Chiyoda-ku, Tokyo) | Rental office Commercial Retail, etc. | Steel frame 37 floors above ground, 4 floors below ground | 1,107 | 18,048 | 14,245 | 2,465 | 15 | 16,726 |
| The silent partnership operated by Tokyo Prime Stage Y.K. | The Otemachi Tower (Chiyoda-ku, Tokyo) | Rental office Commercial Retail, etc. | Steel-framed and steel-reinforced concrete structure 38 floors above ground, 6 floors below ground | 7,875 [7,875] | 147,910 | 89,841 | 44,345 | 142 | 134,329 |
| Tokyo Tatemono Co., Ltd. | Otemachi Financial City Grand Cube (Chiyoda-ku, Tokyo) | Rental office Commercial Retail, etc. | Steel-framed and steel-reinforced concrete structure 31 floors above ground, 4 floors below ground | 577 | 10,738 | 7,075 | 1,974 | 0 | 9,049 |
| Kasumigaseki Building No. 7 PFI Co., Ltd. | Kasumigaseki Common Gate (Chiyoda-ku, Tokyo) | Rental office Commercial Retail, etc. | Steel-framed, steel-reinforced concrete structure, reinforced concrete 38 floors above ground, 3 floors below ground | 1,978 [1,978] | 21,408 | — | 4,896 | 0 | 4,896 |

| Company name | Facility Name (Location) | Main Use | Structural Scale, etc. | Land, etc. (Note) 1, (Note) 2 (m ²) | Buildings total floor (Note) 2 (m ²) | Book value (Note) 3 | | | |
|---|--|---|---|---|---|------------------------------------|--|-------------------------------|-------------------------------|
| | | | | | | Land, etc. (Millions of yen) | Buildings and structures (Millions of yen) | Other (Millions of yen) | Total (Millions of yen) |
| Tokyo Tatemono Co., Ltd. | Shinjuku Center Building (Shinjuku-ku, Tokyo) | Rental office Store for rent | Steel frame 54 floors above ground, 4 floors below ground | 7,434 | 89,956 | 90,418 | 11,126 | 40 | 101,585 |
| Tokyo Tatemono Co., Ltd. | Panasonic Meguro Building (former DNP Gotanda Building) (Shinagawa-ku, Tokyo) | Rental office | Steel-framed and steel-reinforced concrete structure 25 floors above ground, 2 floors below ground | 8,225 | 48,063 | 20,979 | 6,747 | 1 | 27,728 |
| Tokyo Tatemono Co., Ltd. Tokyo Tatemono Resort Co., Ltd. | Osaki New City No. 3 • Nissei Building (Shinagawa-ku, Tokyo) | Rental office Store for rent | Steel frame 21 floors above ground, 2 floors below ground | 2,224 | 11,664 | 5,493 | 2,232 | 0 | 7,726 |
| The silent partnership operated by Osaki First Stage Y.K. | Osaki Center Building (Shinagawa-ku, Tokyo) | Rental office Store for rent | Steel-framed reinforced concrete structure 17 floors above ground, 2 floors below ground | 5,420 [5,420] | 37,797 | 711 | 6,835 | 6 | 7,553 |
| Tokyo Tatemono Co., Ltd. | Aoyama Building (Minato-ku, Tokyo) | Rental office | Steel-framed reinforced concrete structure 8 floors above ground, 2 floors below ground | 737 | 5,155 | 4,938 | 442 | 0 | 5,381 |
| Tokyo Tatemono Co., Ltd. | Shibuya Building (Shibuya-ku, Tokyo) | Rental office | Steel-framed reinforced concrete structure 8 floors above ground, 1 floor below ground | 593 | 3,907 | 2,680 | 387 | 10 | 3,077 |
| Tokyo Tatemono Co., Ltd. | Ebisu Building (Shibuya-ku, Tokyo) | Rental office | Steel-framed reinforced concrete structure 9 floors above ground, 2 floors below ground | 1,051 [1,051] | 4,853 | 3,180 | 553 | 12 | 3,747 |
| Tokyo Tatemono Co., Ltd. | Hareza Tower (Toshima-ku, Tokyo) | Rental office Store for rent Cinema | Steel-framed, steel-reinforced concrete structure, reinforced concrete 33 floors above ground, 2 floors below ground | 2,027 [2,027] | 38,446 | 55 | 15,422 | 258 | 15,736 |
| Tokyo Tatemono Co., Ltd. | Nakano Central Park (Nakano-ku, Tokyo) | Rental office Commercial Retail, etc. | Steel-framed and steel-reinforced concrete structure 22 floors above ground, 1 floor below ground, etc. | 13,586 | 86,368 | 55,570 | 13,045 | 109 | 68,725 |
| Tokyo Tatemono Co., Ltd. | Machida Building (Machida-shi, Tokyo) | Rental office | Steel-framed reinforced concrete structure 10 floors above ground, 2 floors below ground | 1,507 [1,507] | 8,077 | 2,651 | 1,132 | 7 | 3,791 |
| Tokyo Tatemono Co., Ltd. | Yokohama First Building (Nishi-ku, Yokohama) | Rental office | Steel frame 15 floors above ground, 3 floors below ground | 966 | 12,239 | 5,575 | 1,382 | 13 | 6,971 |
| Tokyo Tatemono Co., Ltd. | SMARK (Isesaki-shi, Gunma pref.) | Retail facilities | Steel frame 5 floors above ground | 135,054 [129,382] | 110,960 | 1,032 | 5,549 | 110 | 6,693 |
| Tokyo Tatemono Co., Ltd. | Honmachi Building (Chuo-ku, Osaka) | Rental office | Steel-framed reinforced concrete structure 9 floors above ground, 3 floors below ground | 920 | 10,529 | 3,284 | 271 | 20 | 3,576 |
| Tokyo Tatemono Co., Ltd. | Umeda Building (Kita-ku, Osaka) | Rental office | Steel-framed and steel-reinforced concrete structure 14 floors above ground, 4 floors below ground | 1,359 [237] | 14,492 | 8,195 | 2,340 | 25 | 10,561 |
| Tokyo Tatemono Co., Ltd. | Grand Front Osaka (Kita-ku, Osaka) | Rental office Commercial Retail, etc. | Steel-framed, steel-reinforced concrete structure, reinforced concrete 38 floors above ground, 3 floors below ground, etc. | 2,201 | 24,563 | 12,042 | 4,434 | 145 | 16,621 |
| Tokyo Tatemono Co., Ltd. | Shijo Karasuma FT Square (Shimogyo-ku, Kyoto) | Rental office | Steel-framed reinforced concrete structure 11 floors above ground, 3 floors below ground | 2,768 | 26,794 | 10,247 | 2,770 | 38 | 13,056 |
| Tokyo Tatemono Co., Ltd. | Shijo Karasuma Building EAST (Shimogyo-ku, Kyoto) | Rental office | Steel frame 7 floors above ground | 871 | 6,079 | 1,003 | 2,488 | 117 | 3,610 |
| Tokyo Tatemono Co., Ltd. | Shijo SET Building (Shimogyo-ku, Kyoto) | Rental office Store for rent | Steel-framed reinforced concrete structure 8 floors above ground, 1 floor below ground | 2,134 | 14,603 | 4,574 | 1,057 | 9 | 5,641 |

| Company name | Facility Name (Location) | Main Use | Structural Scale, etc. | Land, etc. (Note) 1, (Note) 2 (m ²) | Buildings total floor (Note) 2 (m ²) | Book value (Note) 3 | | | |
|---|--|---------------------------------|--|---|---|------------------------------------|---|-------------------------------|-------------------------------|
| | | | | | | Land, etc. (Millions of yen) | Buildings and structu res (Millions of yen) | Other (Millions of yen) | Total (Millions of yen) |
| Tokyo Tatemono Co., Ltd. | Hakata Building (Hakata-ku, Fukuoka) | Rental office | Steel-framed reinforced concrete structure 12 floors above ground, 1 floor below ground | 1,214 | 10,144 | 3,519 | 496 | 131 | 4,148 |
| Tokyo Tatemono Co., Ltd. | Sendai Building (Aoba-ku, Sendai) | Rental office | Steel frame 20 floors above ground, 3 floors below ground | 2,359 | 28,496 | 11,388 | 3,895 | 38 | 15,322 |
| Tokyo Tatemono Co., Ltd. Meieki 2-chome Kaihatsu Tokutei Mokuteki Kaisha | Nagoya Prime Central Tower (Nishi-ku, Nagoya) | Rental office Store for rent | Steel frame 23 floors above ground, 1 floor below ground | 3,748 | 25,008 | 7,542 | 3,445 | 1 | 10,989 |

(Notes) 1. Land includes the leasehold interests in land. The figures in [] represent the leasehold interests in land.

2. Land and buildings' total floor represent the Company's and its consolidated subsidiaries' equity.

3. Of the Book value, Land, etc. consists of the total figure of land and leasehold interests in land, and Other consists of the total amount of Property, plant and equipment excluding land, buildings and structures, and intangible assets other than leasehold interests in land.

The Book value is the figure in the consolidated financial statements.

4. In addition to the above, the Company leases the following major buildings for sublease.

As of December 31, 2023

| Company name | Name | Location | Leased area (m ²) |
|--------------------------|-----------------------------------|---------------------|-------------------------------|
| Tokyo Tatemono Co., Ltd. | Shinjuku Square Tower | Shinjuku-ku, Tokyo | 27,792 |
| Tokyo Tatemono Co., Ltd. | Kousei Sanbancho Daiichi Building | Chiyoda-ku, Tokyo | 7,193 |
| Tokyo Tatemono Co., Ltd. | East Square Omori | Shinagawa-ku, Tokyo | 6,521 |

(2) Residential Business

As of December 31, 2023

| Company name | Facility Name (Location) | Main Use | Structural Scale, etc. | Land, etc. (Note) 1, (Note) 2 (m ²) | Buildings total floor (Note) 2 (m ²) | Book value (Note) 3 | | | |
|---------------------------------|--|------------------------------|--|---|---|------------------------------------|---|-------------------------------|-------------------------------|
| | | | | | | Land, etc. (Millions of yen) | Buildings and structu res (Millions of yen) | Other (Millions of yen) | Total (Millions of yen) |
| Kachidoki GROWTH TOWN Co., Ltd. | Brillia ist Tower Kachidoki (Chuo-ku, Tokyo) | Condomi niums for rent | Reinforced concrete structure 45 floors above ground, 2 floors below ground | 5,034 [5,034] | 54,431 | 36 | 10,032 | 151 | 10,220 |
| Tokyo Tatemono Co., Ltd. | Class Aoyama (Minato-ku, Tokyo) | Condomi niums for rent | Reinforced concrete structure and steel-framed 25 floors above ground, 1 floor below ground | 2,860 [2,860] | 9,152 | 0 | 4,803 | 84 | 4,888 |
| Tokyo Tatemono Co., Ltd. | Brillia ist Shinonome Canalcoat (Koto-ku, Tokyo) | Condomi niums for rent | Reinforced concrete structure 14 floors above ground, 1 floor below ground, etc. | 7,739 [7,739] | 40,988 | 0 | 3,804 | 59 | 3,863 |

(Notes) 1. Land includes the leasehold interests in land. The figures in [] represent the leasehold interests in land.

2. Land and buildings' total floor represent the Company's and its consolidated subsidiaries' equity.

3. Of the Book value, Land, etc. consists of the total figure of land and leasehold interests in land, and Other consists of the total amount of Property, plant and equipment excluding land, buildings and structures, and intangible assets other than leasehold interests in land.

The Book value is the figure in the consolidated financial statements.

(3) Asset Service Business

As of December 31, 2023

| Company name | Facility Name | Main Use | Structural Scale, etc. | Land, etc. (m ²) | Buildings total floor area (m ²) | Book value (Note) | | | |
|---------------------------|--|---|---------------------------|---------------------------------|---|------------------------------------|--|-------------------------------|-------------------------------|
| | | | | | | Land, etc. (Millions of yen) | Buildings and structures (Millions of yen) | Other (Millions of yen) | Total (Millions of yen) |
| Nihon Parking Corporation | Parking facilities (Number of parking spaces: 82,542) | Hourly and/or monthly rentals parking lot | — | — | — | 6,718 | 4,909 | 2,580 | 14,208 |

(Note) Of the Book value, Land, etc. consists of the total figure of land and leasehold interests in land, and Other consists of the total amount of Property, plant and equipment excluding land, buildings and structures, and intangible assets other than leasehold interests in land.

The Book value is the figure in the consolidated financial statements.

(4) Other Business

As of December 31, 2023

| Company name | Facility Name (Location) | Main Use | Structural Scale, etc. | Land, etc. (Note) 1 (m ²) | Buildings total floor area (m ²) | Book value (Note) 2 | | | |
|---|--|------------------------|---------------------------|---|---|------------------------------------|--|-------------------------------|-------------------------------|
| | | | | | | Land, etc. (Millions of yen) | Buildings and structures (Millions of yen) | Other (Millions of yen) | Total (Millions of yen) |
| Tokyo Tatemono Resort Co., Ltd. | Ofuro no Osama Wako (Wako-shi, Saitama Pref.) 9 other stores | Hot bath facility | — | 44,120 [44,120] | 34,415 | 6 | 2,506 | 220 | 2,734 |
| Tokyo Tatemono Resort Co., Ltd. | Regina Resort Kyu-Karuizawa (Kitasaku-gun, Nagano Pref.) 7 other facilities | Hotel | — | 19,434 | 15,714 | 965 | 1,898 | 1,174 | 4,038 |
| Tokyo Tatemono Co., Ltd. Kawaguchiko Country Club Inc. | J-Golf Tsurugashima (Hidaka-shi, Saitama Pref.) 11 other locations | Golf course facilities | — | 14,683,173 [3,144,735] | 77,601 | 10,043 | 1,701 | 3,539 | 15,284 |

(Notes) 1. Land includes the leasehold interests in land. The figures in [] represent the leasehold interests in land.

2. Of the Book value, Land, etc. consists of the total figure of land and leasehold interests in land, and Other consists of the total amount of Property, plant and equipment excluding land, buildings and structures, and intangible assets other than leasehold interests in land.

The Book value is the figure in the consolidated financial statements.

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

(1) Capital Investment

| Segment | Company name | Facility Name (Location) | Main Use | Scale, etc. | Budgetary amount (Millions of yen) | Amount paid (Millions of yen) | Commencement and scheduled completion date |
|--------------------------------|--------------------------|--|---|---|---------------------------------------|----------------------------------|--|
| Commercial Properties business | Tokyo Tatemono Co., Ltd. | Type-1 Urban Redevelopment Project for Yaesu 1-Chome East Area in Front of Tokyo Station (District A, District B) (Chuo-ku, Tokyo) | Office Store Bus terminal Conference center Medical facilities Parking lot, etc. | (District A) 10 floors above ground, 2 floors below ground Total floor: 42pprox.. 12,000 m ² (overall) (District B) 51 floors above ground, 4 floors below ground Total floor: 42pprox.. 225,000 m ² (overall) | 140,000 | 23,656 | (District A) Start of construction 2024 Completion (Acquisition) 2026 (District B) Start of construction 2021 Completion (Acquisition) 2025 |
| Commercial Properties business | Tokyo Tatemono Co., Ltd. | Yaesu 1-chome North District Category 1 Urban Redevelopment Project (Chuo-ku, Tokyo) | Office Store Accommodations Parking lot, etc. | (Minami-gaiku) 44 floors above ground, 3 floors below ground Total floor: 42pprox.. 185,500 m ² (overall) (Kita-gaiku) 2 floors above ground Total floor: 42pprox.. 1,000 m ² (overall) | 78,000 | 8,084 | Start of main construction 2024 Minami-gaiku completion (acquisition) 2028 Kita-gaiku completion (acquisition) 2031 |
| Commercial Properties business | Tokyo Tatemono Co., Ltd. | Kyoto Kawaramachi Sanjo Building (Nakagyo-ku, Kyoto) | Hotel | 9 floors above ground, 2 floors below ground Total floor: 42pprox.. 25,800 m ² | 42,000 | 25,708 | Start of construction April 2022 Completed May 2024 |

- (Notes) 1. The Company participates in the Type-1 Urban Redevelopment Project for Yaesu 1-Chome East Area in Front of Tokyo Station (District A, District B) as a property rights holder and specified business agent. The budgeted amount is the reserved floor space the Company is scheduled to acquire.
2. The Company participates in the Yaesu 1-chome North District Category 1 Urban Redevelopment Project as a property rights holder and participating committee member. The budgeted amount is the floor space for the participating committee member the Company is scheduled to acquire.
3. The Company's funds, borrowings, and bonds will cover future capital requirements.

(2) Renovation

| Segment | Company name | Facility Name | Construction period | Budgetary amount (Millions of yen) | Amount paid (Millions of yen) | Remarks |
|--------------------------------|--------------------------|--------------------|-------------------------------|---------------------------------------|----------------------------------|--------------------------|
| Commercial Properties business | Tokyo Tatemono Co., Ltd. | Existing buildings | January 2024 to December 2024 | 5,444 | — | Facility renovation work |

(Note) The Company's funds and borrowings will cover future capital requirements.

(3) Sales

Not applicable.

(4) Disposals

Not applicable.

IV. Information on the Company

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

(1) Total Number of Shares, etc.

(i) Total Number of Shares

| Class | Total number of shares authorized to be issued (shares) |
|---------------|---|
| Common shares | 400,000,000 |
| Total | 400,000,000 |

(ii) Shares issued

| Class | As of the end of Fiscal Year Number of shares issued (shares) (December 31, 2023) | As of the Filing Date Number of shares issued (shares) (March 27, 2024) | Names of Stock Exchanges on which the Company is listed or Names of Authorized Financial Instruments Firms Association | Description |
|---------------|---|---|--|---|
| Common shares | 209,167,674 | 209,167,674 | Tokyo Stock Exchange Prime Market | Number of shares constituting a unit 100 shares |
| Total | 209,167,674 | 209,167,674 | — | — |

(2) Status of Share Acquisition Rights

(i) Stock Option Plans

Not applicable.

(ii) Rights Plan

Not applicable.

(iii) Other Information About Share Acquisition Rights

Not applicable.

(3) Status of Exercise of Bonds with Moving Strike Warrant

Not applicable.

(4) Trends in the Total Number of Shares Issued, Share Capital, etc.

| Date | Change in total number of shares issued (Thousands of shares) | Balance of total number of shares issued (Thousands of shares) | Changes in Share Capital (Millions of yen) | Balance of Share Capital (Millions of yen) | Changes in Capital Reserve (Millions of yen) | Balance of Capital Reserve (Millions of yen) |
|-------------------------|--|---|---|---|---|---|
| January 31, 2020 (Note) | (7,795) | 209,167 | — | 92,451 | — | 63,729 |

(Note) This was due to the retirement of treasury share on January 31, 2020.

(5) Status of Shareholders

As of December 31, 2023

| Category | Status of Shares (1 unit = 100 shares) | | | | | | | | Status of shares of less than one unit (shares) |
|----------------------------------|--|------------------------|----------------------|--------------------|---|-------------|-------------------|-----------|---|
| | National/Local Governments | Financial Institutions | Securities Companies | Other Corporations | Foreign Shareholders | | Individuals Other | Total | |
| | | | | | Foreign shareholders other than individuals | Individuals | | | |
| Number of shareholders (Persons) | — | 55 | 33 | 302 | 373 | 27 | 16,201 | 16,991 | — |
| Number of shares held (Unit) | — | 875,802 | 197,008 | 233,332 | 654,091 | 321 | 129,114 | 2,089,668 | 200,874 |
| Shareholding Ratio (%) | — | 41.91 | 9.43 | 11.17 | 31.30 | 0.01 | 6.18 | 100.0 | — |

(Note) Of the treasury share of 39,181 shares, 391 units are included under "Individuals/Other," and 81 shares are included under "Shares of less than One Unit."

The 225,300 shares held by the Board Benefit Trust (BBT) are not included in treasury share, but 2,253 units are included under "Financial Institutions."

(6) Status of Major Shareholders

As of December 31, 2023

| Name of Shareholder | Address | Number of Shares held (Thousands of shares) | Shareholding ratio (excluding treasury shares) (%) |
|--|--|---|--|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2-11-3, Hamamatsucho, Minato-ku, Tokyo | 37,969 | 18.16 |
| Custody Bank of Japan, Ltd. (Trust Account) | 1-8-12, Harumi, Chuo-ku, Tokyo | 21,740 | 10.40 |
| JP Morgan Chase Bank 385632 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.) | 25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1 Konan, Minato-ku, Tokyo) | 5,367 | 2.57 |
| CB London Stichting Pensioenfonds Zorg en Welzijn (Standing proxy: Citibank, N.A., Tokyo Branch) | UTRECHTSEWEG 91 ZEIST NL 3702 AA (6-27-30, Shinjuku, Shinjuku-ku, Tokyo) | 5,064 | 2.42 |
| Sompo Japan Insurance Inc. | 1-26-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo | 4,744 | 2.27 |
| Meiji Yasuda Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.) | 2-1-1, Marunouchi, Chiyoda-ku, Tokyo (1-8-12, Harumi, Chuo-ku, Tokyo) | 4,729 | 2.26 |
| SMBC Nikko Securities Inc. | 3-3-1, Marunouchi, Chiyoda-ku, Tokyo | 4,335 | 2.07 |
| Morgan Stanley MUFG Securities Co., Ltd. | 1-9-7, Otemachi, Chiyoda-ku, Tokyo | 4,040 | 1.93 |
| JPMorgan Securities Japan Co., Ltd. | 2-7-3, Marunouchi, Chiyoda-ku, Tokyo | 3,888 | 1.86 |
| JAPAN SECURITIES FINANCE CO., LTD. | 1-2-10, Nihonbashi Kayabacho, Chuo-ku, Tokyo | 3,881 | 1.86 |
| Total | | 95,760 | 45.79 |

(Note) 1. In the change report of the statements of large-volume holdings, which was made available for public inspection on October 30, 2023, Mitsubishi UFJ Trust and Banking Corporation and its joint holder, Mitsubishi UFJ Asset Management Co., Ltd., are listed as owning the following shares as of October 23, 2023. However, the Company is unable to confirm the actual status of the shareholdings of these shareholders as of December 31, 2023; thus, those shareholdings have not been reflected in the above list. The contents of said change report are as follows.

| Name of Shareholder | Address | Number of shares held (Thousands of shares) | Shareholding Ratio (%) |
|--|--|---|------------------------|
| Mitsubishi UFJ Trust and Banking Corporation | 1-4-5, Marunouchi, Chiyoda-ku, Tokyo | 5,427 | 2.59 |
| Mitsubishi UFJ Asset Management Co., Ltd. | 1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo | 2,988 | 1.43 |

2. In the change report of the statements of large-volume holdings, which was made available for public inspection on November 8, 2023, Nomura Securities Co., Ltd. And its joint holders Nomura International PLC, and Nomura Asset Management Co., Ltd. Are listed as owning the following shares as of October 31, 2023. However, the Company is unable to confirm the actual status of the shareholdings of these shareholders as of December 31, 2023; thus, those shareholdings have not been reflected in the above list. The contents of said change report are as follows.

| Name of Shareholder | Address | Number of Shares held (Thousands of shares) | Shareholding Ratio (%) |
|-----------------------------------|---|---|------------------------|
| Nomura Securities Co., Ltd. | 1-13-1, Nihonbashi, Chuo-ku, Tokyo | 12 | 0.01 |
| Nomura International PLC | 1 Angel Lane, London EC4R 3AB, United Kingdom | 1,231 | 0.59 |
| Nomura Asset Management Co., Ltd. | 2-2-1, Toyosu, Koto-ku, Tokyo | 11,585 | 5.54 |

3. In the change report of the statements of large-volume holdings, which was made available for public inspection on November 8, 2023, Asset Management One Co., Ltd. And its joint holders Mizuho Bank, Ltd., Mizuho Securities Co., Ltd. And Mizuho Trust & Banking Co., Ltd. Are listed as owning the following shares as of October 31, 2023. However, the Company is unable to confirm the actual status of the shareholdings of these shareholders as of December 31, 2023; thus, those shareholdings have not been reflected in the above list. The contents of said change report are as follows.

| Name of Shareholder | Address | Number of shares held (Thousands of shares) | Shareholding Ratio (%) |
|----------------------------------|--------------------------------------|---|------------------------|
| Asset Management One Co., Ltd. | 1-8-2, Marunouchi, Chiyoda-ku, Tokyo | 8,273 | 3.96 |
| Mizuho Bank, Ltd. | 1-5-5, Otemachi, Chiyoda-ku, Tokyo | 2,166 | 1.04 |
| Mizuho Securities Co., Ltd. | 1-5-1, Otemachi, Chiyoda-ku, Tokyo | 1,341 | 0.64 |
| Mizuho Trust & Banking Co., Ltd. | 1-3-3, Marunouchi, Chiyoda-ku, Tokyo | 1,261 | 0.60 |

4. In the change report of the statements of large-volume holdings, which was made available for public inspection on December 6, 2023, Sumitomo Mitsui Trust Asset Management Co., Ltd. And its joint holder, Nikko Asset Management Co., Ltd. Are listed as owning the following shares as of November 30, 2023. However, the Company is unable to confirm the actual status of the shareholdings of these shareholders as of December 31, 2023; thus, those shareholdings have not been reflected in the above list. The contents of said change report are as follows.

| Name of Shareholder | Address | Number of shares held (Thousands of shares) | Shareholding Ratio (%) |
|--|-------------------------------------|---|------------------------|
| Sumitomo Mitsui Trust Asset Management Co., Ltd. | 1-1-1, Shiba-Koen, Minato-ku, Tokyo | 7,521 | 3.60 |
| Nikko Asset Management Co., Ltd. | 9-7-1, Akasaka, Minato-ku, Tokyo | 6,052 | 2.89 |

5. In the change report of the statements of large-volume holdings, which was made available for public inspection on December 20, 2023, BlackRock Japan Co., Ltd. And its joint holders BlackRock Advisors, LLC, BlackRock Financial Management, Inc., BlackRock (Netherlands) BV, BlackRock Fund Managers Limited, BlackRock (Luxembourg) S.A., BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A. are listed as owning the following shares as of December 15, 2023. However, the Company is unable to confirm the actual status of the shareholdings of these shareholders as of December 31, 2023; thus, those shareholdings have not been reflected in the above list. The contents of said change report are as follows.

| Name of Shareholder | Address | Number of Shares held (Thousands of shares) | Shareholding Ratio (%) |
|---|---|---|------------------------|
| BlackRock Japan Co., Ltd. | 1-8-3, Marunouchi, Chiyoda-ku, Tokyo | 4,682 | 2.24 |
| BlackRock Advisors, LLC | 251 Little Falls Drive, Wilmington, Delaware, USA | 351 | 0.17 |
| BlackRock Financial Management, Inc. | 251 Little Falls Drive, Wilmington, Delaware, USA | 466 | 0.22 |
| BlackRock (Netherlands) BV | 1 Amstelplein, HA1096, Amsterdam, The Kingdom of the Netherlands | 508 | 0.24 |
| BlackRock Fund Managers Limited | 12 Throgmorton Avenue, London, UK | 1,324 | 0.63 |
| BlackRock (Luxembourg) S.A. | 35A J.F. Kennedy Street, L-1855, Grand Duchy of Luxembourg | 423 | 0.20 |
| BlackRock Asset Management Canada Limited | 2500, 161 Bay Street, Toronto, Ontario, Canada | 365 | 0.17 |
| BlackRock Asset Management Ireland Limited | Floor 1, 2 Ballsbridge Park, Ballsbridge, Dublin, Republic of Ireland | 1,178 | 0.56 |
| BlackRock Fund Advisors | 400 Howard Street, San Francisco, California, USA | 2,445 | 1.17 |
| BlackRock Institutional Trust Company, N.A. | 400 Howard Street, San Francisco, California, USA | 3,385 | 1.62 |

6. In the change report of statements of large-volume holdings, which were made available for public inspection on January 11, 2024, SMBC Nikko Securities Inc. and its joint holder, Sumitomo Mitsui DS Asset Management Company, Limited are listed as owning the following shares as of December 29, 2023. However, the Company is unable to confirm the actual status of the shareholdings of these shareholders as of December 31, 2023; thus, those shareholdings have not been reflected in the above list. The contents of such statements of large-volume holdings are as follows.

| Name of Shareholder | Address | Number of Shares held (Thousands of shares) | Shareholding Ratio (%) |
|--|--------------------------------------|---|------------------------|
| SMBC Nikko Securities Inc. | 3-3-1, Marunouchi, Chiyoda-ku, Tokyo | 4,343 | 2.08 |
| Sumitomo Mitsui DS Asset Management Company, Limited | 1-17-1, Toranomon, Minato-ku, Tokyo | 12,631 | 6.04 |

(7) Status of Voting Rights

(i) Shares Issued

As of December 31, 2023

| Category | Number of shares (shares) | Number of Voting Rights (Units) | Description |
|--|---------------------------|---------------------------------|---------------------------------|
| Shares without voting rights | — | — | — |
| Shares with restricted voting rights – treasury shares, etc. | — | — | — |
| Shares with restricted voting rights – other | — | — | — |
| Shares with full voting rights – treasury shares, etc. | Common shares 39,100 | — | — |
| Shares with full voting rights – other | Common shares 208,927,700 | 2,089,277 | — |
| Shares of less than one unit | Common shares 200,874 | — | Less than one unit (100 shares) |
| Total number of shares issued | 209,167,674 | — | — |
| Total voting rights held by all shareholders | — | 2,089,277 | — |

(Notes) 1. The following treasury shares are included in “Shares of less than one unit.”

Tokyo Tatemono Co., Ltd. 81 shares

2. Common stock indicated under “Shares with full voting rights – other” includes 225,300 shares of the Company (2,253 voting rights) held by the Board Benefit Trust (BBT). Said 2,253 voting rights are not exercised.

(ii) Treasury Share, etc.

As of December 31, 2023

| Name of Shareholder | Address | Number of Shares held under Own Name (shares) | Number of Shares Held under the Names of Others (shares) | Total Number of Shares Held (shares) | Shareholding Ratio (%) |
|---|---------------------------------|---|--|--------------------------------------|------------------------|
| (Treasury shares) Tokyo Tatemono Co., Ltd. | 1-9-9, Yaesu, Chuo-ku, Tokyo | 39,100 | — | 39,100 | 0.02 |
| Total | — | 39,100 | — | 39,100 | 0.02 |

(Note) 225,300 shares of the Company’s shares held by the Board Benefit Trust (BBT) are not included in the above treasury shares, etc.

(8) Information on the Officer/Employee Stock Ownership Plan

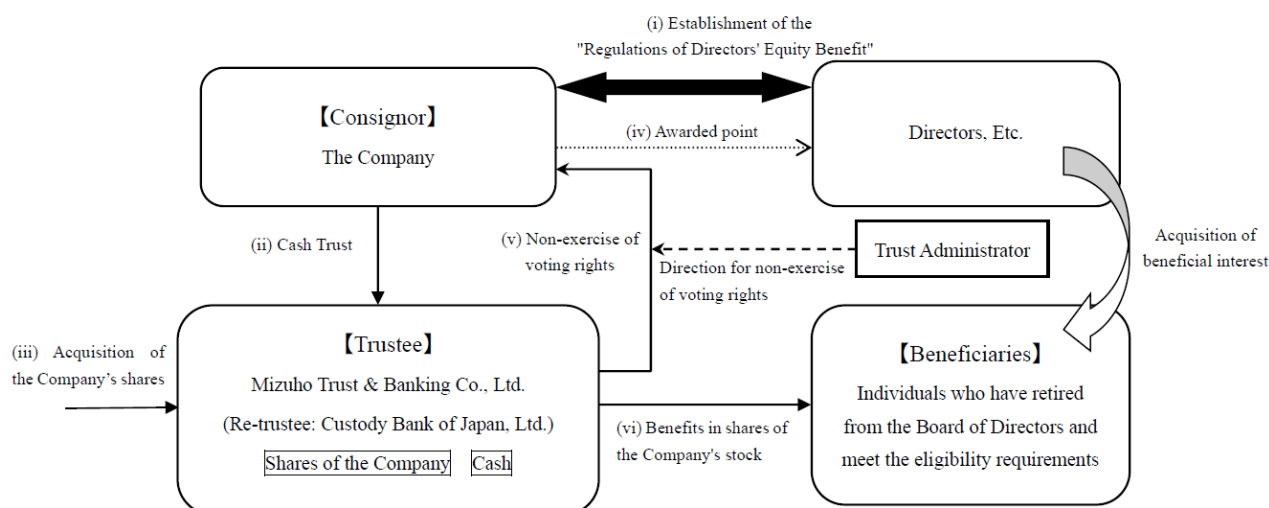
Based on the resolution of the 200th Ordinary General Meeting of Shareholders (hereinafter referred to as the “Resolution of this General Meeting of Shareholders”) held on March 28, 2018, the Company has established the “Board Benefit Trust (BBT)” (hereinafter referred to as the “BBT scheme”), a share award plan for the Company’s Directors (excluding External Directors) and Managing Officers who do not concurrently serve as Directors (hereinafter collectively referred to as “Directors, etc.”), intending to enhance their awareness to contribute to increasing the Company’s corporate value over the medium to long term.

A. Outline of the BBT Scheme

Under the BBT scheme, the Company’s shares are acquired through a trust (the trust to be established under the BBT scheme is hereinafter referred to as the “Trust”) with funds contributed by the Company. This is a share award plan under which the Company’s shares and money equivalent to the amount converted at the market value of the Company’s shares (hereinafter referred to as “the Company’s shares, etc.”) are paid to Directors, etc. through the Trust in accordance with the “Regulations of Directors’ Equity Benefit” (hereinafter referred to as the “Regulations”) stipulated by the Company. In principle, the time when Directors, etc. receive the Company’s shares, etc. is at the time of their retirement from office.

Each fiscal year, Directors, etc. are granted a certain number of points in consideration of their position in accordance with the Regulations, and each point is converted into one share of common stock of the Company at the time of delivery of the Company’s shares, etc. The total number of points to be granted to Directors, etc. per fiscal year shall be up to 60,000 points (including 40,000 points for Directors (excluding External Directors)).

<Structure of the BBT Scheme>



- (i) The Company shall set forth the Regulations to the extent approved by the Resolution of this General Meeting of Shareholders.
- (ii) The Company will place funds in trust to the extent approved by the Resolution of this General Meeting of Shareholders.
- (iii) The Trust shall acquire the Company's shares through the trading market, etc. using the funds entrusted in (ii) above as the source.
- (iv) The Company shall grant points to Directors, etc. per the Regulations.
- (v) The Trust shall not exercise voting rights pertaining to the Company's shares in the Trust in compliance with the instructions of the Trust Administrator, which is independent of the Company.
- (vi) The Trust shall grant the Company's shares to retired Directors, etc. who satisfy the requirements for beneficiaries stipulated in the Regulations (hereinafter referred to as "beneficiaries") in proportion to the number of points granted to said beneficiaries. Provided, if the requirements stipulated in the Regulations are met, a certain percentage of the shares shall be paid in cash equivalent to the market value of the Company's shares in lieu of the payment of the Company's shares. Further, the Trust reserves the right to sell the Company's shares in order to provide monetary benefits.

b. Total Number or Total Amount of the Company's Shares Scheduled to be Purchased by the Board Benefit Trust (BBT)

The Company shall be subject to the following terms and conditions for the three fiscal years from the fiscal year ended the last day of December 2018 through the fiscal year ended the last day of December 2020 (hereinafter referred to as the "Initial Relevant Period" and the Initial Relevant Period and each of the three fiscal years beginning after the expiration of the Initial Relevant Period shall be respectively referred to as the "Relevant Period") and each Relevant Period afterwards. Upon the introduction of the BBT scheme, the Company shall contribute the following amount of funds to the Trust as the source of funds for the acquisition of the Company's shares by the Trust to provide the Company's shares, etc. to Directors, etc. for the period covered by the BBT scheme.

The maximum allowable number of points to be granted to Directors, etc. under the BBT scheme is 60,000 points per fiscal year (including 40,000 points for Directors (excluding External Directors)), as described above. Accordingly, at the time of the establishment of the Trust, the Company shall contribute to the Trust funds reasonably expected to be required for the acquisition of up to 180,000 shares, taking into consideration the closing price of the Company's common stock in regular trading on the Tokyo Stock Exchange immediately prior to the establishment of the Trust. Subsequently, until the termination of the BBT scheme, the Company will, in principle, make additional contributions to the Trust for each Relevant Period, based on a reasonably estimated number of shares required to provide benefits to Directors, etc. under the BBT scheme, and the funds deemed necessary for the Trust to acquire such shares ahead of time. Provided, in the event of such additional contribution, if there are any remaining shares of the Company or funds in the trust assets, they shall be allocated to the source of benefits under the BBT scheme, and the amount of such additional contribution for the subsequent Relevant Period shall be calculated after taking into consideration such remaining shares, etc.

Acquisition of the Company's shares by the Trust shall be conducted through the trading market, etc. using the funds contributed as described above as the source.

c. Scope of Beneficiary Rights and Other Rights under the Board Benefit Trust (BBT)

Directors, etc. who meet the requirements for beneficiaries as stipulated in the "Regulations of Directors' Equity Benefit."

2. Information on Acquisition, etc. of Treasury Shares

Class of shares Acquisition of shares of common stock under the condition set forth in Article 155, Item 7 of the Companies Act

(1) Acquisition of Treasury Shares based on a Resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition of Treasury Shares based on a Resolution of Board of Directors

Not applicable.

(3) Acquisition of Treasury Shares not based on a Resolution of General Meeting of Shareholders or Board of Directors

Acquisition pursuant to Article 155, Item 7 of the Companies Act

| Category | Number of shares (shares) | Total value (yen) |
|---|---------------------------|-------------------|
| Treasury shares acquired in the current fiscal year | 2,089 | 3,922,235 |
| Treasury shares acquired during the current period | 104 | 228,588 |

(Note) The number of shares of treasury share acquired during the current period does not include the number of shares of less than one unit purchased during the period from March 1, 2024 until the filing date of this report.

(4) Status of Disposition and Holding of Acquired Treasury Shares

| Category | Current Fiscal Year | | Current Period | |
|---|---------------------------|-----------------------------|---------------------------|-----------------------------|
| | Number of shares (shares) | Total Disposal Amount (yen) | Number of shares (shares) | Total Disposal Amount (yen) |
| Acquired treasury shares that were offered to subscribers for subscription | — | — | — | — |
| Acquired treasury shares that were canceled | — | — | — | — |
| Acquired treasury shares through a merger, stock swap, stock delivery, or share transfer related to company split | — | — | — | — |
| Other (request for additional purchase of shares of less than one unit) | 238 | 447,690 | — | — |
| Number of shares of treasury shares held | 39,181 | — | 39,285 | — |

(Note) The number of shares of “Other” during the current period does not include shares resulting from requests for additional purchase of less than one unit during the period from March 1, 2024 until the filing date of this report.

3. Dividend Policy

Dividend policy is based on the basic policy of profit distribution, which is to strive to maintain and increase the level of stable dividends by comprehensively considering the future business environment, business development, and business performance while enhancing internal reserves for reinvestment to increase corporate value. The Group's basic policy is to maintain a baseline for dividend payout ratio of at least 30% during the period of the Group's Medium-Term Business Plan (FY2020 to FY2024).

Dividends are paid twice a year: an interim dividend with a record date of June 30 and a year-end dividend with a record date of December 31. The interim dividend is paid by resolution of the Board of Directors, and the year-end dividend is paid by resolution of the General Meeting of Shareholders.

In accordance with the above policy, the year-end dividend for the current fiscal year is set at 37 yen per share, which, together with the interim dividend of 36 yen per share, totals 73 yen per share, resulting in a consolidated dividend payout ratio of 33.8% for the current fiscal year.

The Company's Articles of Incorporation stipulate that the Company may pay interim dividends as prescribed in Paragraph 5, Article 454 of the Companies Act.

(Note) The Dividends of surplus for which the record date belongs to the current fiscal year are as follows:

| Date of Resolution | Total Dividend Amount (Millions of yen) | Dividend Amount per Share (yen) |
|---|--|---------------------------------------|
| August 10, 2023 Resolution of Board of Directors' meeting | 7,528 | 36 |
| March 27, 2024 Resolution of the Ordinary General Meeting of Shareholders | 7,737 | 37 |

4. Status of Corporate Governance, etc.

(1) Outline of Corporate Governance

(i) Fundamental Policies for Corporate Governance

Under the corporate philosophy of “Trust beyond the era,” the Company strives to establish optimal corporate governance with the main objective of achieving sustainable growth and increasing corporate value over the medium to long term while ensuring sound and transparent management and increasing efficiency. To ensure that our shareholders and other stakeholders accurately understand our business activities, we disclose information proactively and appropriately.

Further, we have established a “Compliance Charter” common to all Group companies as a part of our commitment to society and to promote compliance-oriented corporate activities aiming to continue our sound corporate activities and earn the trust of society for many years to come.

(ii) Outline of System of Corporate Governance and Reason for Adoption of said System

The Company has adopted the following corporate governance systems for efficient and sound group management: the Board of Directors, Nomination and Remuneration Advisory Committee, Audit & Supervisory Board Member system, and Managing Officer system, together with the establishment and operation of Group Management Meeting, Internal Control Committee, Risk Management Committee, and Sustainability Committee.

a. Board of Directors

The Board of Directors is chaired by Makio Tanehashi, Chairman of the Board and Representative Director, who does not concurrently serve as Chief Executive Officer, and consists of 12 members: 8 Internal Directors and 4 External Directors (including 1 female Director). In principle, the Board of Directors holds a regular meeting once a month and extraordinary meetings are held as necessary to make decisions on important matters concerning the Company’s operation and supervise the Directors’ execution of their duties. Further, Audit & Supervisory Board Members attend meetings of the Board of Directors and express their opinions as necessary.

Chairman: Makio Tanehashi (Representative Director and Chairman of the Board)

Members: Makio Tanehashi (Representative Director and Chairman of the Board), Hitoshi Nomura (Representative Director, President & Chief Executive Officer), Katsuhito Ozawa (Representative Director and Senior Managing Executive Officer), Akira Izumi (Representative Director and Senior Managing Executive Officer), Hideshi Akita (Director and Senior Managing Executive Officer), Takeshi Jinbo (Director and Managing Executive Officer), Shinjiro Kobayashi (Director and Managing Executive Officer), Fumio Tajima (Director and Managing Executive Officer), Shuichi Hattori (External Director), Yoshimitsu Onji (External Director), Takeo Nakano (External Director), Yumiko Kinoshita (External Director)

b. Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee is an advisory body to the Board of Directors to nominate candidates for Director, select and dismiss Representative Directors, and deliberate on remuneration for Directors.

Committee Chairman: Hitoshi Nomura (Representative Director, President and Chief Executive Officer)

Members: Makio Tanehashi (Representative Director and Chairman of the Board), Hitoshi Nomura (Representative Director, President and Chief Executive Officer), Akira Izumi (Representative Director and Senior Managing Executive Officer), Shuichi Hattori (External Director), Yoshimitsu Onji (External Director), Takeo Nakano (External Director), Yumiko Kinoshita (External Director)

c. Audit & Supervisory Board system

The Company, adopting a system of a company with an Audit & Supervisory Board, has an Audit & Supervisory Board consisting of four members, including two full-time Audit & Supervisory Board members (Takashi Yoshino, Isao Jinno) and two External Audit & Supervisory Board members (Sayaka Hieda, Naohiro Chikada), and chaired by Takashi Yoshino, a full-time Audit & Supervisory Board member, and that receives reports about important matters on audits and then discusses and resolves such matters.

d. Managing Officer system

The Company has adopted a Managing Officer system to strengthen management functions and business execution functions, stimulate the Board of Directors and accelerate the decision-making process. Managing Officers are appointed by resolution of the Board of Directors, and there are 22 Managing Officers as of March 27, 2024.

e. Group Management Meeting

The Group Management Meeting is an organization that deliberates on important matters related to the management of The Company and affiliated companies, etc. with Representative Director, President and Chief Executive Officer Hitoshi Nomura as chairperson and Managing Officers with specific responsibilities. In addition, full-time Audit & Supervisory Board members attend the Group Management Meeting and share opinions as necessary.

f. Internal Control Committee

The Internal Control Committee is an organization that deliberates on the development, operation status, and improvement measures of internal control systems within the Group with Representative Director, President and Chief Executive Officer Hitoshi Nomura as chairperson and the Chairman of the Board, Executive Vice President and Executive Officer and the Director in charge of the Corporate Planning Department as members. Full-time Audit & Supervisory Board members attend Internal Control Committee meetings and share opinions when necessary. Matters discussed by the Committee are submitted or reported to the Board of Directors as necessary.

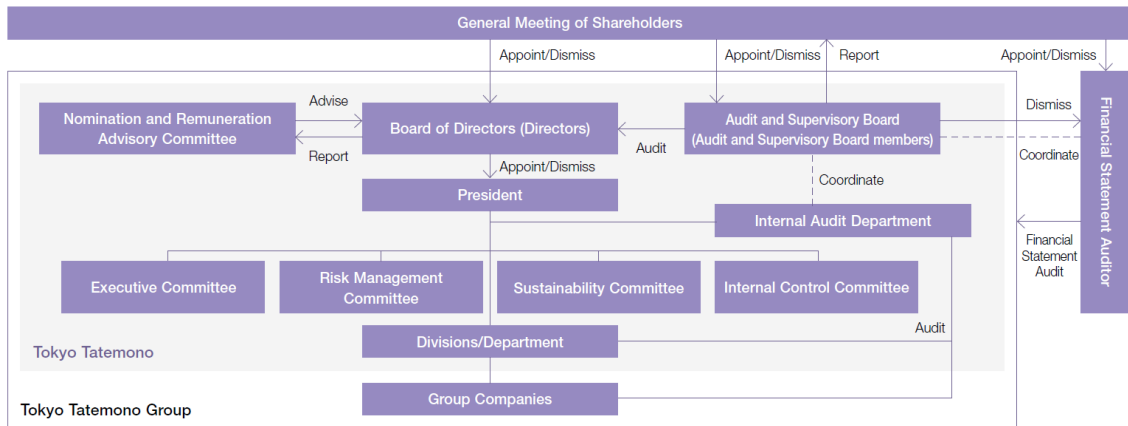
g. Risk Management Committee

The Risk Management Committee is an organization that oversees the Group's risk management and compliance with Representative Director, President and Chief Executive Officer Hitoshi Nomura as chairperson and the Chairman of the Board, Executive Vice President and Executive Officer, Division Directors and Vice Division Directors of each division, the Director in charge of the Corporate Planning Department, and General Managers of corporate departments, etc. as members. Full-time Audit & Supervisory Board members attend Risk Management Committee meetings and share opinions as necessary. To promote compliance management, a Compliance Subcommittee (Subcommittee Chairman: Director in charge of Legal & Compliance Department) has been established as a subordinate organization of this committee to discuss compliance measures, monitor progress, respond to compliance risks, and to address risks associated with disasters, and a Business Continuity Management Subcommittee (Subcommittee Chairman: Director in charge of General Affairs Department) has also been set up for monitoring BCP responses, creating and improving BCP manuals, sharing BCP initiatives in Group companies, and formulating improvement policies for BCP. The Committee reports matters deliberated and reported to the Board of Directors and submits cases that should be submitted to the Board of Directors as necessary.

h. Sustainability Committee

The Sustainability Committee has the Representative Director, President and Chief Executive Officer Hitoshi Nomura as chairperson and Directors (excluding External Directors), Managing Officers with assigned roles, each General Manager of the corporate departments, the General Manager of the Engineering Division of the Commercial Properties business, and other members appointed by the chairperson as members in consideration of their expertise in the matters to be discussed, and it deliberates and discusses matters related to the formulation of the Group's sustainability policy, the development of systems, the setting of metrics and targets, and the monitoring and evaluation of progress. Full-time Audit & Supervisory Board members attend Sustainability Committee meetings and share opinions as necessary. Important matters deliberated and discussed by the committee are submitted to the Board of Directors, which makes decisions on important sustainability-related matters and monitors and supervises the status of the Company's response to such matters. The Sustainability Promotion Committee and the Human Rights Subcommittee have been established as subordinate organizations of the committee, and the Sustainability Promotion Committee shares decisions made by the committee, discusses matters for consideration in advance, and reports and discusses the progress of the sustainability promotion by the Group. The Human Rights Subcommittee implements decisions made by the Sustainability Committee and reports and discusses the status of human rights initiatives.

(Corporate governance structure chart as of March 27, 2024)



<Reason for Adoption of Corporate Governance System>

To ensure sound and transparent management while increasing efficiency, the Company has adopted the status of a Company with Audit & Supervisory Board and a Managing Officer system.

The Audit & Supervisory Board has strengthened oversight functions and ensured transparency of management through the appointment of External Audit & Supervisory Board members while the Managing Officer system has clarified the division of functions for management and business execution, strengthening management/oversight and business execution functions. Thus, the Company believes that a system has been established in which The Company's management and Director monitoring/oversight functions are sufficiently performed.

(iii) Activities of the Board of Directors

The Company held a total of 14 meetings of the Board of Directors during the current fiscal year. The attendance record of each member is as follows.

| Title | Name | Meeting attendance |
|---|--------------------|----------------------|
| Representative Director and Chairman of the Board | Makio Tanehashi | 14/14 times |
| Representative Director President & Chief Executive Officer | Hitoshi Nomura | 14/14 times |
| Representative Director Senior Managing Executive Officer | Katsuhito Ozawa | 14/14 times |
| Representative Director Senior Managing Executive Officer | Akira Izumi | 14/14 times |
| Director Senior Managing Executive Officer | Hideshi Akita | 14/14 times |
| Director Managing Executive Officer | Takeshi Jinbo | 13/14 times |
| Director Managing Executive Officer | Shinjiro Kobayashi | 11/11 times (Note) 1 |
| Director Managing Executive Officer | Fumio Tajima | 11/11 times (Note) 1 |
| Director | Kengo Fukui | 3/3 times (Note) 2 |
| Director | Hisatoshi Kato | 3/3 times (Note) 2 |
| External Director | Shuichi Hattori | 13/14 times |
| External Director | Yoshimitsu Onji | 14/14 times |
| External Director | Takeo Nakano | 14/14 times |
| External Director | Yumiko Kinoshita | 14/14 times |

(Notes) 1. Shinjiro Kobayashi and Fumio Tajima were both elected at the 205th Ordinary General Meeting of Shareholders held on March 29, 2023, and their attendance at the Board of Directors meetings held after that date is shown.

2. Kengo Fukui and Hisatoshi Kato both retired from their positions at the 205th Ordinary General Meeting of Shareholders held on March 29, 2023, and their attendance at the Board of Directors meetings held on or before that date is shown.

The specific considerations by the Board of Directors are as follows.

| Classification | | Specific considerations |
|--|---|--|
| Matters related to management strategy | Business and finance | <ul style="list-style-type: none"> ● Approval of annual accounts, budget, business plan, financial plan, and investment policy ● Approval of medium-term rolling |
| | ESG E: environment S: social G: governance | (E) Approval of setting environment-related KPIs and targets, accelerating and enhancing the achievement of some targets (S) Identification of priority issues related to human rights and review of due diligence (G) Verification of the significance of holding shares and review policy regarding strategic shareholdings (G) Confirmation of the results of the evaluation of the effectiveness of the Board of Directors and consideration of ways to further improve the effectiveness of the Board of Directors |
| | Other | <ul style="list-style-type: none"> ● Sharing IR activity reports and the contents of feedback |
| Matters regarding shares | | <ul style="list-style-type: none"> ● Convening of General Meeting of Shareholders and determination of proposals to be submitted ● Approval of appropriation of retained earnings and dividend policy |
| Other matters | | <ul style="list-style-type: none"> ● Progress report on major projects |

(iv) Activities of the Nomination and Remuneration Advisory Committee

The Company held a total of 4 meetings of the Nomination and Remuneration Advisory Committee during the current fiscal year. The attendance record of each member is as follows.

| Title | Name | Meeting attendance |
|--|------------------|--------------------|
| Representative Director President & Chief Executive Officer | Hitoshi Nomura | 4/4 times |
| Representative Director and Chairman of the Board | Makio Tanehashi | 4/4 times |
| Representative Director Senior Managing Executive Officer | Akira Izumi | 4/4 times |
| External Director | Shuichi Hattori | 3/4 times |
| External Director | Yoshimitsu Onji | 4/4 times |
| External Director | Takeo Nakano | 4/4 times |
| External Director | Yumiko Kinoshita | 4/4 times |

The specific considerations by the Nomination and Remuneration Advisory Committee are as follows.

- Election of candidates for Directors and Audit & Supervisory Board Members
- Election of Managing Officers
- Responsibilities of Directors and Managing Officers
- Remuneration of Directors and Managing Officers (by individual)

(v) Other Matters Regarding Corporate Governance

Along with setting the corporate philosophy of “Trust beyond the era” and earning the trust of customers as the basis for conduct of all officers and employees, the Company has developed a system to secure business integrity (hereinafter, “internal control system”) and works to have same functioning thoroughly.

- a. System to Ensure Directors' and Employees' Execution of Duties in Compliance with Laws, Regulations, and the Articles of Incorporation
- The Company has set forth thorough compliance as a basic policy of management and has established "Compliance Rules" in addition to developing a compliance system based on those rules.
 - The Company has established a Risk Management Committee chaired by the President & Chief Executive Officer to oversee the Group's risk management and compliance. The committee works to appropriately operate and improve the compliance system.
 - The Risk Management Committee reports to the Board of Directors and Audit & Supervisory Board on the status of the operation, etc. of the compliance system when necessary.
 - The Company has set forth "Whistleblower Rules" to establish a system for officers and employees to report any wrongful acts and compliance issues found, established contact points inside and outside the company for reporting by officers and employees and made officers and employees aware of these matters.
 - The Company promptly conducts the necessary investigations of matters reported pursuant to the "Whistleblower Rules" and takes corrective measures and preventive measures as needed.
 - The Company develops a system to prevent persons who report wrongful acts or other compliance incidents to a reporting contact point from being treated unfavorably due to the reason of reporting.
 - The Company has established "Rules on the Exclusion of Antisocial Forces" and takes a firm stance to allow no relationship with antisocial forces that threatens the order and safety of civil society.
- b. Systems to Keep and Manage Information on Directors' Execution of Duties
- The Company has established a Document Management Administration Department and an Information Management Supervisor based on the "Document Management Rules" and "Information Management Rules" for documents (including electronic records) pertaining to Directors' execution of duties and other information and appropriately stores and manages these in accordance with the provisions thereof.
- c. Rules and Other System for Management of Risks of Loss
- The Company has established "Risk Management Rules" to manage the Group's risks and maximize corporate value and continuously monitors and responds to risks pertaining to the operations of each department and also comprehensively manages the Group's risks through the Risk Management Committee.
 - The Risk Management Committee performs evaluation and analysis of the Group's risks, deliberates measures to prevent the occurrence of risks and address risks that actualize as well as prevent a recurrence, and submits cases or reports to the Board of Directors when necessary.
 - The Internal Audit Department evaluates the appropriateness and effectiveness of the risk management system and risk management operations and reports the results of its investigations to the President & Chief Executive Officer and the Audit & Supervisory Board members, etc. on a periodic basis.
 - The Company has established a basic plan on the handling of emergencies such as large earthquakes, has established a system for business continuity in the event of an emergency based on the basic plan, and tracks and inspects the status of preparation of crisis management drills, etc.
- d. System to Ensure Directors' Execution of Duties in an Efficient Manner
- The Company adopts a Managing Officer system to strengthen management functions and business execution functions, stimulate the Board of Directors and accelerate the decision-making process.
 - The Board of Directors determines the Group's management plans, annual business plans and budgets, and funding plans based on consideration of the appropriate allocation of management resources, works to improve the efficiency and effectiveness of operations, receives reports of the status of achievement of targets of each department on a periodic basis, based on which it revises targets, and decides on improvements for greater efficiency of the business execution system when necessary.
 - The Company has stipulated "Organization Rules," "Duty Authorization Rules," and "Approval Rules" for the organized and efficient execution and management of the operations of each department and clarifies the operations and authority of each division and the decision-makers for each operation.

- e. System to Ensure Business Integrity of Corporate Group Comprising The Company and its Subsidiaries
- The Company has established the Group’s internal control systems to engage in Group management with the aim of maximizing the corporate value of the Group.
 - The Company has established an Internal Control Committee chaired by the President & Chief Executive Officer for the improvement and enhancement of the Group’s internal control systems. The committee implements monitoring of the establishment and status of operation of the Group’s internal control system.
 - The Company has stipulated a “Group Compliance Charter,” “Compliance Code of Conduct,” and “Group Compliance Manual” based on the “Compliance Rules,” works to notify the Group and its officers and employees of same through training, etc. and creates systems for executing operations in a sincere manner with thorough compliance.
 - The Risk Management Committee deliberates matters related to risks and compliance in the Group and oversees risk management and compliance in the Group.
 - The Company has established an Group Management Meeting chaired by the President to engage in Group management with the aim of maximizing corporate value of the Group as a whole. The meeting deliberates important matters concerning the Group and shares the status of business execution and other matters related to management based on the “Group Management Meeting Rules.”
 - The Company has established a Sustainability Committee chaired by the President & Chief Executive Officer to balance “resolution of social issues” and “growth as a company” at a higher level. The committee promotes initiatives aimed at sustainable growth of the Group and the realization of a sustainable society based on the “Sustainability Promotion Rules.”
 - In order to enhance management efficiency of the Group and realize Group synergy, The Company performs management control of Group companies based on the “Group Management Control Rules,” e.g. requiring The Company’s approval for important decisions such as the business plans of Group companies as well as matters concerning compliance as matters reportable to The Company.
 - The Company develops a system to verify business integrity, such as by requiring Group companies’ officers and employees to report on the status of their execution of duties on a periodic basis through such means as dispatching The Company’s Directors, etc. to Group companies. In addition, The Company’s Directors monitor Group companies’ business plans and profit plans every fiscal year and report to the Board of Directors.
 - The Company has established Group-wide reporting contact points outside the company for officers and employees of the Group to report any wrongful acts and other compliance issues found and notifies officers and employees of the Group accordingly. The Company conducts necessary investigations of matters reported pursuant to the “Whistleblower Rules” and necessary preventive measures as a Group.
 - Based on the Financial Instruments and Exchange Act, The Company has developed a system that ensures appropriateness of financial reporting by establishing a basic policy for financial reporting to ensure appropriateness of financial reporting in the Group.
 - The Internal Audit Department implements internal audits of The Company and Group companies based on the “Internal Control Rules” and reports the results to the President & Chief Executive Officer and Audit & Supervisory Board members, etc.
- f. System for Audit & Supervisory Board Members Seeking Assignment of Employees to Support Their Duties and Matters Related to Ensuring Independence of the Employees from Directors and the Effectiveness of Instructions to the Employees
- The Company assigns personnel as auditing staff upon request from the Audit & Supervisory Board to smoothly execute their supervisory duties.
 - When supporting the duties of Audit & Supervisory Board members, the auditing staff shall follow the directions and orders of Audit & Supervisory Board members and are not subject to the directions or orders of Directors, the General Manager of the Internal Audit Department, etc.
 - Even if the auditing staff concurrently serves other departments, the operations as auditing staff take priority, and The Company is required to obtain the prior consent of full-time Audit & Supervisory Board members to make personnel changes or take disciplinary action for the auditing staff.

g. System for Reporting, etc. to Audit & Supervisory Board

- The Company mandates the attendance of Audit & Supervisory Board members at Board of Directors' meetings, Group Management Meeting, and the Internal Control Committee meetings.
- In the event of the occurrence of a fact that may severely harm the Group or a serious violation of laws, regulations, or the articles of incorporation, Directors promptly report the details to the Audit & Supervisory Board members.
- The Risk Management Committee promptly reports important compliance matters to the Audit & Supervisory Board members.
- The Internal Audit Department reports on a periodic basis the status of internal audits to the Audit & Supervisory Board members.
- The Legal & Compliance Department reports on a periodic basis the status of reports of wrongful acts, etc. and the content thereof to the Audit & Supervisory Board members.
- The Company has developed a system to prevent persons who report wrongful acts or other compliance incidents to Audit & Supervisory Board members from being treated unfavorably due to the reporting.

h. Procedures for Advance Payment or Reimbursement of Expenses Arising in the Execution of Duties of Audit & Supervisory Board Members and Other Policies Pertaining to the Processing of Expenses and Obligations Arising in the Execution of Duties Thereof

- When requested by Audit & Supervisory Board members for advance payment, redemption, etc. of expenses arising from the Audit & Supervisory Board members' execution of duties, The Company promptly processes those expenses or obligations unless otherwise found to be unnecessary to the concerned Audit & Supervisory Board members' execution of duties.

i. Other Systems to Ensure Effective Auditing

- The Company has developed a system for Audit & Supervisory Board members to receive reports on a periodic basis from the Accounting Auditor, Directors and each department, and exchange opinions with the individual bodies at any time.
- The Internal Audit Department works to closely exchange information and coordinate with Audit & Supervisory Board members concerning the formulation of internal audit plans and the results of internal audits.

(vi) Summary of the Liability Limitation Contract

In accordance with the provisions in Article 427, Paragraph 1 of the Companies Act, the Company has concluded a contract with each Director (excluding Executive Directors, etc.) and each Audit & Supervisory Board Member to limit their liability for damages as specified in Article 423, Paragraph 1 of the Companies Act. The amount of the limit for the liability for damages under this contract shall be the amount specified by laws and regulations. Such limitation of liability shall be permitted only when each of said Directors (excluding those who are Executive Directors, etc.) or Audit & Supervisory Board Members have performed their duties that caused the liability in good faith and without gross negligence.

(vii) Summary of the Directors and Officers Liability Insurance Contract

The Company has entered into a Directors and Officers Liability Insurance contract with an insurance company pursuant to Paragraph 1, Article 430-3 of the Companies Act. The insurance covers litigation expenses and legal damages to be borne by the insured arising from the execution of his or her duties. As a measure to prevent impairment of the appropriateness of the execution of the duties of the insured, the insurance contract does not cover damages, etc. arising from the insured's criminal acts. The parties insured under the Directors and Officers Liability Insurance contract are Directors, Audit & Supervisory Board Members, and Managing Officers of the Company, and the premiums for all insured shall be borne by the Company.

(viii) Number of Directors

The Company's Articles of Incorporation stipulate that the Company shall have no more than 12 Directors.

(ix) Requirement for Appointment of Directors

Our Articles of Incorporation prescribe that resolution to appoint Directors shall be made by a majority vote of the voting rights of shareholders present at a General Meeting of Shareholders, where such shareholders present shall hold shares representing one-third or more of the voting rights of all shareholders who are entitled to exercise said voting rights and that resolutions to appoint Directors shall not be adopted by cumulative voting.

(x) Acquisition of Treasury Shares

The Company stipulates in the Articles of Incorporation that the Company may acquire its own shares by resolution of the Board of Directors in accordance with Paragraph 2, Article 165 of the Companies Act. The purpose of this is to carry out a flexible capital policy.

(xi) Interim dividend

In accordance with the provisions of Paragraph 5, Article 454 of the Companies Act, the Company stipulates in the Articles of Incorporation that interim dividends may be paid by resolution of the Board of Directors with the record date of June 30 of each year. This is intended to flexibly return profits to shareholders.

(xii) Directors and Audit & Supervisory Board Members Exemption from Liability

The Company's Articles of Incorporation stipulate that the liability for damages of Directors (including former Directors) and Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) for the negligence of their duties may be exempted by a resolution of the Board of Directors to the extent permitted by law, pursuant to Paragraph 1 of Article 426 of the Companies Act, in order to enable them to fully fulfill their expected roles in the performance of their duties.

(xiii) Requirements for Special Resolution of General Meeting of Shareholders

The Articles of Incorporation stipulate that the special resolution at the General Meeting of Shareholders defined in Paragraph 2, Article 309 of the Companies Act shall be made by not less than two-thirds of the voting rights of the shareholders present at the meeting, where the shareholders holding not less than one-third of such voting rights of the shareholders that are entitled to exercise their voting rights are present.

(2) Directors and Audit & Supervisory Board Members

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

Male: 14 persons; Female: 2 persons (accounting for 12.5% of the total number of Directors and Audit & Supervisory Board Members)

| Official title or position | Name | Date of Birth | Business Experience and Position(s) and Office(s) | Office Term | Number of shares held (Thousands of shares) |
|---|-----------------|------------------|---|-------------|---|
| Representative Director and Chairman of the Board | Makio Tanehashi | March 13, 1957 | <p>April 1979 Joined The Fuji Bank, Limited</p> <p>March 2006 Executive Officer, General Manager of Internal Audit Division of Mizuho Corporate Bank, Ltd.</p> <p>April 2008 Managing Executive Officer and Officer in charge of Sales of Mizuho Corporate Bank, Ltd.</p> <p>June 2011 Deputy President and Executive Officer, in charge of Branches Department of Mizuho Bank, Ltd.</p> <p>June 2011 Representative Director, Deputy President and Executive Officer, in charge of Branches Department of Mizuho Bank, Ltd.</p> <p>March 2013 President and Chief Executive Officer of Tokyo Tatemono Real Estate Sales Co., Ltd.</p> <p>July 2015 Senior Managing Executive Officer and Division Director of Asset Service Division of the Company</p> <p>March 2016 Senior Managing Executive Officer, Director, Division Director of Asset Service Division and Division Director of Overseas Business Division of the Company</p> <p>January 2017 Representative Director, Chairman and Executive Officer of the Company Director and Chairman of the Board of Tokyo Tatemono Real Estate Sales Co., Ltd.</p> <p>March 2019 Representative Director and Chairman of the Board of the Company (to present)</p> <p>January 2021 Director of Tokyo Tatemono Real Estate Sales Co., Ltd. (to present)</p> <p>March 2023 External Director of Sapporo Holdings Limited (to present)</p> | (Note) 4 | 30 |
| Representative Director President & Chief Executive Officer | Hitoshi Nomura | October 10, 1958 | <p>April 1981 Joined the Company</p> <p>March 2005 General Manager of Property Management Department of the Company</p> <p>March 2008 Director, and General Manager of Property Planning Department of the Company</p> <p>March 2011 Managing Director, and Division Director of Commercial Properties Division responsible for Kansai Branch and Kyushu Branch of the Company</p> <p>March 2013 Managing Executive Officer and Director; and Division Director of Commercial Properties Division responsible for Kansai Branch, Sapporo Branch, Kyushu Branch and Nagoya Branch of the Company</p> <p>March 2015 Senior Managing Executive Officer and Director responsible for Personnel Department, Corporate Planning Department, and General Affairs Department of the Company</p> <p>January 2017 President and Chief Executive Officer, and Representative Director of the Company (to present)</p> | (Note) 4 | 23 |
| Representative Director Senior Managing Executive Officer Division Director of Commercial Properties Division | Katsuhito Ozawa | February 1, 1964 | <p>April 1987 Joined the Company</p> <p>March 2007 General Manager of Residential Management Business Department of the Company</p> <p>July 2009 Director and General Manager of Finance Department of Tokyo Realty Investment Management, Inc.</p> <p>March 2015 Managing Officer and General Manager of Corporate Planning Department of the Company</p> <p>January 2017 Managing Executive Officer; Division Director of Overseas Business Division and Leisure Business Division responsible for Corporate Communications Department, Finance Department, Accounting Department and Appraisal Department; and General Manager of</p> | (Note) 4 | 17 |

| Official title or position | Name | Date of Birth | Business Experience and Position(s) and Office(s) | Office Term | Number of shares held (Thousands of shares) |
|--|-------------|---------------|--|-------------|---|
| | | | <p>Finance Department and Overseas Business Department of the Company</p> <p>March 2017 Managing Executive Officer and Director; Division Director of Overseas Business Division and Leisure Business Division responsible for Corporate Communications Department, Finance Department, Accounting Department and Appraisal Department; and General Manager of Finance Department and Overseas Business Department of the Company</p> <p>August 2017 Managing Executive Officer and Director; Division Director of Overseas Business Division and Leisure Business Division responsible for Corporate Communications Department, Finance Department, Accounting Department and Appraisal Department; and General Manager of Overseas Business Department of the Company</p> <p>January 2019 Managing Executive Officer and Director; Division Director of Overseas Business Division responsible for Corporate Communications Department, Finance Department, and Accounting Department; and General Manager of Overseas Business Department of the Company</p> <p>January 2020 Managing Executive Officer and Director; Division Director of Overseas Business Division responsible for Corporate Communications Department, Finance Department, and Accounting Department; and General Manager of Overseas Business Department of the Company</p> <p>January 2021 Senior Managing Executive Officer and Director; Division Director of Overseas Business Division; Division Director of Commercial Properties Division responsible for Acquisitions & Sales Department (joint responsibility), Kansai Branch, Sapporo Branch, Kyushu Branch and Nagoya Branch of the Company</p> <p>April 2021 Senior Managing Executive Officer and Director; Division Director of Commercial Properties Division responsible for Acquisitions & Sales Department (joint responsibility), Kansai Branch, Kyushu Branch and Nagoya Branch of the Company</p> <p>January 2022 Senior Managing Executive Officer and Director; Division Director of Commercial Properties Division responsible for Overseas Business, Acquisitions & Sales Department (joint responsibility), Kansai Branch, Kyushu Branch and Nagoya Branch of the Company</p> <p>January 2023 Representative Director, Senior Managing Executive Officer; Division Director of Commercial Properties Division responsible for Overseas Business, Acquisitions & Sales Department (joint responsibility), Kansai Branch, Kyushu Branch and Nagoya Branch of the Company</p> <p>March 2023 Representative Director, Senior Managing Executive Officer; Division Director of Commercial Properties Division responsible for Leisure Business and Acquisitions & Sales Department (joint responsibility), Kansai Branch, Kyushu Branch and Nagoya Branch of the Company (to present)</p> | | |
| Representative Director Senior Managing Executive Officer | Akira Izumi | March 6, 1965 | <p>April 1987 Joined the Company</p> <p>March 2009 General Manager of Retail Management Department of the Company</p> <p>March 2015 Managing Officer and General Manager of Urban Development Department of the Company</p> <p>January 2017 Managing Executive Officer responsible for Personnel Department, Corporate Planning Department, and General Affairs Department; and General Manager of Corporate Planning Department of the Company</p> <p>March 2017 Managing Executive Officer and Director responsible for Personnel Department, Corporate</p> | (Note) 4 | 8 |

| Official title or position | Name | Date of Birth | Business Experience and Position(s) and Office(s) | Office Term | Number of shares held (Thousands of shares) |
|--|---------------|---------------|--|-------------|---|
| | | | <p>January 2019 Planning Department, and General Affairs Department; and General Manager of Corporate Planning Department of the Company</p> <p>July 2019 Managing Executive Officer and Director responsible for Personnel Department, Corporate Planning Department, General Affairs Department, and Appraisal Department; and General Manager of Corporate Planning Department of the Company</p> <p>January 2020 Managing Executive Officer and Director responsible for Personnel Department, Corporate Planning Department, General Affairs Department, Market Research Department, Solution Service Department (joint responsibility) and ICT and Digital Strategy Promotion Department of the Company</p> <p>January 2021 Senior Managing Executive Officer and Director responsible for Corporate Communications Department, Personnel Department, Corporate Planning Department, General Affairs Department, Finance Department, Accounting Department, Market Research Department, ICT and Digital Strategy Promotion Department, and Acquisitions & Sales Department (joint responsibility) of the Company</p> <p>January 2022 Senior Managing Executive Officer and Director responsible for Corporate Communications Department, Personnel Department, Corporate Planning Department, Sustainability Management Department, General Affairs Department, Finance Department, Accounting Department, Market & Policy Research Department, DX Promotion Department and Acquisitions & Sales Department (joint responsibility) of the Company</p> <p>January 2023 Representative Director, Senior Managing Executive Officer responsible for Corporate Communications Department, Personnel Department, Corporate Planning Department, Sustainability Management Department, General Affairs Department, Legal & Compliance Department, Finance Department, Accounting Department, Market & Policy Research Department, DX Promotion Department and Acquisitions & Sales Department (joint responsibility) of the Company (to present)</p> | | |
| <p>Director Senior Managing Executive Officer Division Director of Residential Development Division and Division Director of Asset Service Division of the Company</p> | Hideshi Akita | May 18, 1964 | <p>April 1987 Joined the Company</p> <p>March 2006 General Manager of Residential Management Business Department of the Company</p> <p>January 2016 Managing Officer and General Manager of Personnel Department of the Company</p> <p>January 2017 Managing Officer and Vice Division Director of Residential Development Division of the Company</p> <p>January 2019 Managing Executive Officer and Division Director of Residential Development Division of the Company</p> <p>March 2019 Managing Executive Officer and Director; and Division Director of Residential Development Division of the Company</p> <p>January 2023 Senior Managing Executive Officer and Director; Division Director of Residential Development Division and Division Director of Asset Service Division of the Company (to present)</p> | (Note) 4 | 5 |

| Official title or position | Name | Date of Birth | Business Experience and Position(s) and Office(s) | Office Term | Number of shares held (Thousands of shares) |
|--|--------------------|-------------------|--|-------------|---|
| Director Managing Executive Officer Vice Division Director of Residential Development Division | Takeshi Jinbo | February 27, 1965 | <p>April 1988 Joined the Company</p> <p>January 2015 General Manager of Acquisitions Department of the Company</p> <p>January 2018 Managing Officer and General Manager of Acquisitions Department of the Company</p> <p>January 2019 Managing Officer; Vice Division Director of Residential Development Division; and General Manager of Acquisitions Department of the Company</p> <p>January 2021 Managing Executive Officer; Vice Division Director of Residential Development Division responsible for Solution Service Department (joint responsibility), Acquisitions Department, and Project Development Department of the Company</p> <p>March 2021 Managing Executive Officer and Director; Vice Division Director of Residential Development Division responsible for Solution Service Department (joint responsibility), Acquisitions Department, and Project Development Department of the Company</p> <p>January 2022 Managing Executive Officer and Director; Vice Division Director of Residential Development Division responsible for Business Development Department, Acquisitions Department and Project Development Department of the Company (to present)</p> | (Note) 4 | 6 |
| Director Managing Executive Officer Vice Division Director of Commercial Properties Division | Shinjiro Kobayashi | August 23, 1965 | <p>April 1988 Joined the Company</p> <p>March 2015 General Manager of Business Planning Department of Commercial Properties Division of the Company</p> <p>January 2018 Managing Officer and General Manager of Urban Development Department of the Company</p> <p>January 2022 Managing Officer; Responsible for Urban Development Department (2); General Manager of Urban Development Department (1) of the Company</p> <p>January 2023 Managing Executive Officer; Vice Division Director of Commercial Properties Division; Responsible for Urban Development Department (2); General Manager of Urban Development Department (1) of the Company</p> <p>March 2023 Managing Executive Officer and Director; Vice Division Director of Commercial Properties Division; Responsible for Urban Development Department (2); General Manager of Urban Development Department (1) of the Company (to present)</p> | (Note) 4 | 7 |
| Director Managing Executive Officer Division Director of Overseas Businesses Division | Fumio Tajima | September 9, 1967 | <p>April 1990 Joined The Fuji Bank, Limited</p> <p>April 2014 General Manager of Sales Department No. 17 of Mizuho Bank, Ltd.</p> <p>April 2014 General Manager of Corporate Coverage Department VII of Mizuho Securities Co., Ltd. (retired in April 2019)</p> <p>April 2018 Executive Officer, General Manager of Sales Department No. 17 of Mizuho Bank, Ltd.</p> <p>April 2019 Executive Officer, General Manager of Global Products Coordination Department of Mizuho Financial Group, Inc.</p> <p>April 2019 Executive Officer, General Manager of Global Products Coordination Department of Mizuho Bank, Ltd.</p> <p>April 2021 Managing Officer; Division Director of Overseas Business Division of the Company</p> <p>January 2023 Managing Executive Officer; Division Director of Overseas Business Division of the Company</p> <p>March 2023 Managing Executive Officer and Director; and Division Director of Overseas Business Division of the Company (to present)</p> | (Note) 4 | 3 |

| Official title or position | Name | Date of Birth | Business Experience and Position(s) and Office(s) | Office Term | Number of shares held (Thousands of shares) |
|----------------------------|-----------------|-------------------|---|-------------|---|
| Director (Note)1 | Shuichi Hattori | November 25, 1953 | <p>April 1984 Registered as a lawyer</p> <p>July 1988 Established Hattori Law Firm (currently Hattori General Law Firm) (to present)</p> <p>June 2004 External Audit & Supervisory Board Member of USHIO INC. (retired in June 2016)</p> <p>April 2007 Lecturer (in charge of Financial Instruments and Exchange Act) at Keio University Law School (retired in March 2023)</p> <p>March 2009 External Audit & Supervisory Board Member of LOOK INCORPORATED (currently LOOK HOLDINGS INCORPORATED) (retired in March 2019)</p> <p>January 2013 External Audit & Supervisory Board Member of POKKA SAPPORO Food & Beverage Ltd. (retired in March 2016)</p> <p>March 2015 External Audit & Supervisory Board Member of the Company (retired in March 2019)</p> <p>June 2016 External Director of USHIO INC. (retired in June 2018)</p> <p>March 2019 External Director of the Company (to present)</p> | (Note) 4 | 3 |
| Director (Note)1 | Yoshimitsu Onji | November 1, 1954 | <p>April 1977 Joined The Daiei, Inc.</p> <p>April 1994 General Manager of Corporate Planning Division of The Daiei, Inc.</p> <p>September 1998 Director and Vice President of R.E. Partners, Co., Ltd. (retired in April 2000)</p> <p>December 1999 CEO of OZ Corporation (to present)</p> <p>March 2000 Managing Executive Officer of RECOF Office (currently RECOF Corporation)</p> <p>June 2007 Director and Chief Corporate Officer of RECOF Corporation</p> <p>June 2010 President and Chief Executive Officer of RECOF Corporation</p> <p>October 2016 Chairman and Representative Director of RECOF Corporation (retired in September 2017)</p> <p>December 2016 Director of M&A Capital Partners Co., Ltd. (retired in September 2017)</p> <p>March 2018 External Director of the Company (to present)</p> <p>April 2018 Chairman and Director of Hongo Tsuji Business Consulting Co., Ltd. (retired in November 2018)</p> <p>June 2018 External Director of NIHON CHOUZAI Co., Ltd. (to present)</p> <p>December 2019 Outside Audit & Supervisory Board Member of United Foods International Co., Ltd. (to present)</p> <p>June 2020 External Director of Sotetsu Holdings Co., Ltd. (to present)</p> <p>December 2021 External Director of Sanyu Appraisal Corporation (to present)</p> | (Note) 4 | — |
| Director (Note)1 | Takeo Nakano | June 28, 1956 | <p>April 1980 Joined The Fuji Bank, Limited</p> <p>April 2007 Executive Officer and General Manager of Kobunacho Branch of Mizuho Bank, Ltd.</p> <p>April 2009 Managing Executive Officer of Mizuho Financial Group, Inc.</p> <p>April 2010 President and Representative Director of Mizuho Financial Strategy Co., Ltd. (retired in April 2012)</p> <p>June 2010 Managing Director of Mizuho Financial Group, Inc.</p> <p>April 2012 Member of the Board of Directors of Mizuho Financial Group, Inc. (retired in June 2012)</p> <p>Deputy President and Representative Director of Mizuho Bank, Ltd. (retired in April 2013)</p> <p>April 2013 President and CEO and Representative Director of Mizuho Trust & Banking Co., Ltd.</p> <p>April 2017 Director and Chairman of Mizuho Trust & Banking Co., Ltd.</p> <p>June 2018 External Audit & Supervisory Board Member of Sompo Japan Nipponkoa Insurance Inc. (currently Sompo Japan Insurance Inc.) (retired in</p> | (Note) 4 | — |

| Official title or position | Name | Date of Birth | Business Experience and Position(s) and Office(s) | Office Term | Number of shares held (Thousands of shares) |
|--|------------------|------------------|---|-------------|---|
| | | | <p>June 2022)</p> <p>March 2019 External Director of FUJIYA CO., LTD. (to present)</p> <p>April 2019 Senior Adviser of Mizuho Trust & Banking Co., Ltd. (retired in March 2023)</p> <p>June 2020 Chairman of Shouohkai Foundation (to present)</p> <p>March 2021 External Director of the Company (to present)</p> <p>April 2023 Adviser of Mizuho Financial Group, Inc. (to present)</p> | | |
| Director (Note)1 | Yumiko Kinoshita | July 13, 1961 | <p>April 1984 Joined Bank of Japan</p> <p>September 1991 Joined McKinsey & Company</p> <p>April 2004 Joined The National Museum of Emerging Science and Innovation of Japan Science and Technology Agency</p> <p>June 2011 General Manager, Corporate Planning Department of KCJ GROUP INC.</p> <p>February 2016 Director of JAPAN PROFESSIONAL FOOTBALL LEAGUE (retired in March 2018)</p> <p>March 2018 Chairperson responsible for extraordinary diplomacy of JAPAN PROFESSIONAL FOOTBALL LEAGUE (retired in March 2020)</p> <p>July 2020 Director of Tokyo Football Association (to present)</p> <p>March 2021 External Director of the Company (to present)</p> <p>April 2022 Member of Administrative Council of Hitotsubashi University (to present)</p> | (Note) 4 | — |
| Audit & Supervisory Board Member (Full-time) | Takashi Yoshino | December 6, 1960 | <p>April 1983 Joined The Yasuda Fire and Marine Insurance Co., Ltd.</p> <p>April 2009 General Manager of Marine Insurance Office of Sompo Japan Insurance Inc.</p> <p>October 2011 President and Director of Sompo Japan Nipponkoa Insurance Company of Europe Limited (retired in March 2016)</p> <p>April 2014 Executive Officer and General Manager of Europe Division of Sompo Japan Insurance Inc. Executive Officer and General Manager of Europe Division of NIPPONKOA Insurance Co., Ltd.</p> <p>September 2014 Executive Officer and General Manager of Europe Division of Sompo Japan Nipponkoa Insurance Inc. (currently Sompo Japan Insurance Inc.) Executive Officer and General Manager of Europe Division of Sompo Japan Nipponkoa Holdings, Inc. (retired in March 2016)</p> <p>April 2016 Executive Vice President of Sompo Japan Nipponkoa Insurance Inc.</p> <p>April 2018 Executive Vice President and General Manager of Enterprise Market Promotion Division of Sompo Japan Nipponkoa Insurance Inc. (retired in March 2019)</p> <p>March 2019 Audit & Supervisory Board Member of the Company (full-time) (to present)</p> | (Note) 7 | 4 |
| Audit & Supervisory Board Member (Full-time) | Isao Jinno | March 1, 1965 | <p>April 1988 Joined The Yasuda Trust and Banking Co., Ltd.</p> <p>October 2010 General Manager of Kawagoe Branch of Mizuho Trust & Banking Co., Ltd.</p> <p>January 2013 General Manager of Real Estate Sales Department No.3 of Mizuho Trust & Banking Co.</p> <p>April 2016 Executive Officer, General Manager of Trust Sales Department No. 8 of Mizuho Trust & Banking Co., Ltd.</p> <p>April 2018 Director and Senior Managing Executive Officer of Heisei Building Co., Ltd.</p> <p>April 2018 President and Representative Director of Nihonbashi Building Service Co., Ltd. (retired in March 2023)</p> <p>April 2020 Senior Managing Executive Officer of Heisei</p> | (Note) 5 | 0 |

| Official title or position | Name | Date of Birth | Business Experience and Position(s) and Office(s) | Office Term | Number of shares held (Thousands of shares) |
|---|-----------------------|-------------------|--|-------------|---|
| | | | March 2023 Building Co., Ltd. (retired in March 2023) Audit & Supervisory Board Member of the Company (full-time) (to present) | | |
| Audit & Supervisory Board Member (Note) 2 | Sayaka Hieda (Note) 3 | October 22, 1978 | September 2007 Registered as a lawyer September 2007 Joined HANZOMON SOGO LAW OFFICE (resigned in December 2009) January 2010 Joined OMOTESANDO SOGO LAW OFFICE (to present) March 2019 External Audit & Supervisory Board Member of the Company (to present) March 2021 Audit & Supervisory Board Member (Independent), Institution for a Global Society Corporation (to present) June 2024 Outside Audit & Supervisory Board Member of SAN-AI OBBLI CO., LTD. (to be appointed in June 2024) | (Note) 7 | 0 |
| Audit & Supervisory Board Member (Note) 2 | Naohiro Chikada | December 19, 1969 | April 1992 Joined Chuo Shinko Audit Corporation April 1995 Registered as a certified public accountant July 2004 Partner at ChuoAoyama Pricewaterhouse Coopers (retired in July 2006) August 2006 Established Chikada Certified Public Accountant Office as Head (to present) September 2006 Registered as a certified tax accountant July 2008 Representative Director of Chiyoda Accounting Corporation (to present) June 2009 Representative Partner of Koa Audit Corporation (to present) June 2016 Outside Director (Audit & Supervisory Committee Member) of RIZAP GROUP, Inc. (retired in March 2020) April 2018 Outside Director (Audit & Supervisory Committee Member) of SKIYAKI Inc. (to retire in April 2024) December 2020 Outside Corporate Auditor of Mitsubishi Research Institute DCS Co., Ltd. (to present) June 2022 External Corporate Auditor of FEED ONE CO., LTD. (to present) July 2022 Outside Corporate Auditor of SKIYAKI LIVE PRODUCTION Inc. (to retire in July 2024) March 2024 External Audit & Supervisory Board Member of the Company (to present) | (Note) 6 | - |
| Total | | | | | 111 |

- (Notes) 1. Directors Shuichi Hattori, Yoshimitsu Onji, Takeo Nakano, and Yumiko Kinoshita are External Directors.
2. Audit & Supervisory Board Members Sayaka Hieda and Naohiro Chikada are External Audit & Supervisory Board Members.
3. Sayaka Hieda's name in the family register is Sayaka Kimura.
4. The term of office is from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended December 31, 2022 to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2024.
5. The term of office is from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended December 31, 2022 to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2026.

6. The term of office is from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended December 31, 2023 to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2026.
7. The term of office is from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended December 31, 2023 to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2027.
8. Pursuant to Paragraph 3 of Article 329 of the Companies Act, the Company has appointed one substitute External Audit & Supervisory Board Member in advance in preparation for a contingency in which the number of Audit & Supervisory Board Members is not sufficient as stipulated by law. A brief biography of the substitute External Audit & Supervisory Board Member is as follows.

| Name | Date of Birth | Business Experience and Position(s) and Office(s) | Number of shares held (Thousands of shares) |
|-----------------|--------------------|--|---|
| Takao Yamaguchi | September 13, 1954 | February 1985 Registered as a certified public accountant September 1987 Joined Yamaguchi Certified Public Accountant Office January 1996 Head of Yamaguchi Certified Public Accountant Office (to present) June 2013 External Audit & Supervisory Board Member of SATO HOLDINGS CORPORATION (retired in June 2021) June 2015 Outside Corporate Auditor of KYORIN Pharmaceutical Co., Ltd. (to present) March 2016 External Audit & Supervisory Board Member of the Company (retired in March 2024) March 2019 External Audit & Supervisory Board Member of Lion Corporation (retired in March 2023) | 3 |

9. The Company has adopted a Managing Officer system. In addition to the above seven Managing Officers who concurrently serve as Directors, the Company has the following 15 Managing Officers, whose responsibilities are as follows.

| | | |
|-----------------------------------|-------------------|--|
| Senior Managing Executive Officer | Hisayoshi Kato | Special Mission in charge of Policy & Environment |
| Managing Executive Officer | Hiroshi Takahashi | Division Director of Leisure Business Division; Responsible for Logistics Properties Development & Management Department and Retail Properties Development & Management Department; General Manager of Hotel Development & Management Department |
| Managing Officer | Masayuki Okubo | General Manager of Project Management Department (1) of Residential Development Division |
| Managing Officer | Kazuki Sugise | President and Representative Director of Tokyo Tatemono Investment Advisors Co., Ltd. |
| Managing Officer | Yusuke Mishima | General Manager of Accounting Department |
| Managing Officer | Katsuhiko Tamai | Representative Director, President and Chief Executive Officer of Nihon Parking Corporation |
| Managing Officer | Shigeru Sabayashi | General Manager of Project Management Department (2) of Residential Development Division |
| Managing Officer | Hiroto Fukui | Representative Director, President and Chief Executive Officer of Tokyo Fudosan Kanri Co., Ltd.; Representative Director, President and Chief Executive Officer of Tokyo Building Service Co., Ltd. |
| Managing Officer | Kenji Sugaya | Managing Executive Officer and Director of Tokyo Tatemono Real Estate Sales Co., Ltd. |
| Managing Officer | Yuichi Kawazoe | General Manager of Logistics Properties Development & Management Department |
| Managing Officer | Yutaka Onuma | General Manager of Corporate Planning Department and Sustainability Management Department |
| Managing Officer | Yuji Araki | General Manager of Finance Department |
| Managing Officer | Satoru Kondo | General Manager of Residential Management Department |
| Managing Officer | Takashi Endo | General Manager of Residential Engineering Department |
| Managing Officer | Keijiro Ochi | General Manager of Acquisitions & Sales Department |

(ii) Status of External Officers

The Company has four External Directors and two External Audit & Supervisory Board Members. Relationship with the Company, reasons for the appointment and expected roles, and other main companies and positions at which they concurrently hold positions are as follows.

| Title | Name | Relationship with the Company |
|-------------------|-----------------|--|
| External Director | Shuichi Hattori | Other than the foregoing, there are no special interest relationships between Mr. Shuichi Hattori and the Company. Mr. Hattori's professional knowledge and experience as an attorney-at-law are expected to contribute to the strengthening of the governance system, including the strengthening of supervision of the execution of duties by Directors from an independent standpoint. Thus, he is appointed as an External Director. |
| External Director | Yoshimitsu Onji | Other than the foregoing, there are no special interest relationships between Mr. Yoshimitsu Onji and the Company. Also, his extensive experience and broad insight as a business manager are expected to contribute to the strengthening of the governance system, including the strengthening of supervision of the execution of duties by Directors from an independent standpoint. Thus, he is appointed as an External Director. |

| Title | Name | Relationship with the Company |
|---|------------------|--|
| External Director | Takeo Nakano | <p>Although Mr. Takeo Nakano is a former employee of Mizuho Bank, Ltd. and Mizuho Trust & Banking Co., Ltd., and the Company has transactions with both banks, including borrowing funds, the Company believes that there is no risk of influencing the judgment of shareholders and investors considering the scale of the transactions.</p> <p>Furthermore, he concurrently serves as Chairman of the Shouohkai Foundation, and although there are transactions between the Company and the Foundation, such as the consignment of health checkup services, and donations from the Company to the Foundation, the Company believes that there is no risk of influencing the judgment of shareholders and investors considering the scale of transactions and donations, etc., and therefore the Company deems there are no concerns that any conflict of interest may arise.</p> <p>Also, his extensive experience and broad insight as a business manager are expected to contribute to the strengthening of the governance system, including the strengthening of supervision of the execution of duties by Directors from an independent standpoint. Thus, he is appointed as an External Director.</p> |
| External Director | Yumiko Kinoshita | <p>Other than the foregoing, there are no special interest relationships between Ms. Yumiko Kinoshita and the Company.</p> <p>It is expected that Ms. Kinoshita will contribute to the strengthening of the governance system by enhancing supervision of the Directors' execution of their duties from an independent standpoint, based on her global perspective cultivated through overseas experience and her diverse business experience at public-interest corporations.</p> |
| External Audit & Supervisory Board Member | Naohiro Chikada | <p>Other than the foregoing, there are no special interest relationships between Mr. Naohiro Chikada and the Company.</p> <p>The Company expects Mr. Chikada to apply his professional knowledge and experience as a certified public accountant and tax accountant to the Company's auditing operations from an independent standpoint and has therefore appointed him as an External Audit & Supervisory Board Member.</p> |
| External Audit & Supervisory Board Member | Sayaka Hieda | <p>Other than the foregoing, there are no special interest relationships between Ms. Sayaka Hieda and the Company.</p> <p>The Company has appointed Ms. Hieda as an External Audit & Supervisory Board Member as she is expected to apply her expertise and experience as an attorney-at-law to the Company's auditing operations from an independent standpoint.</p> |

External Directors and External Audit & Supervisory Board Members are appointed based on a comprehensive evaluation of their personalities, abilities, insight, and experience, as well as their ability to provide appropriate opinions on the Company's management from an independent and objective perspective in order to strengthen the supervisory function of the Board of Directors.

The shareholdings of the Company's External Directors and External Audit & Supervisory Board Members are as described under "(i) List of Directors and Audit & Supervisory Board Members" presented above.

Furthermore, in appointing External Directors, the Company has stipulated criteria for determining independence to ensure that candidates are deemed independent in terms of substance. In addition to the independence criteria stipulated by the Tokyo Stock Exchange, the Company considers an External Director to be independent if none of the following apply.

- Business partners or their business executors accounting for 2% or more of the Company's consolidated sales in the most recent fiscal year
- Shareholders holding more than 10% of the total voting rights of the Company or their business executors
- Representative partners, partners, or employees of the audit firm that is our Accounting Auditor
- Consultants, accounting experts, or legal experts whose remuneration from the Company in the most recent fiscal year (excluding remuneration for Directors and Audit & Supervisory Board Members) exceeds ¥10 million

(iii) Supervision or Audit and Internal Audit by External Directors or External Audit & Supervisory Board Members, Audit by Audit & Supervisory Board Members and Mutual Collaboration with Accounting Auditor, as well as Relationship with Internal Control Division

External Directors receive regular reports from the executive Directors on the status of business activities and internal controls of the Company and its group companies and render advice, etc. to the management from an independent and objective standpoint.

The Audit & Supervisory Board Members, including External Audit & Supervisory Board Members, receive an annual audit plan from the Accounting Auditors to monitor and verify whether the Accounting Auditors are conducting appropriate audits and thereafter implement coordinated actions as necessary, such as receiving regular reports and information on laws, regulations, and accounting standards, as well as maintaining close cooperation with the internal audit division to conduct systematic and efficient audits. Besides receiving regular reports from the internal audit division at the Audit & Supervisory Board meetings, the full-time Audit & Supervisory Board Members separately receive reports from the Internal Audit Department on a timely basis.

While ensuring an independent and objective standpoint, the External Directors and Audit & Supervisory Board Members work together through regular meetings and other means to enable the External Directors to gather information efficiently.

(3) Status of Audits

(i) Status of Audit by Audit & Supervisory Board Members

a. Audit Organization, Personnel and Procedures

Consisting of two full-time Audit & Supervisory Board Members and two External Audit & Supervisory Board Members, the Audit & Supervisory Board of the Company formulates audit policies, plans, auditing methods, and allocation of audit duties, receives reports on important audit-related matters, and discusses and makes resolutions thereof. Furthermore, External Audit & Supervisory Board Member Takao Yamaguchi is a certified public accountant with considerable finance and accounting knowledge.

b. Status of Activities by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board generally meets once a month and held 16 meetings during the current fiscal year. The attendance record of each Audit & Supervisory Board Member is as follows.

| Title | Name | Meeting attendance |
|--|-----------------|--------------------|
| Full-time Audit & Supervisory Board Member | Takashi Yoshino | 16/16 times |
| Full-time Audit & Supervisory Board Member | Isao Jinno | 11/11 times |
| Full-time Audit & Supervisory Board Member | Koji Kawakubo | 5/5 times |
| External Audit & Supervisory Board Member | Takao Yamaguchi | 16/16 times |
| External Audit & Supervisory Board Member | Sayaka Hieda | 16/16 times |

(Note) Koji Kawakubo retired from his position at the 205th Ordinary General Meeting of Shareholders held on March 29, 2023, and his attendance at the Board of Directors meetings held on or before that date is shown.

Isao Jinno was elected at the 205th Ordinary General Meeting of Shareholders held on March 29, 2023, and his attendance at the Board of Directors meetings held after that date is shown.

The specific considerations by the Audit & Supervisory Board Members are as follows.

- Matters related to the operation of the Audit & Supervisory Board
- Matters related to the General Meeting of Shareholders
- Matters related to the status of the development and operation of management and governance systems
- Matters related to the verification of the establishment and effectiveness of the internal control system
- Matters related to the verification and evaluation of the appropriateness of the accounting audit by the Accounting Auditor
- Matters concerning the status of management related to important businesses and individual cases, etc.
- Matters Related to determination of Key Audit Matters (KAMs)
- Matters related to the status of the establishment of a foundation for the operation of a new group internal audit system

The main activities of the Full-time Audit & Supervisory Board Members are as follows:

| | |
|------------------|---|
| Business Audits | Attendance at Board of Directors meetings and statement of opinions |
| | Attendance and statement of opinions at important meetings such as the Group Management Meeting |
| | Regular meetings with representative Director and External Directors and individual meetings with Directors |
| | Conducting on-site inspections of each business division and group company and hearing reports |
| | Verification of the status of maintenance of internal regulations, etc. |
| | Perusal of documents related to important resolutions |
| | Hearing of reports on audit implementation plans and audit results from the Internal Audit Department and exchanging opinions |
| Accounting Audit | Consultation with the Accounting Auditor regarding the explanation of the audit plan, quarterly review report, report on audit results, and determination of key audit matters (KAMs) from the Accounting Auditor |
| | Investigation and audit of the status of operations related to quarterly and full-year financial results |

All Full-time Audit & Supervisory Board Members report to one another in a timely and appropriate manner and share

information regarding their audit activities. Furthermore, the Audit & Supervisory Board makes appropriate reports to the External Audit & Supervisory Board Members to share information.

(ii) Status of Internal Audits

The Company has established an Internal Audit Department (5 members) that reports directly to the President and Chief Executive Officer. Based on the annually prepared audit plan, the Internal Audit Department periodically conducts business audits, makes recommendations for improvement, and monitors the implementation of remedial measures to ensure proper business operations.

In order to effectively conduct these internal audit operations, the Internal Audit Department actively exchanges opinions and information at regular meetings with Audit & Supervisory Board Members and the Accounting Auditor and reports the results of internal audits to the Audit & Supervisory Board. Furthermore, the results of internal audits are reported to the Representative Director, President and Chief Executive Officer, and then to the Board of Directors through the Representative Director, President and Chief Executive Officer.

(iii) Status of Accounting Audit

a. Name of Audit Firm

Ernst & Young ShinNihon LLC

b. Consecutive Number of Years during which Audit Was Performed

19 years

c. Certified Public Accountants who engaged in the audit

Designated Engagement Partner Yuji Mukaide

Designated Engagement Partner Koji Ojima

d. Composition of persons supporting audit operations

10 certified public accountants and 20 other persons providing support

e. Policies and Reasons for Appointing Audit Firm

The Company selects auditing certified public accountants, etc. after comprehensively confirming and reviewing the quality control system, independence, audit implementation system, audit fees, etc. of the audit firm, based on the “Code of Practice for Audit & Supervisory Board Members, etc. regarding the Evaluation of Accounting Auditors and the Establishment of Selection Criteria for Accounting Auditors” stipulated by the Japan Audit & Supervisory Board Members Association.

Upon review and confirmation of the above, we have determined that it is appropriate to reappoint Ernst & Young ShinNihon LLC as the auditing certified public accountant for the current consolidated fiscal year.

Should the Audit & Supervisory Board deem it necessary, such as when there is a hindrance to the performance of duties by the auditing certified public accountant, it will decide on a proposal for the dismissal or non-reappointment of the Certified Public Accountant, and the Company will submit a proposal to the General Meeting of Shareholders in accordance with said decision.

Should the Audit & Supervisory Board find that the auditing certified public accountant falls under Paragraph 1, Article 340 of the Companies Act, the Audit & Supervisory Board shall dismiss the auditing certified public accountant based on the unanimous consent of the Audit & Supervisory Board Members. Upon such a dismissal, the Audit & Supervisory Board Member selected by the Audit & Supervisory Board shall report the fact that the auditing certified public accountant has been dismissed and the reason for dismissal at the first General Meeting of Shareholders convened after said dismissal.

f. Evaluation of Audit Firm by Audit & Supervisory Board Members and Audit & Supervisory Board

Upon comprehensively reviewing and considering Ernst & Young ShinNihon LLC’s quality control system, audit implementation system, audit fees, communication with Audit & Supervisory Board Members and other relevant personnel, and relationship with management, the Audit & Supervisory Board Members and the Audit & Supervisory Board have concluded that the auditing activities of Ernst & Young ShinNihon LLC are appropriate.

(iv) Details of Audit Fees, etc.

a. Fees to auditing certified public accountants

| Category | FY2022 | | FY2023 | |
|--------------|---|---|---|---|
| | Fees for Audit Services (Millions of yen) | Fees for Non-audit Services (Millions of yen) | Fees for Audit Services (Millions of yen) | Fees for Non-audit Services (Millions of yen) |
| The Company | 83 | — | 84 | 2 |
| Subsidiaries | 49 | 3 | 52 | — |
| Total | 132 | 3 | 136 | 2 |

(Notes) 1. Non-audit services rendered for the Company include preparation of a comfort letter in connection with the issuance of corporate bonds.

Non-audit services for subsidiaries include accounting advice and guidance.

2. In accordance with the revision of the Code of Ethics of the Japanese Institute of Certified Public Accountants, the scope of aggregation of remuneration, etc., has been changed from the current consolidated fiscal year to be consistent with the Code of Ethics.

b. Remuneration to the same network (Ernst & Young) as the auditing certified public accountants (excluding “a. Fees to auditing certified public accountants”)

| Category | FY2022 | | FY2023 | |
|--------------|---|---|---|---|
| | Fees for Audit Services (Millions of yen) | Fees for Non-audit Services (Millions of yen) | Fees for Audit Services (Millions of yen) | Fees for Non-audit Services (Millions of yen) |
| The Company | — | 23 | — | 3 |
| Subsidiaries | 2 | 0 | 4 | 0 |
| Total | 2 | 23 | 4 | 3 |

(Notes) 1. Non-audit services rendered for the Company include advisory services related to TCFD (Task Force on Climate-related Financial Disclosure) in the previous consolidated fiscal year, and services related to accounting and taxation in the current consolidated fiscal year. Non-audit services provided to subsidiaries consist of support services related to accounting and taxation matters.

2. In accordance with the revision of the Code of Ethics of the Japanese Institute of Certified Public Accountants, the scope of aggregation of remuneration, etc., has been changed from the current consolidated fiscal year to be consistent with the Code of Ethics.

c. Details of other material audit fees

FY2022

Not applicable.

FY2023

Not applicable.

d. Policy for Determining Audit Fees

Audit fees for the auditing certified public accountant are appropriately determined with the consent of the Audit & Supervisory Board, comprehensively taking into consideration such factors as the size and characteristics of the Company and the number of days spent on the audit.

e. Reason by Audit & Supervisory Board Members for giving consent to the amount of fees payable to the Accounting Auditor
Upon making the necessary verification of the appropriateness of the content of the Accounting Auditor’s audit, the performance of its duties, and the basis for the calculation of the remuneration estimate, the Audit & Supervisory Board decided to consent to the remuneration, etc. of the Accounting Auditor in accordance with the Companies Act.

(4) Remunerations for Directors

(i) Details and Policies of Calculation Methods for Amount of Remuneration, etc. Paid to Officers

a. Policy, etc. on Determination of Details of Remuneration, etc. for Officers

At the Board of Directors meeting held on March 10, 2021, the Company adopted a policy for determining the details of compensation for individual Directors (hereinafter referred to as the “the decision-making policy”). Furthermore, the remuneration of Audit & Supervisory Board Members is determined through discussions among the Audit & Supervisory Board Members.

Under the corporate philosophy of “Trust beyond the era,” the Company aims to achieve sustainable growth and increase corporate value not only in the short term but also over the medium to long term; thus, it has established a remuneration system in which a certain percentage of compensation is linked to business performance and stock price.

Compensation for Directors (excluding External Directors) consists of “fixed compensation,” “performance-based compensation,” and “share awards,” the payment ratio of which will be set appropriately in accordance with the policy described below. Only “fixed compensation” is paid to External Directors and Audit & Supervisory Board Members, taking into consideration the nature of their duties.

The Board of Directors determines individual Director compensation after consultation with the Nomination and Remuneration Advisory Committee. The determination of details of individual Directors’ remuneration, as described later in “c. Matters Concerning Delegation for Determination of Details of Individual Directors’ Remuneration, etc.” is delegated by a resolution of the Board of Directors.

Policy on Determining the Percentage of Compensation Paid to Directors (excluding External Directors) by Type of Remuneration, etc.

| Item | Fixed Remuneration | Performance-Based Remuneration | Share awards |
|--|--------------------|--|---|
| Placement | Basic Remuneration | Short-term Incentives | Medium- to Long-Term Incentives |
| Variability | — | Linked to single fiscal year performance | Linked to stock price |
| Percentage of total remuneration (approx.) | 50 - 60% | 30 - 40% | 5 - 10% |
| Payment timing of remuneration, etc. | Monthly | Monthly | In principle, upon retirement from office |

The proposal of individual remuneration, etc. of Directors for the current fiscal year is prepared in accordance with the decision-making policy and the resolution of the General Meeting of Shareholders as stipulated below under “b. Matters Concerning the Resolution of the General Meeting of Shareholders on Remuneration, etc. of Directors and Audit & Supervisory Board Members” and determined through consultation with the Nomination and Remuneration Advisory Committee. Accordingly, the Board of Directors believes that the content of individual remuneration, etc. of Directors for the current fiscal year is in line with the decision policy.

b. Matters Concerning the Resolution of the General Meeting of Shareholders on Remuneration, etc. of Directors and Audit & Supervisory Board Members

<Fixed Remuneration>

At the 190th Ordinary General Meeting of Shareholders held on March 28, 2008, it was resolved that the remuneration for Directors shall be limited to ¥35 million per month, and the remuneration for Audit & Supervisory Board Members shall be limited to ¥8 million per month. As of the closing of said General Meeting of Shareholders, the number of Directors was 18, and that of the Audit & Supervisory Board Members was 4.

<Performance-Based Remuneration>

At the 195th Ordinary General Meeting of Shareholders held on March 28, 2013, a resolution was passed to introduce performance-based remuneration for Directors (excluding External Directors) to motivate them to improve their performance in each fiscal year and to pay them within 1% of consolidated ordinary income and 2% of consolidated profit (profit attributable to owners of parent) for the previous fiscal year. These indicators were selected based on our belief that they adequately represent the Company’s performance in view of the nature and content of the Company’s business. The number of Directors (excluding External Directors) as of the end of this General Meeting of

Shareholders was 7.

<Share awards>

Upon the 200th Ordinary General Meeting of Shareholders held on March 28, 2018, a resolution was passed to introduce the “Board Benefit Trust (BBT),” a share award plan for Directors (excluding External Directors), with the aim of raising awareness of the need to contribute to increasing corporate value over the medium to long term. The number of Directors (excluding External Directors) as of the end of this General Meeting of Shareholders was 8.

Outline of the share award plan will be as follows.

- Under the share award plan, the Company’s shares are acquired through a trust funded by the Company, and the Company’s shares and cash equivalent to the market value of the Company’s shares are paid out through the trust in accordance with the “Regulations of Directors' Equity Benefit” stipulated by the Company. The enactment of the regulation was adopted by the Board of Directors after consulting with the Nomination and Remuneration Advisory Committee.
- Each Director (excluding External Directors) is granted a certain number of points per fiscal year, limited to 40,000 shares (40,000 points) per fiscal year, in consideration of his/her position in the Company. Upon retirement, the Directors will receive Company shares in proportion to the number of points accumulated and a cash payment equivalent to the market value of the Company’s shares.

c. Matters Concerning Delegation for Determination of Details of Individual Directors’ Remuneration, etc.

Pursuant to the delegation by resolution of the Board of Directors, the Representative Director, President and Chief Executive Officer of the Company shall, in accordance with the decision-making policy and the resolution of the General Meeting of Shareholders as stipulated under the above-mentioned “b. Matters Concerning the Resolution of the General Meeting of Shareholders on Remuneration, etc. of Directors and Audit & Supervisory Board Members,” prepare a proposal for individual fixed remuneration and performance-based remuneration for Directors according to their position and responsibilities each fiscal year and submit it to the Nomination and Remuneration Advisory Committee (of the total seven members, four External Directors constitute the majority together with three Directors (excluding External Directors)) for consultation to determine the specific content of individual remuneration amounts for each Director. This responsibility has been delegated to the Representative director, President & Chief Executive Officer as he is best suited to make an evaluation comprehensively taking into consideration the Company’s performance and the duties and responsibilities of the Directors.

Hitoshi Nomura, Representative Director, President and Chief Executive Officer, undertook such delegation in the fiscal year under review, and the specific details of the amount of remuneration for each individual Director for the fiscal year under review were determined in accordance with the process described above.

d. Targets and Results of Performance-Based Remuneration-Related Indicators for the Current Fiscal Year

Indicators for performance-based remuneration in the current fiscal year are consolidated ordinary income and consolidated profit (profit attributable to owners of parent) for the previous fiscal year. The forecast figures of consolidated ordinary profit and consolidated profit (profit attributable to owners of parent) are ¥61,500 million and ¥41,500 million, respectively (figures announced as the forecast for the fiscal year ended December 31, 2022, in the financial report dated August 10, 2022). Against this forecast, the actual results were a consolidated ordinary profit of ¥63,531million and a consolidated profit (net income attributable to owners of parent) of ¥43,062 million.

(ii) Total amount of remuneration, total amount of remuneration by type, and number of recipient directors (and other officers) by category of Officer

| Category of Officers | Total amount of remuneration (Millions of yen) | Total amount of remuneration by type (Millions of yen) | | | Number of recipient directors (and other officers) (persons) |
|--|--|--|--------------------------------|--------------|--|
| | | Fixed Remuneration | Performance-Based Remuneration | Share awards | |
| Directors (excl. External Directors) | 604 | 322 | 240 | 42 | 10 |
| Audit & Supervisory Board Members (excl. External Audit & Supervisory Board Members) | 55 | 55 | — | — | 3 |
| External Officers | 58 | 58 | — | — | 6 |

(Notes) 1. Share awards fall under the category of “non-monetary compensation.”

2. The total amount of share awards is the amount of provision for share-based remuneration for directors (and other officers) based on the Board Benefit Trust (BBT) for the fiscal year under review. The provision for share-based remuneration for directors (and other officers) is based on the book value of the Company’s shares acquired through the trust using funds contributed by the Company as the source of funds for the calculation.

(iii) Total amount of remuneration, etc. for those whose total compensation, etc. amounts to ¥100 million or more

| Name | Category of Officers | Total amount of remuneration by type (Millions of yen) | | | Total amount of remuneration (Millions of yen) |
|-----------------|---|--|--------------------------------|--------------|--|
| | | Fixed Remuneration | Performance-Based Remuneration | Share awards | |
| Makio Tanehashi | Representative Director and Chairman of the Board | 61 | 42 | 8 | 113 |
| Hitoshi Nomura | Representative Director President & Chief Executive Officer | 61 | 42 | 8 | 112 |

(Note) 1. Share awards fall under the category of “non-monetary compensation.”

2. The total amount of share awards is the amount of provision for share-based remuneration for directors (and other officers) based on the Board Benefit Trust (BBT) for the fiscal year under review. The provision for share-based remuneration for directors (and other officers) is based on the book value of the Company’s shares acquired through the trust using funds contributed by the Company as the source of funds for the calculation.

(5) Information on Shareholdings

(i) Criteria and Approach for Classification of Investment Stocks

By maintaining and strengthening business relationships, the Company retains shares of other companies that it deems will contribute to the medium- to long-term enhancement of the Group's corporate value as shares other than for pure investment purposes (strategic shareholdings).

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

a. Method of verifying holding policies and rationality of holdings, and details of verification by the Board of Directors, etc. regarding the appropriateness of holding individual issues

By maintaining and strengthening business relationships, the Company retains shares of other companies that it deems will contribute to the medium- to long-term enhancement of the Group's corporate value as shares other than for pure investment purposes (strategic shareholdings).

The Company examines the appropriateness of individual strategic shareholdings from the perspective of whether they contribute to the maintenance and improvement of the Group's corporate value, including the results and prospects of real estate transactions, joint ventures, construction and equipment transactions, and financial transactions, as well as the results of dividend payments. Upon review, the Company will report to the Board of Directors on the details and actual results of the disposal, etc. and will reduce the number of shares that it no longer recognizes the significance of continuing to hold, taking into consideration the impact on the stock market, etc.

At a meeting of the Board of Directors held on February 13, 2024, the Company reported the results of transactions and holdings of each individual share and verified the appropriateness of the holdings.

b. Number of Stock and Carrying Amount Recorded in the Balance Sheet

| | Number of Stocks (Stocks) | Carrying Amount Recorded in the Balance Sheet (Millions of yen) |
|--|---------------------------|---|
| Equity Securities Not Listed | 25 | 3,369 |
| Shares Other than Equity Securities Not Listed | 49 | 100,935 |

(Name of stock of shares that increased during the current fiscal year)

| | Number of Stocks (Stocks) | Total Acquisition Amount for Increased Shares (Millions of yen) | Reason for Increase in the Number of Shares |
|--|---------------------------|---|---|
| Equity Securities Not Listed | 1 | 112 | To contribute to the medium- to long-term enhancement of the Group's corporate value. |
| Shares Other than Equity Securities Not Listed | 1 | 300 | To contribute to the medium- to long-term enhancement of the Group's corporate value. |

(Name of stock of shares that decreased during the current fiscal year)

| | Number of Stocks (Stocks) | Total disposal amount related to the decrease in the number of shares (Millions of yen) |
|--|---------------------------|---|
| Equity Securities Not Listed | — | — |
| Shares Other than Equity Securities Not Listed | — | — |

c. Information on specified investment stocks and stocks deemed to be held, including the number of shares by stock, and the amount recorded in the Balance Sheet

Specified investment stocks

| Issuer Name | FY2023 | FY2022 | Purpose of shareholding, overview of business alliance, quantitative effects of shareholding and reason for increase in number of shares (Note) 1 | Whether Issuer Holds Company Shares |
|------------------------------|-----------------------------------|-----------------------------------|--|-------------------------------------|
| | Number of shares (shares) | Number of shares (shares) | | |
| | Carrying amount (Millions of yen) | Carrying amount (Millions of yen) | | |
| Hulic Co., Ltd. | 40,749,033 | 40,749,033 | To maintain and strengthen real estate transactions and joint ventures, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 60,165 | 42,378 | | |
| SOMPO Holdings, Inc. | 801,905 | 801,905 | As the company is a tenant in an office building owned by the Group, this transaction is intended to maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. Financial transactions are also conducted to contribute to stable financing. In addition, the Company has entered into a business alliance for the development and operation of facilities for the elderly. | Yes (Note) 2 |
| | 5,529 | 4,699 | | |
| TAISEI CORPORATION | 951,980 | 951,980 | As the company is a tenant in an office building owned by the Group, this transaction is intended to maintain and strengthen real estate transactions, joint ventures, and construction and equipment transactions in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 4,590 | 4,045 | | |
| Fuyo General Lease Co., Ltd. | 170,000 | 170,000 | As the company is a tenant in an office building owned by the Group, this transaction is intended to maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. Financial transactions are also conducted to contribute to stable financing. | Yes |
| | 2,081 | 1,465 | | |
| INFRONEER Holdings Inc. | 1,423,000 | 1,423,000 | To maintain and strengthen construction and equipment transactions, etc. in the Residential business, thereby contributing to the enhancement of corporate value. | Yes (Note) 2 |
| | 1,997 | 1,424 | | |
| SEIBU HOLDINGS INC. | 994,300 | 994,300 | To maintain and strengthen real estate transactions, etc. in the Asset Service business, thereby contributing to the enhancement of corporate value. | Yes (Note) 2 |
| | 1,945 | 1,433 | | |
| Yasuda Logistics Corporation | 1,603,000 | 1,603,000 | To contribute to the enhancement of corporate value by maintaining and strengthening good relationships pertaining to the business of the Company's group as a whole. | Yes |
| | 1,880 | 1,482 | | |

| Issuer Name | FY2023 | FY2022 | Purpose of shareholding, overview of business alliance, quantitative effects of shareholding and reason for increase in number of shares (Note) 1 | Whether Issuer Holds Company Shares |
|----------------------------------|-----------------------------------|-----------------------------------|---|-------------------------------------|
| | Number of shares (shares) | Number of shares (shares) | | |
| | Carrying amount (Millions of yen) | Carrying amount (Millions of yen) | | |
| Mizuho Financial Group, Inc. | 684,112 | 684,112 | As the company is a tenant in an office building owned by the Group, this transaction is intended to maintain and strengthen real estate transactions and joint ventures, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. Financial transactions are also conducted to contribute to stable financing. | Yes (Note) 2 |
| | 1,650 | 1,269 | | |
| Katakura Industries Co., Ltd. | 980,000 | 980,000 | To maintain and strengthen real estate transactions and joint ventures, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 1,605 | 1,701 | | |
| TPR Co., Ltd. | 933,687 | 933,687 | To maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 1,591 | 1,139 | | |
| Tokio Marine Holdings, Inc. | 442,200 | 442,200 | To maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. Financial transactions are also conducted to contribute to stable financing. | Yes (Note) 2 |
| | 1,560 | 1,250 | | |
| The Japan Wool Textile Co., Ltd. | 1,112,500 | 1,112,500 | To maintain and strengthen real estate transactions, etc. in the Asset Service business, thereby contributing to the enhancement of corporate value. | Yes |
| | 1,492 | 1,083 | | |
| TEIKOKU SEN-I Co., Ltd. | 698,733 | 698,733 | To maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 1,427 | 1,055 | | |
| Okamoto Industries, Inc. | 260,200 | 260,200 | To contribute to the enhancement of corporate value by maintaining and strengthening good relationships pertaining to the business of the Company's group as a whole. | Yes |
| | 1,294 | 964 | | |
| TAKARA HOLDINGS INC. | 1,000,000 | 1,000,000 | As the company is a tenant in an office building owned by the Group, this transaction is intended to maintain and strengthen real estate transactions and joint ventures, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 1,239 | 1,045 | | |

| Issuer Name | FY2023 | FY2022 | Purpose of shareholding, overview of business alliance, quantitative effects of shareholding and reason for increase in number of shares (Note) 1 | Whether Issuer Holds Company Shares |
|-------------------------------------|-----------------------------------|-----------------------------------|---|-------------------------------------|
| | Number of shares (shares) | Number of shares (shares) | | |
| | Carrying amount (Millions of yen) | Carrying amount (Millions of yen) | | |
| Mitsuuroko Group Holdings Co., Ltd. | 567,000 | 567,000 | As the company is a tenant in an office building owned by the Group, this transaction is intended to maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 899 | 645 | | |
| Taikisha Ltd. | 200,700 | 200,700 | To maintain and strengthen real estate transactions, etc. in the Asset Service business, thereby contributing to the enhancement of corporate value. | Yes |
| | 819 | 669 | | |
| Sapporo Holdings Limited | 111,980 | 111,980 | To maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 696 | 367 | | |
| HEIWA REAL ESTATE CO., LTD. | 182,400 | 182,400 | To contribute to the enhancement of corporate value by maintaining and strengthening good relationships pertaining to the business of the Company's group as a whole. | Yes |
| | 687 | 668 | | |
| TOBU RAILWAY CO., LTD. | 180,098 | 180,098 | To maintain and strengthen real estate transactions and joint ventures, etc. in the Residential business, thereby contributing to the enhancement of corporate value. | Yes |
| | 682 | 554 | | |
| YAMATO HOLDINGS CO., LTD. | 260,000 | 260,000 | To maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes (Note) 2 |
| | 677 | 542 | | |
| TODA CORPORATION | 690,300 | 690,300 | To maintain and strengthen real estate transactions and construction and equipment transactions in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 643 | 490 | | |
| Nippi, Incorporated | 100,000 | 100,000 | To contribute to the enhancement of corporate value by maintaining and strengthening good relationships pertaining to the business of the Company's group as a whole. | Yes |
| | 596 | 344 | | |
| NOF CORPORATION | 72,187 | 72,187 | To contribute to the enhancement of corporate value by maintaining and strengthening good relationships pertaining to the business of the Company's group as a whole. | Yes |
| | 505 | 381 | | |
| Oki Electric Industry Co., Ltd. | 470,076 | 470,076 | As the company is a tenant in an office building owned by the Group, this transaction is intended to maintain and strengthen real estate transactions, and construction and equipment transactions in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 428 | 334 | | |

| Issuer Name | FY2023 | FY2022 | Purpose of shareholding, overview of business alliance, quantitative effects of shareholding and reason for increase in number of shares (Note) 1 | Whether Issuer Holds Company Shares |
|-----------------------------------|-----------------------------------|-----------------------------------|--|-------------------------------------|
| | Number of shares (shares) | Number of shares (shares) | | |
| | Carrying amount (Millions of yen) | Carrying amount (Millions of yen) | | |
| ASANUMA CORPORATION | 100,000 | 100,000 | To maintain and strengthen construction and equipment transactions, etc. in the Residential business, thereby contributing to the enhancement of corporate value. | Yes |
| | 386 | 302 | | |
| Azbil Corporation | 80,000 | 80,000 | To maintain and strengthen construction and equipment transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 373 | 266 | | |
| NIPPON SIGNAL CO., LTD. | 375,000 | 375,000 | To maintain and strengthen construction and equipment transactions, etc. in the Asset Service business, thereby contributing to the enhancement of corporate value. | Yes |
| | 363 | 390 | | |
| Tonami Holdings. Co., Ltd. | 70,600 | — | As the company is a tenant in a logistics property owned by the Group, this transaction is intended to maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. Shares of the company were acquired in order to contribute to the enhancement of its corporate value over the medium to long term. | Yes |
| | 318 | — | | |
| MATSUI CONSTRUCTION CO., LTD. | 363,000 | 363,000 | To maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 304 | 203 | | |
| Nippon Sanso Holdings Corporation | 79,284 | 79,284 | To maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | No |
| | 299 | 151 | | |
| Nishimatsu Construction Co., Ltd. | 74,200 | 74,200 | To maintain and strengthen real estate transactions, etc. in the Asset Service business, thereby contributing to the enhancement of corporate value. | No |
| | 291 | 290 | | |
| TAKARA STANDARD CO., LTD. | 166,000 | 166,000 | As the company is a tenant in an office building owned by the Group, this transaction is intended to maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 270 | 229 | | |
| NSK Ltd. | 326,857 | 326,857 | As the company is a tenant in an office building owned by the Group, this transaction is intended to maintain and strengthen real estate transactions and joint ventures, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 249 | 229 | | |

| Issuer Name | FY2023 | FY2022 | Purpose of shareholding, overview of business alliance, quantitative effects of shareholding and reason for increase in number of shares (Note) 1 | Whether Issuer Holds Company Shares |
|---------------------------------------|-----------------------------------|-----------------------------------|---|-------------------------------------|
| | Number of shares (shares) | Number of shares (shares) | | |
| | Carrying amount (Millions of yen) | Carrying amount (Millions of yen) | | |
| TOA CORPORATION | 63,600 | 63,600 | To maintain and strengthen construction and equipment transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 226 | 150 | | |
| Okabe Co., Ltd. | 305,100 | 305,100 | To maintain and strengthen real estate transactions, etc. in the Asset Service business, thereby contribute to the enhancement of corporate value. | Yes |
| | 223 | 212 | | |
| Sumitomo Mitsui Financial Group, Inc. | 25,872 | 25,872 | As the company is a tenant in an office building owned by the Group, this transaction is intended to maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. Financial transactions are also conducted to contribute to stable financing. | Yes (Note) 2 |
| | 177 | 137 | | |
| The Ogaki Kyoritsu Bank, Ltd. | 64,968 | 64,968 | As the company is a tenant in an office building owned by the Group, this transaction is intended to maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. Financial transactions are also conducted to contribute to stable financing. | Yes |
| | 122 | 122 | | |
| Dai-Dan Co., Ltd. | 84,700 | 42,350 | To maintain and strengthen construction and equipment transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. The increase in the number of shares is due to a stock split. | Yes |
| | 120 | 92 | | |
| Daiwa Securities Group Inc. | 117,055 | 117,055 | To maintain and strengthen real estate transactions, etc. in the Asset Service business, thereby contribute to the enhancement of corporate value. Financial transactions are also conducted to contribute to stable financing. | Yes |
| | 111 | 68 | | |
| INTERLIFE HOLDINGS CO., LTD. | 400,000 | 400,000 | To maintain and strengthen real estate transactions, etc. in the Asset Service business, thereby contributing to the enhancement of corporate value. | Yes |
| | 85 | 64 | | |
| Global Kids Company Corp. | 100,000 | 100,000 | To maintain and strengthen joint ventures, etc. in the Leisure Care business, thereby contributing to the enhancement of corporate value. In addition, the Company has entered into a business alliance for the development and operation of childcare facilities. | No |
| | 64 | 57 | | |

| Issuer Name | FY2023 | FY2022 | Purpose of shareholding, overview of business alliance, quantitative effects of shareholding and reason for increase in number of shares (Note) 1 | Whether Issuer Holds Company Shares |
|-----------------------------------|-----------------------------------|-----------------------------------|--|-------------------------------------|
| | Number of shares (shares) | Number of shares (shares) | | |
| | Carrying amount (Millions of yen) | Carrying amount (Millions of yen) | | |
| Spacemarket, Inc. | 171,000 | 171,000 | To maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | No |
| | 54 | 49 | In addition, the Company has entered into a business alliance regarding the space-sharing business, etc. | |
| Joban Kosan Co., Ltd. | 42,866 | 42,866 | To contribute to the enhancement of corporate value by maintaining and strengthening good relationships pertaining to the business of the Company's group as a whole. | Yes |
| | 52 | 51 | | |
| LIXIL Corporation | 29,680 | 29,680 | As the company is a tenant in an office building owned by the Group, this transaction is intended to maintain and strengthen real estate transactions, etc. in the Commercial Properties business, thereby contributing to the enhancement of corporate value. | Yes |
| | 52 | 59 | | |
| The Shikoku Bank, Ltd. | 47,144 | 47,144 | Financial transactions are intended to contribute to stable financing. | Yes |
| | 45 | 46 | | |
| The Chiba Kogyo Bank, Ltd. | 53,240 | 53,240 | Financial transactions are intended to contribute to stable financing. | Yes |
| | 42 | 24 | | |
| TOH-TEN-KOH Corporation | 6,292 | 6,292 | To maintain and strengthen real estate transactions, etc. in the Residential business, thereby contributing to the enhancement of corporate value. | No |
| | 5 | 4 | | |
| Nippon Paper Industries Co., Ltd. | 2,823 | 2,823 | To maintain and strengthen real estate transactions, etc. in the Asset Service business, thereby contributing to the enhancement of corporate value. | Yes |
| | 3 | 2 | | |

(Notes) 1. Quantitative holding effects are not stated from the viewpoint of information management regarding transactions with counterparties, etc.

The method of verifying the rationality of holdings is described in “(ii) Investment shares held for purposes other than pure investment a. Method of verifying holding policies and rationality of holdings, and details of verification by the Board of Directors, etc. regarding the appropriateness of holding individual issues.”

2. The company in which we hold the stocks does not hold any shares of the Company, while its subsidiary does hold shares of the Company.
3. “—” indicates that the Company does not hold the stock.

(iii) Equity securities held for pure investment

| Category | FY2023 | | FY2022 | |
|--|------------------------------|--|------------------------------|--|
| | Number of Stocks (Stocks) | Total Amount Recorded in the Balance Sheet (Millions of yen) | Number of Stocks (Stocks) | Total Amount Recorded in the Balance Sheet (Millions of yen) |
| Equity Securities Not Listed | — | — | — | — |
| Shares Other than Equity Securities Not Listed | — | — | — | — |

| Category | FY2023 | | |
|--|--|---|--|
| | Total Dividend Income (Millions of yen) | Total gain (loss) on sales (Millions of yen) | Total loss (gain) on valuation (Millions of yen) |
| Equity Securities Not Listed | — | — | — |
| Shares Other than Equity Securities Not Listed | — | — | — |

(Note) “—” indicates that we do not hold any shares of such stock.

V. Financial Information

1. Method of Preparation of Consolidated Financial Statements and Non-Consolidated Financial Statements

(1) The Group's consolidated financial statements are prepared based on the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Law number: Ministry of Finance Order No. 28 of 1976).

(2) The Company's non-consolidated financial statements are prepared based on the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963, below, the "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements").

The Company is a special company submitting financial statements and preparing its financial statements based on the provisions of Article 127 of the Regulation on Financial Statements, etc.

2. Audit Attestation

Pursuant to Paragraph 1, Article 193-2 of the Financial Instruments and Exchange Act, the consolidated financial statements for the consolidated fiscal year (from January 1, 2023 to December 31, 2023) and the non-consolidated financial statements for the fiscal year (from January 1, 2023 to December 31, 2023) were audited by Ernst & Young ShinNihon LLC.

3. Special efforts for ensuring the appropriateness of consolidated financial statements

The Company has taken a special approach to ensure the propriety of consolidated financial statements, etc. Specifically, in order to develop a system to enable the Company to appropriately understand the details of accounting standards and precisely cope with changes, etc. in accounting standards, etc., the Company has joined the Financial Accounting Standards Foundation and endeavors to collect information actively. Further, the Company participates in training sessions administered by audit firms and other organizations.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheet

(Millions of yen)

| | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
|--|--------------------------------------|--------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | *1 82,440 | *1 127,305 |
| Trade notes, accounts receivable and contract assets | *9 14,334 | *9 13,887 |
| Real estate for sale | 173,836 | *1, *2 232,478 |
| Real estate for sale in process | *2, *5, *8 160,009 | *2 166,181 |
| Real estate for development | 81,069 | 100,339 |
| Other | 40,934 | 52,296 |
| Allowance for doubtful accounts | (93) | (23) |
| Total current assets | 552,531 | 692,464 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 396,529 | 397,020 |
| Accumulated depreciation | (174,775) | (183,025) |
| Buildings and structures, net | *1, *2 221,754 | *1, *2 213,994 |
| Land | *1, *2, *4 537,397 | *1, *2, *4 529,506 |
| Construction in progress | *4, *8 44,903 | *4, *8 89,428 |
| Other | 31,198 | 31,920 |
| Accumulated depreciation | (20,291) | (21,284) |
| Other, net | *1, *2 10,907 | *1, *2 10,635 |
| Total property, plant and equipment | *5 814,963 | 843,565 |
| Intangible assets | | |
| Leasehold interests in land | *1 130,042 | *1 127,628 |
| Goodwill | 1,716 | 1,486 |
| Other | 887 | 2,509 |
| Total intangible assets | 132,646 | 131,624 |
| Investments and other assets | | |
| Investment securities | *1, *3 128,701 | *1, *3 153,814 |
| Investments in silent partnerships | *3 3,638 | *3 2,598 |
| Long-term loans receivable | 458 | 4,025 |
| Deferred tax assets | 2,001 | 2,327 |
| Leasehold and guarantee deposits | *1, *2 21,469 | *1 20,671 |
| Retirement benefit asset | 1,151 | 1,561 |
| Other | *3 62,673 | *3 52,711 |
| Allowance for doubtful accounts | (100) | (55) |
| Total investments and other assets | 219,993 | 237,655 |
| Total non-current assets | 1,167,603 | 1,212,845 |
| Total assets | 1,720,134 | 1,905,309 |

(Millions of yen)

| | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
|---|--------------------------------------|--------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Short-term borrowings | *1 52,047 | *1 56,754 |
| Commercial papers | 50,000 | 50,000 |
| Current portion of bonds payable | 10,000 | 10,000 |
| Accounts payable - other | *1 13,781 | *1 17,343 |
| Income taxes payable | 4,811 | 17,449 |
| Provision for warranties for completed construction | 11 | 8 |
| Provision for bonuses | 950 | 1,001 |
| Provision for bonuses for directors (and other officers) | 2 | 2 |
| Provision for environmental measures | 0 | — |
| Deposits received under real estate specified joint enterprise law | — | *2 11,300 |
| Other | *1, *10 67,856 | *1, *10 76,198 |
| Total current liabilities | 199,461 | 240,057 |
| Non-current liabilities | | |
| Bonds payable | 245,000 | 255,000 |
| Long-term borrowings | *1 630,520 | *1 715,223 |
| Deferred tax liabilities | 17,647 | 23,999 |
| Deferred tax liabilities for land revaluation | *4 27,274 | *4 27,274 |
| Provision for share-based remuneration for directors (and other officers) | 259 | 282 |
| Provision for retirement benefits for directors (and other officers) | 98 | 97 |
| Leasehold and guarantee deposits received | *1 78,088 | *1 77,764 |
| Retirement benefit liability | 13,023 | 14,104 |
| Deposits received under real estate specified joint enterprise law | *2 21,684 | *2 10,447 |
| Other | *1 30,236 | *1 33,022 |
| Total non-current liabilities | 1,063,834 | 1,157,216 |
| Total liabilities | 1,263,296 | 1,397,274 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 92,451 | 92,451 |
| Capital surplus | 66,539 | 66,262 |
| Retained earnings | 189,501 | 219,528 |
| Treasury shares | (443) | (421) |
| Total shareholders' equity | 348,048 | 377,821 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 50,332 | 71,526 |
| Revaluation reserve for land | *4 43,187 | *4 43,187 |
| Foreign currency translation adjustment | 4,604 | 5,011 |
| Remeasurements of defined benefit plans | (179) | (647) |
| Total accumulated other comprehensive income | 97,945 | 119,078 |
| Non-controlling interests | 10,843 | 11,135 |
| Total net assets | 456,838 | 508,035 |
| Total liabilities and net assets | 1,720,134 | 1,905,309 |

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

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|---|---|---|
| Operating revenue | *7 349,940 | *7 375,946 |
| Operating costs | *1 248,452 | *1 266,829 |
| Operating gross profit | 101,488 | 109,116 |
| Selling, general and administrative expenses | *2 37,009 | *2 38,608 |
| Operating profit | 64,478 | 70,508 |
| Non-operating income | | |
| Interest income | 28 | 251 |
| Dividend income | 3,621 | 4,556 |
| Share of profit of entities accounted for using equity method | 1,825 | 3,920 |
| Other | 830 | 481 |
| Total non-operating income | 6,307 | 9,209 |
| Non-operating expenses | | |
| Interest expenses | 6,094 | 7,262 |
| Borrowing fee | 862 | 974 |
| Bond issuance costs | — | 105 |
| Foreign exchange loss | — | 1,250 |
| Dividends paid on real estate specified joint enterprise law | 94 | 87 |
| Other | 202 | 565 |
| Total non-operating expenses | 7,254 | 10,246 |
| Ordinary profit | 63,531 | 69,471 |
| Extraordinary income | | |
| Gain on sale of non-current assets | *3 726 | *3 241 |
| Gain on sale of investment securities | 50 | — |
| Gain on sale of shares of subsidiaries and associates | — | 498 |
| Gain on sale of investments in capital of subsidiaries and associates | — | 2,265 |
| Gain on bargain purchase | 870 | — |
| Gain on step acquisitions | 12 | — |
| Total extraordinary income | 1,659 | 3,004 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | *4 9 | — |
| Loss on retirement of non-current assets | *5 139 | *5 150 |
| Impairment losses | 462 | 157 |
| Loss on building reconstruction | *6 1,772 | — |
| Loss on valuation of investment securities | 50 | — |
| Loss on sale of shares of subsidiaries and associates | — | 43 |
| Loss on liquidation of subsidiaries and associates | 6 | — |
| Loss on dissolution of joint venture | — | *8 3,712 |
| Total extraordinary losses | 2,440 | 4,064 |
| Profit before income taxes | 62,750 | 68,411 |
| Income taxes-current | 15,580 | 26,202 |
| Income taxes-deferred | 3,086 | (3,634) |
| Total income taxes | 18,666 | 22,568 |
| Profit | 44,084 | 45,843 |
| Profit attributable to non-controlling interests | 1,021 | 758 |
| Profit attributable to owners of parent | 43,062 | 45,084 |

Consolidated Statement of Comprehensive Income

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|--|---|---|
| Profit | 44,084 | 45,843 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (4,021) | 21,728 |
| Foreign currency translation adjustment | 118 | 2,196 |
| Remeasurements of defined benefit plans, net of tax | (924) | (465) |
| Share of other comprehensive income of entities accounted for using equity method | 2,359 | (1,790) |
| Total other comprehensive income | * (2,467) | * 21,668 |
| Comprehensive income | 41,616 | 67,511 |
| Comprehensive income attributable to owners of parent | 40,680 | 66,217 |
| Comprehensive income attributable to non-controlling interests | 935 | 1,294 |

(iii) Consolidated Statement of Changes in Equity
FY2022 (January 1, 2022 to December 31, 2022)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 92,451 | 66,587 | 166,356 | (439) | 324,955 |
| Cumulative effects of changes in accounting policies | | | 22 | | 22 |
| Restated balance | 92,451 | 66,587 | 166,378 | (439) | 324,978 |
| Changes during period | | | | | |
| Dividends of surplus | | | (11,711) | | (11,711) |
| Profit attributable to owners of parent | | | 43,062 | | 43,062 |
| Reversal of revaluation reserve for land | | | (8,228) | | (8,228) |
| Purchase of treasury shares | | | | (4) | (4) |
| Disposal of treasury shares | | 0 | | 0 | 0 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (48) | | | (48) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | (47) | 23,123 | (4) | 23,070 |
| Balance at end of period | 92,451 | 66,539 | 189,501 | (443) | 348,048 |

| | Accumulated other comprehensive income | | | | | | Non-controlling interests | Total net assets |
|---|---|------------------------------------|------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 54,276 | (17) | 34,959 | 2,144 | 736 | 92,099 | 10,605 | 427,661 |
| Cumulative effects of changes in accounting policies | | | | | | | | 22 |
| Restated balance | 54,276 | (17) | 34,959 | 2,144 | 736 | 92,099 | 10,605 | 427,683 |
| Changes during period | | | | | | | | |
| Dividends of surplus | | | | | | | | (11,711) |
| Profit attributable to owners of parent | | | | | | | | 43,062 |
| Reversal of revaluation reserve for land | | | | | | | | (8,228) |
| Purchase of treasury shares | | | | | | | | (4) |
| Disposal of treasury shares | | | | | | | | 0 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | | (48) |
| Net changes in items other than shareholders' equity | (3,944) | 17 | 8,228 | 2,460 | (915) | 5,846 | 238 | 6,084 |
| Total changes during period | (3,944) | 17 | 8,228 | 2,460 | (915) | 5,846 | 238 | 29,155 |
| Balance at end of period | 50,332 | — | 43,187 | 4,604 | (179) | 97,945 | 10,843 | 456,838 |

FY2023 (January 1, 2023 to December 31, 2023)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 92,451 | 66,539 | 189,501 | (443) | 348,048 |
| Changes during period | | | | | |
| Dividends of surplus | | | (15,057) | | (15,057) |
| Profit attributable to owners of parent | | | 45,084 | | 45,084 |
| Purchase of treasury shares | | | | (3) | (3) |
| Disposal of treasury shares | | 0 | | 26 | 26 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (276) | | | (276) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | (276) | 30,026 | 22 | 29,772 |
| Balance at end of period | 92,451 | 66,262 | 219,528 | (421) | 377,821 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|---|---|------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Revaluation reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 50,332 | 43,187 | 4,604 | (179) | 97,945 | 10,843 | 456,838 |
| Changes during period | | | | | | | |
| Dividends of surplus | | | | | | | (15,057) |
| Profit attributable to owners of parent | | | | | | | 45,084 |
| Purchase of treasury shares | | | | | | | (3) |
| Disposal of treasury shares | | | | | | | 26 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | (276) |
| Net changes in items other than shareholders' equity | 21,194 | — | 406 | (467) | 21,133 | 291 | 21,424 |
| Total changes during period | 21,194 | — | 406 | (467) | 21,133 | 291 | 51,197 |
| Balance at end of period | 71,526 | 43,187 | 5,011 | (647) | 119,078 | 11,135 | 508,035 |

(iv) Consolidated Statement of Cash Flows

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|--|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 62,750 | 68,411 |
| Depreciation | 18,796 | 20,457 |
| Impairment losses | 462 | 157 |
| Loss on building reconstruction | 1,772 | — |
| Amortization of goodwill | 317 | 229 |
| Gain on bargain purchase | (870) | — |
| Loss (gain) on step acquisitions | (12) | — |
| Share of loss (profit) of entities accounted for using equity method | (1,825) | (3,920) |
| Increase (decrease) in allowance for doubtful accounts | 36 | (107) |
| Increase (decrease) in provision for bonuses | 5 | 104 |
| Increase (decrease) in provision for bonuses for directors (and other officers) | (0) | — |
| Increase (decrease) in provision for share-based remuneration for directors (and other officers) | 69 | 22 |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | 4 | (1) |
| Increase (decrease) in provision for loss on guarantees | (30) | — |
| Increase (decrease) in provision for environmental measures | (26) | (0) |
| Increase (decrease) in retirement benefit liability | (198) | (34) |
| Interest and dividend income | (3,650) | (4,807) |
| Interest expenses | 6,094 | 7,262 |
| Loss (gain) on valuation of investment securities | 50 | — |
| Loss (gain) on sale of investment securities | (50) | — |
| Loss (gain) on sale of shares of subsidiaries and associates | — | (454) |
| Loss (gain) on sale of investments in capital of subsidiaries and associates | — | (2,265) |
| Loss (gain) on liquidation of subsidiaries and associates | 6 | — |
| Loss on dissolution of joint venture | — | *3 3,712 |
| Loss (gain) on sale and retirement of non-current assets | (577) | (90) |
| Decrease (increase) in trade receivables | (292) | 9 |
| Decrease (increase) in inventories | *2 (65,006) | *2 (73,779) |
| Increase (decrease) in leasehold and guarantee deposits received | (1,885) | (673) |
| Increase (decrease) in trade payables | 813 | 809 |
| Decrease (increase) in leasehold and guarantee deposits | (849) | 589 |
| Increase (decrease) in deposits received | 3,839 | (1,593) |
| Compensation income | — | 5,079 |
| Other, net | (1,094) | 14,713 |
| Subtotal | 18,648 | 33,830 |
| Interest and dividends received | 6,203 | 7,491 |
| Interest paid | (6,101) | (7,035) |
| Income taxes (paid) refund | (22,083) | (13,697) |
| Net cash provided by (used in) operating activities | (3,332) | 20,588 |

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|--|---|---|
| Cash flows from investing activities | | |
| Proceeds from sale and redemption of investment securities | 2,188 | 7,641 |
| Purchase of investment securities | (5,604) | (3,330) |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | 654 | — |
| Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation | — | 1,229 |
| Proceeds from withdrawal of investments in silent partnerships | 4,460 | 1,085 |
| Payments for investments in silent partnerships | — | (16) |
| Proceeds from sale of non-current assets | 4,244 | 703 |
| Purchase of non-current assets | (22,495) | (44,796) |
| Loan advances | (433) | (17,669) |
| Increase (decrease) in deposits received under real estate specified joint enterprise law | (1,892) | 63 |
| Other, net | *4 (2,326) | 1,019 |
| Net cash provided by (used in) investing activities | (21,204) | (54,069) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (0) | (0) |
| Increase (decrease) in commercial papers | 10,000 | — |
| Proceeds from long-term borrowings | 135,500 | 137,400 |
| Repayments of long-term borrowings | (112,534) | (52,127) |
| Payments for long-term accounts payable - other | (202) | (202) |
| Proceeds from issuance of bonds | — | 20,000 |
| Redemption of bonds | — | (10,000) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | — | (722) |
| Purchase of investment equity in silent partnership of subsidiaries and associates not resulting in change in scope of consolidation | (648) | — |
| Proceeds from sale of treasury shares | 0 | 0 |
| Purchase of treasury shares | (4) | (3) |
| Dividends paid | (11,700) | (15,047) |
| Dividends paid to non-controlling interests | (708) | (636) |
| Proceeds from share issuance to non-controlling shareholders | 34 | 40 |
| Other, net | (1,312) | (789) |
| Net cash provided by (used in) financing activities | 18,421 | 77,908 |
| Effect of exchange rate change on cash and cash equivalents | 1,545 | 435 |
| Net increase (decrease) in cash and cash equivalents | (4,569) | 44,864 |
| Cash and cash equivalents at beginning of period | 87,008 | 82,439 |
| Cash and cash equivalents at end of period | *1 82,439 | *1 127,303 |

Notes

(Significant matters that serve as the basis for preparing consolidated financial statements)

1. Scope of consolidation

(1) Consolidated subsidiaries: 32 companies

Major consolidated subsidiaries

Omitted, as it is stated in "4. Information on Subsidiaries and Affiliated Companies, I. Corporate Overview."

Tokyo Sports Wellness Village Co., Ltd., Kyoto Kawaramachi Sanjo Hotel G.K., and Tokyo Tatemono US Ltd. were newly established and included in the scope of consolidation.

PT Dharma Tatemono Property and PT Dharma Tatemono Residences, which had been accounted for by the equity method, are included in the scope of consolidation because they became subsidiaries as a result of the termination of joint venture agreements with the joint venture partners.

Tokyo Tatemono Kids Co., Ltd. and Tokyo Tatemono Staffing Co., Ltd. were excluded from the scope of consolidation due to the sale of their shares.

(2) Names of major non-consolidated subsidiaries

Tokyo Tatemono Finance Co., Ltd.

(Reason for exclusion from the scope of consolidation)

Non-consolidated subsidiaries are excluded from the scope of consolidation as they are small in terms of total assets, sales, net income or loss, and retained earnings (in proportion to the Company's equity interest) and do not have a material impact on the consolidated financial statements.

2. Matters regarding the application of the equity method

(1) Affiliated companies to which the equity method has been applied

Affiliated Companies: 22 companies

Names of major companies: Kasumigaseki Kaihatsu Tokutei Mokuteki Kaisha

Wise Estate 18 Company Limited and four other companies were included in the scope of entities accounted for using equity method due to the acquisition of its shares.

Zhejiang Fortune Xingyuan Real Estate Co., Ltd. and two other companies were excluded from the scope of consolidation due to the transfer of equity interests.

PT Dharma Tatemono Property and PT Dharma Tatemono Residences were excluded from the scope of equity method application because they were included in the scope of consolidation.

(2) Non-consolidated subsidiaries (Tokyo Tatemono Finance Co., Ltd., and others) and affiliates (Nissei Building Management Co., Ltd., and others) to which the equity method is not applied do not have a material impact on the consolidated financial statements in terms of the sum of the profit/loss and retained earnings, respectively, as a percentage of the Company's equity interest.

(3) For those companies accounted for by the equity method whose fiscal year-end differs from the consolidated fiscal year-end, the financial statements for their respective fiscal years are used.

3. Matters regarding the consolidated subsidiaries' fiscal years, etc.

The following is a list of consolidated subsidiaries whose fiscal year-ends differ from the consolidated fiscal year-end.

Companies with a fiscal year ended March 31: 2 stock companies (Note) 1

Companies with a fiscal year ended June 30: 1 silent partnership (Note) 1

Companies with a fiscal year ended November 30: 1 Tokutei Mokuteki Kaisha (Note) 2

(Note) 1. Financial statements based on a provisional settlement of accounts as of the consolidated balance sheet date are used for the preparation of the consolidated financial statements.

2. The financial statements of consolidated subsidiaries as of their fiscal year-end are used.

Necessary adjustments are made for significant transactions that occurred between their fiscal year-end and the end of the consolidated fiscal year.

The closing date of other consolidated subsidiaries is the same as the consolidated closing date.

4. Matters regarding accounting policies

(1) Valuation criteria and valuation method for material assets

Securities

Held-to-maturity debt securities

Amortized cost method (straight-line method)

Available-for-sale securities

Stocks and securities other than non-marketable equity securities, etc.

Fair value method

(Unrealized gains and losses are included directly in net assets, and the cost of securities sold is determined by the moving average method.)

Non-marketable equity securities, etc.

Cost method based on the moving average method

Inventories

Real estate for sale

Specific Identification Inventory Valuation Method (The book value is written off due to a decline in profitability.)

Real estate for sale in process

Same as above

Real estate for development

Same as above

(2) Method of depreciation of material depreciable assets

(i) The Company and its consolidated domestic subsidiaries

Property, plant and equipment (excluding leased assets)

| | |
|--------------------------|----------------------|
| Buildings and structures | Straight-line method |
|--------------------------|----------------------|

Other

| | |
|-------------------------|-----------------------------|
| Machinery and equipment | Mainly straight-line method |
|-------------------------|-----------------------------|

| | |
|----------|---------------------------------|
| Vehicles | Mainly declining-balance method |
|----------|---------------------------------|

| | |
|-------------------------------|---------------|
| Tools, furniture and fixtures | Same as above |
|-------------------------------|---------------|

However, certain domestic consolidated subsidiaries use the declining-balance method for facilities attached to buildings and structures acquired on or before March 31, 2016. Useful lives and residual values are mainly calculated based on the same standard as stipulated in Japan's Corporation Tax Act.

Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized by the straight-line method based on the usable period in the Company (5 years).

Leased assets

Leased assets related to finance lease transactions that transfer ownership

Depreciation is computed by the same method as that applied to non-current assets owned by the Company.

Leased assets related to non-ownership-transfer lease transactions

Depreciated using the straight-line method regarding the lease period as the useful life and assuming the residual value as zero.

(ii) Foreign consolidated subsidiaries

Straight-line method

(3) Accounting policy for significant deferred assets

Bond issuance costs

The entire amount is expensed at the time of expenditure.

(4) Recording criteria for important allowances

Allowance for doubtful accounts

To prepare for losses due to bad debts, the Company reports the expected non-collectible amount using the loan loss ratio for general claims and individually examines the collectability of claims with a possibility of default and bankruptcy or reorganization claims.

In the event that an allowance for doubtful accounts has been established for the entire amount of claims in bankruptcy, reorganization, or other similar claims, the allowance for doubtful accounts is directly deducted from the claims. As of the end of the previous consolidated fiscal year and the end of the current consolidated fiscal year, the amount of receivables that fall under this criterion was ¥2,698 million.

Provision for warranties for completed construction

To provide for repair costs related to the completion of construction, certain consolidated subsidiaries reserve an amount based on actual repair costs incurred in previous fiscal years.

Provision for bonuses

Accrued bonuses to employees are provided for the portion of estimated bonuses to be paid in the current consolidated fiscal year.

Provision for bonuses for directors (and other officers)

Accrued bonuses to directors and other officers of certain consolidated subsidiaries are provided based on the estimated amounts to be paid.

Provision for share-based remuneration for directors (and other officers)

To provide for the payment of the Company's shares to the Company's Directors and Audit & Supervisory Board Members in accordance with the Company's "Regulations of Directors' Equity Benefit," the Company records an amount based on the estimated amount of liabilities for share benefits as of the end of the current consolidated fiscal year.

Provision for retirement benefits for directors (and other officers)

Accrued retirement benefits for Directors and Audit & Supervisory Board Members of certain consolidated subsidiaries are provided based on the amount payable at the end of the current consolidated fiscal year in accordance with internal regulations.

Provision for environmental measures

To provide for expenditures for the disposal of polychlorinated biphenyls (PCBs) and other wastes, the Company records an amount reasonably estimated to be required.

(5) Accounting for Retirement Benefits

(i) Method of attributing estimated retirement benefits to periods

The estimated amount of retirement benefits is attributed to the period until the end of the current consolidated fiscal year based on the benefit calculation method.

(ii) Method of amortizing actuarial gains and losses and past service costs

Past service costs are amortized by the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees when incurred.

Actuarial gains and losses of retirement benefits are amortized beginning with the next consolidated accounting period, using the straight-line method over a fixed number of years (10 years) within the average remaining years of service of the employees when incurred in each consolidated accounting period.

(iii) Adoption of the simplified method for small companies, etc.

Certain consolidated subsidiaries apply the simplified method to calculate retirement benefit liabilities and retirement benefit expenses, using the amount payable for voluntary resignation at the end of the fiscal year as retirement benefit obligations.

(6) Basis for Recognition of Significant Revenue and Expense

(i) Accounting Standard for Revenue Recognition

The main performance obligations in the Group's main businesses related to revenues arising from contracts with customers and the usual point in time at which such performance obligations are satisfied (the usual point in time at which revenues are recognized) are as follows.

In the Commercial Properties business, the Group mainly develops, sells, leases, operates, and manages office buildings, retail facilities, and logistics facilities and has obligations to deliver real estate based on contracts with customers, to lease real estate, and to provide services stipulated in the contracts with customers.

In the Residential business, the Group mainly develops, subdivides, sells, leases, operates, and manages condominiums, etc. and is obligated to deliver real estate based on contracts with customers, lease real estate, and provide services stipulated in contracts with customers.

The Asset Service business is mainly engaged in real estate sales, brokerage, consulting, and the development and operation of parking facilities and is obligated to deliver real estate based on contracts with customers, to mediate real estate sales contracts, and to provide services stipulated in contracts with customers.

Of these performance obligations, the delivery obligation is satisfied at the time the property is delivered to the customer, and revenue is recognized at the time of delivery. The transaction price is determined based on the amount in the contract with the customer and is received at the time stipulated in the contract. With respect to sales of condominiums and other properties, a deposit is usually received as part of the transaction price at the time the contract is concluded, and the balance is received at the time of delivery of the property.

The Group's obligation to mediate real estate sales contracts is fulfilled at the point in time when the brokerage property is delivered, and the Group records revenue at the time of such delivery. The transaction value is determined pursuant to the brokerage contract with the customer and is received in accordance with the contract. Conversely, obligations to provide services and other items stipulated in the contract with customers are fulfilled at a point in time or over a certain period of time, depending on the nature of the service, whereby the Company records revenues. Transaction values are determined by consignment contracts with customers and are received based on said contracts.

For obligations to lease real estate based on contracts with customers, etc., revenue is recorded in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13; March 30, 2007).

In relation to the above performance obligations, no significant financial component is included in the amount of compensation.

Further, no significant variable consideration is recognized that could cause the amount of consideration to vary.

(ii) Recognition of revenues from finance lease transactions

Sales and cost of sales are recognized at the time of receipt of lease payments.

(7) Material hedge accounting methods

(i) Hedge accounting method

Interest rate swaps that meet the requirements for special treatment are accounted for using the special treatment, while other interest rate swaps are accounted for using the deferred hedge method.

(ii) Hedging instruments and hedged items

Hedging instrument: Interest rate swaps

Hedged items: Borrowings

(iii) Hedging policy

The Company enters into interest rate swaps to hedge the impact of interest rate fluctuations on earnings and does not enter into such swaps for speculative purposes.

The special treatment stipulated in the PITF is applied to all hedging relationships included in the scope of application of the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No. 40; March 17, 2022). The details of hedging relationships to which the PITF is applied are as follows.

Hedge accounting method: Special treatment is applied.

Hedging instrument: Interest rate swaps

Hedged items: Borrowings

Type of hedging transaction: Fixed cash flows

(iv) Method of assessing hedge effectiveness

During the period from the inception of the hedge to the point at which its effectiveness is assessed, the Company compares the cumulative changes in cash flows of the hedging instrument with the cumulative changes in cash

flows of the hedged item to determine its effectiveness. However, the effectiveness of interest rate swaps for which special treatment is applied is not assessed.

(8) Amortization method and period of goodwill

Goodwill is amortized over an estimated number of years of substantial amortization and equally amortized over that number of years. Amortization periods are mainly from 5 to 10 years.

(9) Scope of funds in the consolidated statement of cash flows

Funds (cash and cash equivalents) in the consolidated statement of cash flows consist of cash on hand, deposits that can be withdrawn on demand, and short-term investments that are readily convertible to cash, risk-averse to price fluctuations, and redeemable within three months from the date of acquisition.

(Significant accounting estimates)

1. Valuation of non-current assets

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

(Millions of yen)

| | FY2022 | FY2023 |
|-------------------------------|---------|---------|
| Property, plant and equipment | 814,963 | 843,565 |
| Intangible assets | 132,646 | 131,624 |
| Impairment losses (Note) | 2,234 | 157 |

(Note) The previous consolidated fiscal year includes ¥1,772 million recorded as loss on building reconstruction.

(2) Matters related to significant accounting estimates for identified items

(i) Method of calculation of the amount stated above under (1).

Pursuant to the “Accounting Standard for Impairment of Fixed Assets,” when there is an indicator that an asset or asset group may be impaired (an indication of impairment) and recovery of the investment is not expected, the book value is reduced to the recoverable amount. The amount of the reduction is recorded as an impairment loss. An indication of impairment is comprehensively assessed based on profit or loss arising from operating activities of the assets, changes in the scope or method of use, changes in the business environment, declines in market prices, etc. The recoverable amount is the higher of the net selling price of the assets or the value in use based on estimated future cash flows.

(ii) Key assumptions used in significant accounting estimates

Recoverable value is calculated for each asset or asset group using the business plan or real estate appraisal report developed based on the environment surrounding the business, past performance, and future market trends, etc. Key assumptions are the development schedule, assumed post-development tenant rent, construction costs, and discount rate.

(iii) Effect of significant accounting estimates on the consolidated financial statements for the consolidated fiscal year following the current consolidated fiscal year

In valuing non-current assets, the Company makes its best estimate based on the major assumptions mentioned above under (ii); however, in the event of changes in the business environment or other factors that may cause the above assumptions to change, it may be necessary to record additional impairment losses in the following consolidated fiscal year or later.

2. Valuation of inventories

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

(Millions of yen)

| | FY2022 | FY2023 |
|---------------------------------|---------|---------|
| Real estate for sale | 173,836 | 232,478 |
| Real estate for sale in process | 160,009 | 166,181 |
| Real estate for development | 81,069 | 100,339 |
| Loss on valuation of inventory | 1,251 | 33 |

(2) Matters related to significant accounting estimates for identified items

(i) Method of calculation of the amount stated above under (1).

For real estate held for sale in the ordinary course of business, the acquisition cost is used as the balance sheet amount. If the net selling price is lower than the acquisition cost due to a decline in profitability, the net selling price is used as the balance sheet amount in accordance with the “Accounting Standard for Measurement of Inventories” and the difference is recorded as a reduction of book value in operating costs (loss on valuation).

(ii) Key assumptions used in significant accounting estimates

In each real estate for sale, etc., net selling price is calculated using a business plan developed based on past sales performance, similar transactions, future market trends, etc. Key assumptions are the estimated sales amount of condominiums and properties for investors and the cost incurred in the future.

(iii) Effect of material accounting estimates on the consolidated financial statements for the consolidated fiscal year following the current consolidated fiscal year

When valuing inventories, the Company makes its best estimate based on the major assumptions mentioned above under (ii). However, if the assumptions and other factors mentioned above change due to changes in the business environment or other reasons, it may be necessary to record additional write-downs of book value in the next consolidated fiscal year or later.

3. Valuation of investments in overseas entities accounted for using equity method

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

(Millions of yen)

| | FY2022 | FY2023 |
|--|--------|--------|
| Investments in foreign associates accounted for using equity method (Note) 1 | 41,094 | 26,238 |
| Liabilities from application of equity method (Note) 2 | 3,329 | 4,279 |
| Share of profit of foreign associates accounted for using equity method | 1,532 | 2,260 |

(Notes) 1. Figures are recorded in “investment securities” and “Other” under Investments and other assets on the consolidated balance sheet.

2. These amounts are recorded in “Other” under non-current liabilities on the consolidated balance sheet.

(2) Matters related to significant accounting estimates for identified items

Through its overseas entities accounted for using equity method, the Group participates in the real estate development business in China, Southeast Asia and the United States, including office buildings and condominiums.

The calculation method of the value in (1) for non-current assets held by overseas entities accounted for using equity method is the same as that described in 1. Valuation of non-current assets.

For inventories held by overseas entities accounted for using equity method, the calculation method is the same as that described in 2. Valuation of inventories.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement, etc. policies)

We have applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31; June 17, 2021; below, “Implementation Guidance on Accounting Standard for Fair Value Measurement”) from the beginning of the current consolidated fiscal year, and we will apply the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

The impact of the application of the implementation guidance on the consolidated financial statements for the current consolidated fiscal year is immaterial.

In addition, in the notes regarding investment trusts in the “Breakdown of Fair Value of Financial Instruments by Level” in the (Matters related to financial instruments) Notes, no information is presented for the previous consolidated fiscal year in accordance with Paragraph 27-3 of the Implementation Guidance of the Accounting Standard for Fair Value Measurement.

(Unapplied accounting standards, etc.)

(Accounting standard for income taxes - current, etc.)

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

(1) Outline

In February 2018, ASBJ Statement No. 28 “Partial Amendments to Accounting Standard for Tax Effect Accounting,” etc. (below, “ASBJ Statement No. 28”) was released, and the transfer of the practical guidelines on tax effect accounting from the Japanese Institute of Certified Public Accountants (JICPA) to the Accounting Standards Board of Japan was completed. However, during the deliberations, it was decided that the following two issues, which were to be reconsidered after the release of ASBJ Statement No. 28, have been deliberated and released.

- Category of tax expense (taxation on other comprehensive income)
- Income tax effects on sales of shares of subsidiaries or affiliates when group taxation regime is applied.

(2) Scheduled date of application

The new accounting standard will be applied from the beginning of the fiscal year ending December 31, 2025.

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

The impact of the application of the “Accounting Standard for Current Income Taxes, etc.” and other related standards on consolidated financial statements is currently under evaluation.

(Change in presentation method)

Consolidated statement of cash flows

“Loan advances,” which was included in “Other” under “Cash flows from investing activities” in the previous consolidated fiscal year, is presented as a separate line item in the current consolidated fiscal year due to its increased materiality in terms of amount. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in presentation.

As a result, the ¥(2,759) million presented as “Other” in “Cash flows from investing activities” in the consolidated statements of cash flows for the previous fiscal year has been reclassified as “Loan advances” of ¥(433) million and “Other” of ¥(2,326) million.

(Additional Information)

(Board Benefit Trust (BBT))

For the purpose of raising awareness of the need to contribute to medium- and long-term growth in corporate value, the Company has introduced a stock compensation plan, the “Board Benefit Trust (BBT)” (hereinafter referred to as the “Plan”), for Directors (excluding External Directors) and Managing Officers who do not concurrently serve as Directors of the Company (hereinafter collectively referred to as “Directors, etc.”).

Accounting treatment for the Plan is based on the gross amount method in accordance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts” (ASBJ Practical Issues Task Force No. 30, issued on March 26, 2015).

1. Outline of Transaction

Under this scheme, the Company’s shares are acquired through a trust (the trust to be established under this scheme is hereinafter referred to as the “Trust”) with funds contributed by the Company. The Company shall distribute to Directors, etc. the Company’s shares and an amount of monetary compensation equivalent to the market value of the Company’s shares (hereinafter referred to as “the Company’s shares, etc.”) in accordance with the “Regulations of Directors’ Equity Benefit” stipulated by the Company. In principle, the time when Directors, etc. receive the Company’s shares, etc. is at the time of their retirement from office.

2. Shares of the Company remaining in the trust

The Company records its outstanding shares as treasury shares under net assets based on the book value (excluding the amount of incidental expenses) in the Trust. Such treasury shares recorded a book value of ¥397 million and 241,100 shares at the end of the previous consolidated fiscal year, and a book value of ¥371 million and 225,300 shares at the end of the current consolidated fiscal year.

(Matters related to the consolidated balance sheet)

*1. Assets pledged as collateral and liabilities related to collateral are as follows.

Assets pledged as collateral

(Millions of yen)

| | End of FY2022 (December 31, 2022) | | End of FY2023 (December 31, 2023) | |
|---------------------------------------|--------------------------------------|-----------|--------------------------------------|-----------|
| Real estate for sale | — | (—) | 77 | (—) |
| Buildings and structures | 63,307 | (53,311) | 55,911 | (51,295) |
| Land | 21,459 | (—) | 21,459 | (—) |
| Other (Property, plant and equipment) | 126 | (126) | 131 | (131) |
| Leasehold interests in land | 90,572 | (90,572) | 90,552 | (90,552) |
| Leasehold and guarantee deposits | 4,486 | (4,486) | 4,485 | (4,485) |
| Total | 179,951 | (148,496) | 172,619 | (146,466) |

The figures in parentheses above indicate assets pledged as collateral for the non-recourse debt.

Liabilities related to collateral

(Millions of yen)

| | End of FY2022 (December 31, 2022) | | End of FY2023 (December 31, 2023) | |
|---|--------------------------------------|-----------|--------------------------------------|-----------|
| Short-term borrowings | 3,131 | (3,120) | 3,240 | (3,240) |
| Accounts payable - other | 202 | (—) | 202 | (—) |
| Other (Current liabilities) | 16 | (—) | 16 | (—) |
| Long-term borrowings | 128,818 | (128,629) | 125,389 | (125,389) |
| Leasehold and guarantee deposits received | 126 | (—) | 109 | (—) |
| Other (Non-current liabilities) | 2,028 | (—) | 1,825 | (—) |
| Total | 134,324 | (131,749) | 130,784 | (128,629) |

The figures in parentheses above indicate non-recourse debt.

Other than the above, ¥1 million in cash and deposits (time deposits) and ¥305 million in investment securities were pledged as collateral for guarantees of borrowings of affiliated companies in the previous consolidated fiscal year and the current consolidated fiscal year.

*2. Relevant real estate, etc. outlined in the real estate specified joint enterprise law (silent partnership method) are as follows.

(Millions of yen)

| | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
|----------------------------------|--------------------------------------|--------------------------------------|
| Real estate for sale | — | 8,488 |
| Real estate for sale in process | 10,304 | 7,618 |
| Buildings and structures, etc. | 1,131 | 1,063 |
| Land | 2,787 | 2,787 |
| Leasehold and guarantee deposits | 40 | — |
| Total | 14,264 | 19,957 |

The corresponding investment received is recorded in “deposits received under real estate specified joint enterprise law.”

*3 The amounts due to unconsolidated subsidiaries and affiliated companies are as follows.

(Millions of yen)

| | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
|--|--------------------------------------|--------------------------------------|
| Investment securities (stocks) | 14,728 | 6,820 |
| Investment securities (preferred equity) | 1,533 | 1,646 |
| Investment securities (Other) | 1 | 1,149 |
| Investments in silent partnerships | 2,371 | 1,360 |
| Other (Investments and other assets) (Investments in capital) | 30,110 | 22,226 |

*4 Revaluation reserve for land

Pursuant to the Act on Revaluation of Land (Law No. 34, enacted on March 31, 1998), the Company revaluates its commercial land, and the difference in revaluation is recorded as a component of non-current liabilities and net assets.

• Revaluation Method

Land revaluation is based on the appraisal provided under Article 2, Item 5 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, enacted on March 31, 1998).

• Date of revaluation

December 31, 2000

*5 During the previous consolidated fiscal year, ¥862 million of property, plant and equipment was transferred to real estate for sale in process due to a change in the purpose of holding.

6 Guarantee liabilities and related values are as follows.

(Millions of yen)

| | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
|---|--------------------------------------|--------------------------------------|
| Liable for guarantees on loans to its customers | 4,482 | 769 |
| Liable for guarantees on loans to overseas affiliated companies | | |
| Yangon Museum Development Pte. Ltd. | 3,394 | 2,324 |
| Raimon Land Twenty Six Co., Ltd. | 340 | — |
| Raimon Land Sathorn Co., Ltd. | 2,021 | — |
| PT Dharma Tatemono Property (Note) | 11,479 | — |
| PT Dharma Tatemono Residences | | |
| SC Asset Three Company Limited | — | 1,876 |
| Liable for guarantees on loans to business partner | | |
| Maekawa Inc. | 302 | 1,757 |
| Setoda Resort Co., Ltd. | 30 | 30 |
| Total | 22,051 | 6,758 |

(Note) Indicates the total amount of joint guarantees.

7 Contingent liabilities related to debt assumption agreement for bonds

Debt performance for the following bonds has been delegated based on a trust-type debt assumption agreement (debt assumption agreement) for the bonds with a financial institution. Accordingly, the Company's obligation to redeem the bonds to the bondholders will continue to exist until the bonds are redeemed, notwithstanding the offsetting elimination of the debt related to the bonds and the amount payable under said agreement.

(Millions of yen)

| | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
|---------------------|--------------------------------------|--------------------------------------|
| 18th Unsecured bond | 15,000 | — |
| Total | 15,000 | — |

*8 Reduction entry amount deducted from the acquisition cost due to the rights exchange procedures in connection with a Type 1 Urban Redevelopment Project under the Urban Renewal Act is as follows.

(Millions of yen)

| | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
|---------------------------------|--------------------------------------|--------------------------------------|
| Real estate for sale in process | 781 | — |
| Construction in progress | 608 | 17,164 |
| Total | 1,389 | 17,164 |

*9 The amount of receivables and contract assets arising from contracts with customers in “trade notes, accounts receivable, and contract assets” are presented in “Notes (Revenue-recognition) 3. Information regarding the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in the following consolidated fiscal year or later from contracts with customers that existed at the end of the current consolidated fiscal year (1) Balance, etc. of contract assets and contract liabilities.”

*10 The amount of contract liabilities in “Other (current liabilities)” is included in “Notes (Revenue-recognition) 3. Information regarding the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in the following consolidated fiscal year or later from contracts with customers that existed at the end of the current consolidated fiscal year (1) Balance, etc. of contract assets and contract liabilities.”

(Matters related to the consolidated statement of income)

*1 Inventories held for sale in the ordinary course of business written down to book value to reflect the decline in profitability are as follows.

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|-----------------|---|---|
| Operating costs | 1,251 | 33 |

*2 Major items and figures of Selling, general and administrative expenses are as follows.

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|---|---|---|
| Advertising expenses | 3,684 | 3,704 |
| Salaries | 10,906 | 11,301 |
| Taxes and dues | 4,165 | 3,570 |
| Provision for bonuses | 293 | 318 |
| Retirement benefit expenses | 742 | 844 |
| Provision for retirement benefits for directors (and other officers) | 23 | 25 |
| Provision for share-based remuneration for directors (and other officers) | 69 | 86 |

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

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|--------------------------------|---|---|
| Land | 785 | 212 |
| Buildings and structures, etc. | (58) | 28 |
| Total | 726 | 241 |

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

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|--------------------------------|---|---|
| Buildings and structures, etc. | 9 | — |
| Total | 9 | — |

*5 The breakdown of loss on retirement of non-current assets is as follows.

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|--------------------------------|---|---|
| Buildings and structures, etc. | 122 | 146 |
| Intangible assets | 16 | 4 |
| Total | 139 | 150 |

*6 Loss on building reconstruction

FY2022 (January 1, 2022 to December 31, 2022)

Breakdown of loss associated with the reconstruction plan of buildings for rent is as follows.

Impairment losses 1,772 (Millions of yen)

(Note)

Total 1,772 (Millions of yen)

(Note) The Group has categorized its assets according to the smallest unit that generates cash flows that are generally independent of the cash flows of other assets or asset groups.

The book value of a group of assets scheduled for reconstruction was reduced to the recoverable amount, and the amount of the reduction was recorded as a loss on building reconstruction under extraordinary losses in the current consolidated fiscal year.

Recoverable value is measured by value in use, and since the value in use based on future cash flows is negative, the recoverable value is evaluated as zero.

| Main Use | Class | Location | Loss on building reconstruction (Millions of yen) |
|-------------------|--------------------------------|-------------------|---|
| Building for rent | Buildings and structures, etc. | Shibuya-ku, Tokyo | 1,772 |

*7 Revenue from contracts with customers

Operating revenues are not broken down into revenues arising from contracts with customers and other revenues. The amount of revenue from contracts with customers is included in “Notes (Revenue-recognition) 1. Information that disaggregates revenue from contracts with customers.”

*8 Loss on dissolution of joint venture

The Group participates in the Dharmawangsa Project (tentative name; below, the “Project”), a business that develops and sells condominiums and offices in Jakarta, Indonesia, through PT Dharma Tatemono Property (below, “DTP”) and PT Dharma Tatemono Residences (together with DTP, referred to as the “project company”), which were established in a joint venture with joint venture partners. Due to factors including the impact of the COVID-19 pandemic and the downturn in the real estate market leading to the stagnation of the Project, after discussions with the joint venture partners, the joint venture agreement was dissolved and the project company was made into subsidiaries to optimize the decision-making structure for the business restructuring of this project. In conjunction with the dissolution of the joint venture contract, in addition to the existing shares, the shares of the project company the Group accepted as a settlement for the loan receivables to the joint venture partners, and the difference between the assets accepted and the liabilities assumed on the consolidated balance sheet have been recorded as a loss on dissolution of joint venture.

(Matters related to the consolidated statement of comprehensive income)

*Amount of reclassification adjustment and tax effect related to other comprehensive income

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|--|---|---|
| Valuation difference on available-for-sale securities: | | |
| Amount accrued in the current period | (6,160) | 31,321 |
| Amount of reclassification adjustment | 50 | — |
| Before tax effect adjustment | (6,110) | 31,321 |
| Tax effect amount | 2,088 | (9,593) |
| Valuation difference on available-for-sale securities | (4,021) | 21,728 |
| Foreign currency translation adjustment: | | |
| Amount accrued in the current period | 118 | 2,196 |
| Amount of reclassification adjustment | — | — |
| Before tax effect adjustment | 118 | 2,196 |
| Tax effect amount | — | — |
| Foreign currency translation adjustment | 118 | 2,196 |
| Remeasurements of defined benefit plans, net of tax: | | |
| Amount accrued in the current period | (1,056) | (517) |
| Amount of reclassification adjustment | (275) | (153) |
| Before tax effect adjustment | (1,331) | (670) |
| Tax effect amount | 407 | 205 |
| Remeasurements of defined benefit plans, net of tax | (924) | (465) |
| Share of other comprehensive income of entities accounted for using equity method: | | |
| Amount accrued in the current period | 2,816 | (388) |
| Amount of reclassification adjustment | 17 | (1,102) |
| Before tax effect adjustment | 2,834 | (1,490) |
| Tax effect amount | (474) | (299) |
| Share of other comprehensive income of entities accounted for using equity method | 2,359 | (1,790) |
| Total other comprehensive income | (2,467) | 21,668 |

(Matters related to the consolidated statement of changes in equity)

FY2022 (January 1, 2022 to December 31, 2022)

1. Matters regarding issued shares

| Class of shares | Beginning of consolidated FY2022 | Increase | Decrease | End of consolidated FY2022 |
|------------------------|----------------------------------|----------|----------|----------------------------|
| Common shares (shares) | 209,167,674 | — | — | 209,167,674 |

2. Matters regarding treasury shares

| Class of shares | Beginning of consolidated FY2022 | Increase | Decrease | End of consolidated FY2022 |
|------------------------|----------------------------------|----------|----------|----------------------------|
| Common shares (shares) | 276,104 | 2,428 | 102 | 278,430 |

(Note) Common shares include 241,100 shares of the Company's shares held by the Board Benefit Trust (BBT).

(Summary of reasons for fluctuation)

Breakdown of the number of shares increased is as follows.

Increase due to purchase of shares of less than one unit 2,428 shares

Breakdown of the number of shares decreased is as follows.

Decrease due to demand for purchasing of shares of less than one unit 102 shares

3. Matters regarding dividends

(1) Dividends paid

| Resolution | Class of shares | Total Dividend Amount (Millions of yen) | Dividend amount per share (yen) | Record date | Effective date |
|---|-----------------|---|---------------------------------|-------------------|----------------|
| March 29, 2022 Ordinary General Meeting of Shareholders | Common shares | 5,646 | 27 | December 31, 2021 | March 30, 2022 |

(Note) The total value of dividends includes dividends of ¥6 million for shares of the Company's stock held by the Board Benefit Trust (BBT).

| Resolution | Class of shares | Total Dividend Amount (Millions of yen) | Dividend amount per share (yen) | Record date | Effective date |
|------------------------------------|-----------------|---|---------------------------------|---------------|-------------------|
| August 10, 2022 Board of Directors | Common shares | 6,064 | 29 | June 30, 2022 | September 2, 2022 |

(Note) The total value of dividends includes dividends of ¥6 million for shares of the Company's stock held by the Board Benefit Trust (BBT).

(2) Dividend with a record date belonging to the current consolidated fiscal year and with an effective date belonging to the following consolidated fiscal year

| Resolution | Class of shares | Financial source of dividends | Total Dividend Amount (Millions of yen) | Dividend amount per share (yen) | Record date | Effective date |
|---|-----------------|-------------------------------|---|---------------------------------|-------------------|----------------|
| March 29, 2023 Ordinary General Meeting of Shareholders | Common shares | Retained earnings | 7,528 | 36 | December 31, 2022 | March 30, 2023 |

(Note) The total value of dividends includes dividends of ¥8 million for shares of the Company's stock held by the Board Benefit Trust (BBT).

FY2023 (January 1, 2023 to December 31, 2023)

1. Matters regarding issued shares

| Class of shares | Beginning of consolidated FY2023 | Increase | Decrease | End of consolidated FY2023 |
|------------------------|----------------------------------|----------|----------|----------------------------|
| Common shares (shares) | 209,167,674 | — | — | 209,167,674 |

2. Matters regarding treasury shares

| Class of shares | Beginning of consolidated FY2023 | Increase | Decrease | End of consolidated FY2023 |
|------------------------|----------------------------------|----------|----------|----------------------------|
| Common shares (shares) | 278,430 | 2,089 | 16,038 | 264,481 |

(Note) Common shares include 225,300 shares of the Company's shares held by the Board Benefit Trust (BBT).

(Summary of reasons for fluctuation)

Breakdown of the number of shares increased is as follows.

Increase due to purchase of shares of less than one unit 2,089 shares

Breakdown of the number of shares decreased is as follows.

Decrease due to demand for purchasing of shares of less than one unit 238 shares

Decrease due to grant through Board Benefit Trust (BBT) 15,800 shares

3. Matters regarding dividends

(1) Dividends paid

| Resolution | Class of shares | Total Dividend Amount (Millions of yen) | Dividend amount per share (yen) | Record date | Effective date |
|---|-----------------|---|---------------------------------|-------------------|----------------|
| March 29, 2023 Ordinary General Meeting of Shareholders | Common shares | 7,528 | 36 | December 31, 2022 | March 30, 2023 |

(Note) The total value of dividends includes dividends of ¥8 million for shares of the Company's stock held by the Board Benefit Trust (BBT).

| Resolution | Class of shares | Total Dividend Amount (Millions of yen) | Dividend amount per share (yen) | Record date | Effective date |
|------------------------------------|-----------------|---|---------------------------------|---------------|-------------------|
| August 10, 2023 Board of Directors | Common shares | 7,528 | 36 | June 30, 2023 | September 8, 2023 |

(Note) The total value of dividends includes dividends of ¥8 million for shares of the Company's stock held by the Board Benefit Trust (BBT).

(2) Dividends with a record date belonging to the current consolidated fiscal year and with an effective date belonging to the following consolidated fiscal year

| Resolution | Class of shares | Financial source of dividends | Total Dividend Amount (Millions of yen) | Dividend amount per share (yen) | Record date | Effective date |
|---|-----------------|-------------------------------|---|---------------------------------|-------------------|----------------|
| March 27, 2024 Ordinary General Meeting of Shareholders | Common shares | Retained earnings | 7,737 | 37 | December 31, 2023 | March 28, 2024 |

(Note) The total value of dividends includes dividends of ¥8 million for shares of the Company's stock held by the Board Benefit Trust (BBT).

(Matters related to the consolidated cash flow statement)

*1 The reconciliation of cash and cash equivalents at the end of period and the accounts disclosed in the consolidated balance sheet are as follows.

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|---|---|---|
| Cash and deposits | 82,440 | 127,305 |
| Time deposits with a deposit term exceeding three months | (1) | (1) |
| Cash and cash equivalents | 82,439 | 127,303 |

*2 Increase/decrease in inventories includes increase/decrease in accounts payable and advances related to inventories.

*3 Significant non-cash transactions

FY2023 (January 1, 2023 to December 31, 2023)

Assets received and liabilities assumed in connection with the conversion of PT Dharma Tatemono Property and PT Dharma Tatemono Residences into subsidiaries are as follows.

(Millions of yen)

| | |
|---|----------|
| Current assets | 14,722 |
| Non-current assets | 136 |
| Current liabilities | (54) |
| Non-current liabilities | (13,592) |
| Total | 1,212 |
| Loans receivable | (4,318) |
| Shares of associates | (606) |
| Difference: loss on dissolution of joint venture | (3,712) |

*4 Consolidated cash flows related to the acquisition of additional shares of EXPERT OFFICE Co., Ltd. on January 17, 2022 are included in "Other" of cash flows from investing activities.

(Matters related to lease transactions)

1. Finance lease transactions

(Lessee side)

Non-ownership-transfer finance lease transactions

(1) Content of leased assets

- Property, plant and equipment mainly consists of buildings in the leisure business.

(2) Method of depreciation of leased assets

Please refer to “(Significant matters that serve as the basis for preparing consolidated financial statements) 4. Matters regarding accounting policies, (2) Method of depreciation of material depreciable assets.”

(Lessor side)

Non-ownership-transfer finance lease transactions

(1) Breakdown of lease investment assets

Current assets

(Millions of yen)

| | FY2022 (December 31, 2022) | FY2023 (December 31, 2023) |
|--------------------------|-------------------------------|-------------------------------|
| Gross lease receivables | 8,398 | 8,086 |
| Estimated Residual Value | — | — |
| Unearned interest income | (3,340) | (3,138) |
| Investments in leases | 5,057 | 4,948 |

(2) Estimated amount of collection of the portion of lease receivables related to investments in leases after the date of the consolidated settlement of accounts

Current assets

(Millions of yen)

| | FY2022 (December 31, 2022) | | | | | |
|-----------------------|-------------------------------|------------------------------------|---------------------------------------|------------------------------------|-----------------------------------|-----------------|
| | Within one year | Over one year and within two years | Over two years and within three years | Over three years within four years | Over four years within five years | Over five years |
| Investments in leases | 311 | 311 | 311 | 311 | 311 | 6,840 |

(Millions of yen)

| | FY2023 (December 31, 2023) | | | | | |
|-----------------------|-------------------------------|------------------------------------|---------------------------------------|------------------------------------|-----------------------------------|-----------------|
| | Within one year | Over one year and within two years | Over two years and within three years | Over three years within four years | Over four years within five years | Over five years |
| Investments in leases | 311 | 311 | 311 | 311 | 311 | 6,528 |

2. Operating lease transactions

(Lessee side)

Future minimum lease payments under non-cancelable operating lease transactions

(Millions of yen)

| | FY2022 (December 31, 2022) | FY2023 (December 31, 2023) |
|-----------------|-------------------------------|-------------------------------|
| Within one year | 6,844 | 9,070 |
| Over one year | 123,675 | 134,899 |
| Total | 130,520 | 143,970 |

(Lessor side)

Future minimum lease receives under non-cancelable operating lease transactions

(Millions of yen)

| | FY2022 (December 31, 2022) | FY2023 (December 31, 2023) |
|-----------------|-------------------------------|-------------------------------|
| Within one year | 32,223 | 31,090 |
| Over one year | 116,538 | 134,402 |
| Total | 148,762 | 165,492 |

(Matters related to financial instruments)

1. Matters regarding the status of financial instruments

(1) Policy on financial instruments

For fund management, the Group limits fund management to short-term deposits, etc. and raises necessary funds mainly through bank borrowings and bond issues. Derivatives transactions are used to avoid the risks described below, and the Company's policy is not to engage in speculative transactions.

(2) Content and risk of financial instruments

Marketable securities and investment securities are mainly equity securities of companies with which the Company has business relationships and are exposed to the credit risk of the issuers, interest rate fluctuation risk, and market price fluctuation risk, respectively.

Investments in silent partnerships are mainly investments in special purpose companies and are exposed to the issuer's credit risk and interest rate fluctuation risk.

Short-term borrowings and commercial papers are mainly for procuring working capital, while long-term borrowings and bonds are mainly for procuring funds necessary for capital investment, etc. A portion of these borrowings have floating interest rates and are exposed to interest rate fluctuation risk. The Company hedges against interest rate fluctuation risk by using derivative transactions (interest rate swaps) to avoid interest rate fluctuation risk and fix the interest rate payable for a portion of these borrowings.

(3) Risk management system related to financial instruments

(i) Management of credit risk (Risks related to non-performance of contracts by counterparties, etc.)

The Group's departments in charge of trade receivables monitor the status of major customers in order to identify and mitigate the risk of collection at an early stage due to deterioration of their financial conditions or other factors.

(ii) Management of market risk (Risk of fluctuations in foreign exchange rates, interest rates, etc.)

The Group utilizes interest rate swap transactions to reduce the risk of fluctuations in interest rates payable on borrowings, etc. Marketable securities and investment securities are periodically reviewed for fair value and financial conditions of the issuers (counterparty companies), and their holding status is regularly reviewed in consideration of market conditions and the relationship with the counterparty companies.

(iii) Management of liquidity risk (Risk of failure to make payment when due) related to financing

Based on reports from each department, the Group manages liquidity risk by having the department in charge prepare and update funding plans in a timely manner and by maintaining liquidity on hand.

(4) Supplementary explanation on matters regarding the fair value, etc. of financial instruments

In calculating the reasonable value used when financial instruments have no market price, variable factors are incorporated, and the value could change by adopting different preconditions, etc.

2. Matters regarding the fair value, etc. of financial instruments

The amount recorded on the consolidated balance sheet, the fair values and their differences are as follows.

Cash is omitted from the notes and deposits, short-term borrowings and commercial papers are omitted from the notes as they are settled quickly, and their fair value approximates their book value.

The fair value of derivatives transactions for which special treatment of interest rate swaps is applied is included in the fair value of the relevant long-term borrowings, etc. as they are accounted for as an integral part of the hedged long-term borrowings payable, etc.

FY2022 (December 31, 2022)

| | Amount recorded on the consolidated balance sheet (Millions of yen) | Fair value (Millions of yen) | Difference (Millions of yen) |
|--|--|---------------------------------|---------------------------------|
| (1) Marketable securities and investment securities | | | |
| Available-for-sale securities | 106,810 | 106,810 | — |
| Total assets | 106,810 | 106,810 | — |
| (1) Current portion of long-term borrowings and long-term borrowings | 682,460 | 673,522 | (8,938) |
| (2) Current portion of bonds payable and bonds payable | 255,000 | 248,037 | (6,963) |
| Total liabilities | 937,460 | 921,559 | (15,901) |

FY2023 (December 31, 2023)

| | Amount recorded on the consolidated balance sheet (Millions of yen) | Fair value (Millions of yen) | Difference (Millions of yen) |
|--|--|---------------------------------|---------------------------------|
| (1) Marketable securities and investment securities | | | |
| Available-for-sale securities | 139,730 | 139,730 | — |
| Total assets | 139,730 | 139,730 | — |
| (1) Current portion of long-term borrowings and long-term borrowings | 771,870 | 760,127 | (11,743) |
| (2) Current portion of bonds payable and bonds payable | 265,000 | 259,841 | (5,159) |
| Total liabilities | 1,036,870 | 1,019,968 | (16,902) |

(Note) 1. Carrying amount of non-marketable equity securities and investments in partnerships, etc.

(Millions of yen)

| Category | December 31, 2022 | December 31, 2023 |
|--|-------------------|-------------------|
| (i) Unlisted shares, etc. | 3,516 | 3,628 |
| (ii) Investments in partnerships, etc. (*) | 2,026 | 2,077 |

(*) Investments in partnerships, etc. are mainly investments in silent partnerships. In the previous consolidated fiscal year, these were not subject to fair value disclosure in accordance with Paragraph 27 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; July 4, 2019). In the current consolidated fiscal year, these were not subject to fair value disclosure in accordance with Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; June 17, 2021; below, the “Implementation Guidance on Accounting Standard for Fair Value Measurement”).

2. Value of monetary claims with a maturity to be redeemed after the consolidated closing date

FY2022 (December 31, 2022)

(Millions of yen)

| | Within one year | Over one year and within five years | Over five years and within 10 years | Over 10 years |
|-------------------------------|-----------------|-------------------------------------|-------------------------------------|---------------|
| Cash and deposits | 81,700 | — | — | — |
| Available-for-sale securities | | | | |
| Bonds | — | — | — | 3,000 |
| Bonds payable | | | | |
| Total | 81,700 | — | — | 3,000 |

FY2023 (December 31, 2023)

(Millions of yen)

| | Within one year | Over one year and within five years | Over five years and within 10 years | Over 10 years |
|-------------------------------|-----------------|-------------------------------------|-------------------------------------|---------------|
| Cash and deposits | 124,403 | — | — | — |
| Available-for-sale securities | | | | |
| Bonds | — | — | — | 3,000 |
| Bonds payable | | | | |
| Total | 124,403 | — | — | 3,000 |

3. Value of long-term borrowings, bonds payable, and other interest-bearing debt to be repaid after the consolidated closing date

FY2022 (December 31, 2022)

(Millions of yen)

| | Within one year | Over one year and within two years | Over two years and within three years | Over three years and within four years | Over four years and within five years | Over five years |
|-----------------------|-----------------|------------------------------------|---------------------------------------|--|---------------------------------------|-----------------|
| Short-term borrowings | 107 | — | — | — | — | — |
| Commercial papers | 50,000 | — | — | — | — | — |
| Bonds payable | 10,000 | 10,000 | 20,000 | 10,000 | 10,000 | 195,000 |
| Long-term borrowings | 51,939 | 56,660 | 80,952 | 65,330 | 80,801 | 346,776 |
| Total | 112,047 | 66,660 | 100,952 | 75,330 | 90,801 | 541,776 |

FY2023 (December 31, 2023)

(Millions of yen)

| | Within one year | Over one year and within two years | Over two years and within three years | Over three years within four years | Over four years within five years | Over five years |
|-----------------------|-----------------|------------------------------------|---------------------------------------|------------------------------------|-----------------------------------|-----------------|
| Short-term borrowings | 106 | — | — | — | — | — |
| Commercial papers | 50,000 | — | — | — | — | — |
| Bonds payable | 10,000 | 20,000 | 10,000 | 10,000 | 20,000 | 195,000 |
| Long-term borrowings | 56,647 | 80,939 | 69,646 | 81,471 | 97,457 | 385,708 |
| Total | 116,754 | 100,939 | 79,646 | 91,471 | 117,457 | 580,708 |

3. Breakdown of Fair Value of Financial Instruments by Level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated based on quoted market prices for assets or liabilities for which such fair value is calculated in an active market among the inputs used to calculate observable fair value.

Level 2 fair value: Fair value calculated using inputs other than Level 1 inputs to the calculation of observable fair value.

Level 3 fair value: Fair value calculated using inputs related to the calculation of unobservable fair value.

When multiple inputs that significantly affect fair value are used, fair value is classified into the level with the lowest priority in the fair value calculation among the levels to which those inputs belong.

(1) Financial instruments carried on the consolidated balance sheet with fair value
FY2022 (December 31, 2022)

| Category | Fair value (Millions of yen) | | | |
|--|------------------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Marketable securities and investment securities (Note) 1 | | | | |
| Available-for-sale securities | | | | |
| Stocks | 90,131 | — | — | 90,131 |
| Bonds | — | 2,992 | — | 2,992 |
| Other | 13,151 | — | 534 | 13,686 |
| Total assets | 103,283 | 2,992 | 534 | 106,810 |

FY2023 (December 31, 2023)

| Category | Fair value (Millions of yen) | | | |
|--|------------------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Marketable securities and investment securities (Note) 1 | | | | |
| Available-for-sale securities | | | | |
| Stocks | 122,194 | — | — | 122,194 |
| Bonds | — | 3,033 | — | 3,033 |
| Other | 12,414 | — | 592 | 13,006 |
| Total assets | 134,609 | 3,033 | 592 | 138,235 |

(2) Financial instruments other than those recorded at fair value in the consolidated balance sheet

FY2022 (December 31, 2022)

| Category | Fair value (Millions of yen) | | | |
|--|------------------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Current portion of long-term borrowings and long-term borrowings | — | 673,522 | — | 673,522 |
| Current portion of bonds payable and bonds payable | — | 248,037 | — | 248,037 |
| Total liabilities | — | 921,559 | — | 921,559 |

FY2023 (December 31, 2023)

| Category | Fair value (Millions of yen) | | | |
|--|------------------------------|-----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Current portion of long-term borrowings and long-term borrowings | — | 760,127 | — | 760,127 |
| Current portion of bonds payable and bonds payable | — | 259,841 | — | 259,841 |
| Total liabilities | — | 1,019,968 | — | 1,019,968 |

(Notes) 1. In the previous consolidated fiscal year, investment trusts to which transitional measures were applied are not included in the table above in accordance with Paragraph 26 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; July 4, 2019). The amount of such investment trusts, etc. in the consolidated balance sheet is ¥1,352 million.

In the current consolidated fiscal year, investment trusts whose investment trust assets are real estate to which the Company applied the treatment in Paragraph 24-9 of the Implementation Guidance for Accounting Standard for Fair Value Measurement are not included in the table above. The amount of such investment trusts, etc. in the consolidated balance sheet is ¥1,495 million.

A note for reconciliation of the beginning and ending balance is omitted due to immateriality.

2. Valuation techniques used in the calculation of fair value and explanation of inputs related to the calculation of fair value

Assets

(1) Marketable securities and investment securities

Listed stocks are priced on the stock exchange and classified as Level 1 fair value based on market activity.

Marketable bonds (corporate bonds) are based on trading reference price, etc. and are classified as Level 2 fair value.

Listed real estate investment trusts are priced on the stock exchange and classified as Level 1 fair value based on market activity.

Non-marketable preferred securities are valued using the adjusted net asset value method, which is based on the market value of real estate held by the investee and are classified as Level 3 fair value as the impact of unobservable inputs on the fair value is significant.

Liabilities

(1) Current portion of long-term borrowings and long-term borrowings

Fair values of these are calculated by discounting the sum of the principal and interest by the interest rate applicable to a similar new borrowing.

Floating interest rate (excluding those subject to special treatment for interest rate swaps) is based on the book value, as it reflects the market interest rate in a short period of time, and the fair value is approximate to the book value.

Fair values of long-term borrowings with floating interest rates that qualify for special treatment as interest rate swaps are calculated by discounting the sum of the principal and interest that are accounted

for together with the interest rate swaps by the interest rate that would be applicable if similar new borrowings were made.

These are classified as Level 2 fair value.

(2) Current portion of bonds payable and bonds payable

The fair value of bonds issued by the Company is based on trading statistics, etc. and is classified as Level 2 fair value.

3. Fair value information for Level 3 financial assets and liabilities that are carried at fair value on the consolidated balance sheet

Information on Level 3 financial instruments has been omitted due to the immateriality of said financial instruments.

(Matters related to securities)

1. Available-for-sale securities

FY2022 (December 31, 2022)

| | Amount recorded on the consolidated balance sheet (Millions of yen) | Acquisition cost (Millions of yen) | Difference (Millions of yen) |
|--|--|---------------------------------------|---------------------------------|
| Securities of which the amount recorded on the consolidated balance sheet exceeds the acquisition cost | | | |
| (i) Stocks | 89,010 | 21,775 | 67,235 |
| (ii) Bonds | | | |
| Government bonds | — | — | — |
| Corporate bonds | — | — | — |
| Other | — | — | — |
| (iii) Other | 13,298 | 7,331 | 5,966 |
| Subtotal | 102,309 | 29,107 | 73,201 |
| Securities of which the amount recorded on the consolidated balance sheet does not exceed the acquisition cost | | | |
| (i) Stocks | 1,120 | 1,334 | (214) |
| (ii) Bonds | | | |
| Government bonds | — | — | — |
| Corporate bonds | 2,992 | 3,000 | (7) |
| Other | — | — | — |
| (iii) Other | 388 | 410 | (22) |
| Subtotal | 4,501 | 4,745 | (243) |
| Total | 106,810 | 33,852 | 72,958 |

FY2023 (December 31, 2023)

| | Amount recorded on the consolidated balance sheet (Millions of yen) | Acquisition cost (Millions of yen) | Difference (Millions of yen) |
|--|--|---------------------------------------|---------------------------------|
| Securities of which the amount recorded on the consolidated balance sheet exceeds the acquisition cost | | | |
| (i) Stocks | 121,638 | 22,699 | 98,939 |
| (ii) Bonds | | | |
| Government bonds | — | — | — |
| Corporate bonds | 3,033 | 3,000 | 33 |
| Other | — | — | — |
| (iii) Other | 14,134 | 8,683 | 5,451 |
| Subtotal | 138,807 | 34,382 | 104,424 |
| Securities of which the amount recorded on the consolidated balance sheet does not exceed the acquisition cost | | | |
| (i) Stocks | 556 | 712 | (156) |
| (ii) Bonds | | | |
| Government bonds | — | — | — |
| Corporate bonds | — | — | — |
| Other | — | — | — |
| (iii) Other | 367 | 411 | (43) |
| Subtotal | 923 | 1,124 | (200) |
| Total | 139,730 | 35,506 | 104,223 |

2. Available-for-sale securities sold during the consolidated fiscal year

FY2022 (January 1, 2022 to December 31, 2022)

| | Sales amount (Millions of yen) | Total gain on sale (Millions of yen) | Total loss on sale (Millions of yen) |
|--------|-----------------------------------|---|---|
| Stocks | 2,067 | 50 | — |

FY2023 (January 1, 2023 to December 31, 2023)

Not applicable.

3. Securities for which impairment losses were recognized

In the previous consolidated fiscal year, an impairment loss of ¥50 million was recognized for securities with market quotations.

There is no applicable information for the current consolidated fiscal year.

The criteria for impairment are as follows.

Marketable securities: In the event of a 50% or more decline in real value compared to acquisition cost or in the event of a 30% or more but less than 50% decline for three consecutive consolidated fiscal years, including the current fiscal year-end.

Non-marketable securities: In the event of a 50% or more decline in the market value compared to the acquisition cost (unless the possibility of recovery can be supported by sufficient evidence) or if a loss is deemed certain due to liquidation, etc.

(Matters related to derivatives transactions)

Derivatives transactions for which hedge accounting is applied

Interest rate-related

FY2022 (December 31, 2022)

| Method of hedge accounting | Type of derivatives transaction, etc. | Main hedged items | Contract amount (Millions of yen) | Contract amount over one year (Millions of yen) | Fair value (Millions of yen) |
|--|---|-------------------|--------------------------------------|--|---------------------------------|
| Special treatment of interest rate swaps | Interest rate swap transactions fixed payable/floating receivable | Borrowings | 15,174 | 12,606 | (Note) |
| Total | | | 15,174 | 12,606 | — |

(Note) Interest rate swaps for which special treatment is applied are accounted for together with the hedged borrowings. Accordingly, their fair value is included in the fair value of such borrowings.

FY2023 (December 31, 2023)

| Method of hedge accounting | Type of derivatives transaction, etc. | Main hedged items | Contract amount (Millions of yen) | Contract amount over one year (Millions of yen) | Fair value (Millions of yen) |
|--|---|-------------------|--------------------------------------|--|---------------------------------|
| Special treatment of interest rate swaps | Interest rate swap transactions fixed payable/floating receivable | Borrowings | 12,606 | 10,018 | (Note) |
| Total | | | 12,606 | 10,018 | — |

(Note) Interest rate swaps for which special treatment is applied are accounted for together with the hedged borrowings. Accordingly, their fair value is included in the fair value of such borrowings.

(Matters related to retirement benefits)

1. Outline of retirement benefit plans adopted

The Company has a defined benefit corporate pension plan and a lump-sum severance payment plan as a defined benefit plan, and a defined contribution pension plan as a defined contribution plan.

Certain consolidated subsidiaries provide lump-sum severance payment plans. Some consolidated subsidiaries also participate in a defined contribution corporate pension plan and a mutual aid system for small and medium-sized enterprise retirement allowances.

A simplified method is used to calculate retirement benefits for a part of the Company and some of its consolidated subsidiaries.

2. Defined benefit plan

(1) Reconciliation of the beginning and ending balance of retirement benefit obligation (excluding plans to which the simplified method is applied, which are listed in (3))

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|---|---|---|
| Balance of retirement benefit obligation at the beginning of period | 22,214 | 22,737 |
| Service cost | 1,245 | 1,253 |
| Interest expense | 129 | 132 |
| Actuarial gains (losses) | 265 | 221 |
| Retirement benefits paid | (1,116) | (1,094) |
| Amount of past service cost | — | 970 |
| Increase due to new consolidation | — | 53 |
| Balance of retirement benefit obligation at the end of period | 22,737 | 24,274 |

(2) Reconciliation between the beginning and ending balances of plan assets (excluding plans to which the simplified method is applied, which are listed in (3))

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|---|---|---|
| Balance of plan assets at the beginning of period | 12,811 | 12,266 |
| Expected return on plan assets | 192 | 183 |
| Actuarial gains (losses) | (791) | 675 |
| Contribution from employer | 305 | 303 |
| Retirement benefits paid | (252) | (259) |
| Balance of plan assets at the end of period | 12,266 | 13,169 |

(3) Reconciliation of the beginning and ending balances of retirement benefit liability for plans to which the simplified method is applied

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|--|---|---|
| Balance of retirement benefit liability at the beginning of period | 1,336 | 1,400 |
| Retirement benefit expenses | 172 | 196 |
| Retirement benefits paid | (108) | (139) |
| Decrease due to exclusion from consolidation | — | (19) |
| Balance of retirement benefit liability at the end of period | 1,400 | 1,438 |

(4) Reconciliation of balance of retirement benefit obligation and plan assets at the end of the period and retirement benefit liability and retirement benefit asset recognized in the consolidated balance sheet

(Millions of yen)

| | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
|---|--------------------------------------|--------------------------------------|
| Retirement benefit obligation of funded plans | 11,115 | 11,608 |
| Plan assets | (12,266) | (13,169) |
| | (1,151) | (1,561) |
| Retirement benefit obligation of non-funded plans | 13,023 | 14,104 |
| Net liabilities and assets recorded in the consolidated balance sheet | 11,872 | 12,542 |
| Retirement benefit liability | 13,023 | 14,104 |
| Retirement benefit asset | (1,151) | (1,561) |
| Net liabilities and assets recorded in the consolidated balance sheet | 11,872 | 12,542 |

(5) Amount of retirement benefit expenses and the breakdown

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|---|---|---|
| Service cost | 1,245 | 1,253 |
| Interest expense | 129 | 132 |
| Expected return on plan assets | (192) | (183) |
| Amortization of actuarial gains (losses) | (275) | (158) |
| Expense amount processed for past service cost | — | 4 |
| Retirement benefit expenses calculated by the simplified method | 172 | 196 |
| Retirement benefit expenses for defined benefit plans | 1,079 | 1,244 |

(6) Remeasurements of defined benefit plans

The components of the items recorded in remeasurements of defined benefit plans (before tax effect deductions) are as follows:

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|--------------------------|---|---|
| Past service cost | — | 966 |
| Actuarial gains (losses) | 1,331 | (295) |
| Total | 1,331 | 670 |

(7) Accumulated remeasurements of defined benefit plans

The components of the items recorded in accumulated remeasurements of defined benefit plans (before deducting tax effect) are as follows:

(Millions of yen)

| | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
|---------------------------------------|--------------------------------------|--------------------------------------|
| Unrecognized past service cost | — | 966 |
| Unrecognized Actuarial gains (losses) | 269 | (26) |
| Total | 269 | 940 |

(8) Matters related to pension plan assets

(i) Major breakdown of pension plan assets

The following is a breakdown of the major categories of pension plan assets as a percentage of total pension plan assets.

| | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
|-------------------|--------------------------------------|--------------------------------------|
| Bonds | 36.1 % | 35.1 % |
| Stocks | 20.3 | 23.9 |
| General accounts | 10.6 | 9.8 |
| Investment trusts | 27.5 | 25.2 |
| Other | 5.5 | 6.0 |
| Total | 100.0 | 100.0 |

(ii) Method of establishing the expected long-term rate of return on pension assets

To determine the long-term expected rate of return on pension plan assets, the Company considers the past and expected rate of return of each asset comprising the pension plan assets.

(9) Matters related to actuarial basis

Principal actuarial basis

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|--|---|---|
| Discount rate | 0.4-0.6 % | 0.4-6.3 % |
| Long-term expected rate of return on plan assets | 1.5 | 1.5 |
| Expected rate of salary increase | 0.0-7.6 | 0.0-7.6 |

3. Defined Contribution Plan

The required contribution to the defined contribution plan by the Company and its consolidated subsidiaries was ¥467 million in the previous consolidated fiscal year and ¥492 million in the current consolidated fiscal year.

(Matters related to tax effect accounting)

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

| | (Millions of yen) | |
|--|--------------------------------------|--------------------------------------|
| | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
| Deferred tax assets | | |
| Tax loss carryforward | 1,018 | 1,080 |
| Retirement benefit liability | 4,017 | 4,041 |
| Impairment losses | 10,826 | 10,721 |
| Depreciation of real estate for sale | 2,345 | 2,950 |
| Loss on valuation of shares of subsidiaries and associates | 1,082 | 1,084 |
| Excess depreciation | 647 | 696 |
| Unrealized gains (losses) on distributions from silent partnerships | 2,066 | 1,983 |
| Compensation income | 704 | 1,964 |
| Adjustments due to unification of accounting treatment between parent and subsidiaries, etc. | 7,977 | 7,791 |
| Enterprise taxes payable | 503 | 1,189 |
| Other | 7,061 | 9,340 |
| Subtotal of deferred tax assets | 38,249 | 42,844 |
| Valuation allowance | (21,177) | (22,437) |
| Total deferred tax assets | 17,072 | 20,406 |
| Deferred tax liabilities | | |
| Valuation difference on available-for-sale securities | (24,113) | (33,702) |
| Revaluation of subsidiary assets | (3,181) | (3,166) |
| Reserve for tax purpose reduction entry of replacement assets | (2,579) | (2,572) |
| Retained earnings of affiliates | (398) | (1,006) |
| Other | (2,445) | (1,631) |
| Total deferred tax liabilities | (32,718) | (42,078) |
| Net deferred tax assets (liabilities) | (15,645) | (21,672) |

(Change in presentation method)

“Depreciation of real estate for sale” and “Enterprise taxes payable,” which were included in “Other” in the previous consolidated fiscal year, are presented separately in the current consolidated fiscal year due to their increased materiality. On the other hand, “Provision for retirement benefits for directors (and other officers),” “Loss on valuation of real estate for sale,” and “Loss on valuation of investment securities,” which were separately presented in the previous consolidated fiscal year, are included in “Other” in the current consolidated fiscal year due to their decreased materiality. The notes for the previous consolidated fiscal year have been reclassified to reflect this change in presentation.

2. Breakdown by major cause when there is a significant difference between statutory tax rate and effective tax rate

| | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
|---|--------------------------------------|--------------------------------------|
| Statutory tax rate | — | 30.6 % |
| (Adjustment) | | |
| Increase (decrease) in valuation allowance | — | 2.6 |
| Entertainment expense(s) and other items not permanently deductible for income tax purposes | — | 2.3 |
| Dividends income and other items not permanently includable in income | — | (3.4) |
| Inhabitant tax on per capita basis | — | 0.1 |
| Foreign withholding tax | — | 0.4 |
| Foreign tax credit | — | (0.3) |
| Dividends paid deducted as expenses | — | (0.2) |
| Share of profit (loss) of entities accounted for using equity method | — | (1.8) |
| Dividends from consolidated subsidiaries and entities accounted for using equity method | — | 2.4 |
| Other | — | 0.3 |
| Effective tax rate | — | 33.0 |

(Note) In the previous consolidated fiscal year, the difference between the statutory tax rate and the effective tax rate after the application of tax effect accounting was less than 5% of the statutory tax rate; thus, notes are omitted.

(Matters related to leasing real estate properties)

The Company and some of its consolidated subsidiaries own leasing office buildings, leasing condominiums, and leasing retail facilities, etc. in Tokyo and other areas. Some leasing office buildings and other properties are used by the Company and some of its consolidated subsidiaries and therefore are classified as real estate including portions used as leasing properties.

The amount recorded on the consolidated balance sheet, changes during period, and fair value of these leasing properties and real estate, including portions used as leasing properties, are as follows.

(Millions of yen)

| | | | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|---|---|------------------------------------|---|---|
| Leasing real estate properties | Amount recorded on the consolidated balance sheet | Balance at the beginning of period | 693,406 | 692,631 |
| | | Changes during period | (775) | 9,324 |
| | | Balance at the end of period | 692,631 | 701,955 |
| | Market value at the end of period | | 1,179,703 | 1,196,349 |
| Real estate including portions used as leasing property | Amount recorded on the consolidated balance sheet | Balance at the beginning of period | 199,175 | 198,568 |
| | | Changes during period | (606) | 16,891 |
| | | Balance at the end of period | 198,568 | 215,459 |
| | Market value at the end of period | | 237,908 | 250,481 |

(Notes) 1. The amount recorded on the consolidated balance sheet is the amount obtained by subtracting accumulated depreciation from acquisition costs.

2. Among changes during period, the major increases in the previous consolidated fiscal year were ¥13,155 million for the acquisition of real estate and ¥5,110 million from an increase in real estate in connection with the accumulation of a newly consolidated subsidiary. The primary decreases were depreciation of ¥13,232 million and sales of real estate of ¥3,450 million.

The major increase in the current consolidated fiscal year was ¥40,077 million for the acquisition of real estate. The primary decrease was a depreciation of ¥13,402 million.

- The market value at the end of the period is the value based on the valuation of properties by an outside licensed real estate appraiser for principal properties and the value calculated by the Company based on the Real Estate Appraisal Standards (including values adjusted using indicators) for other properties.

Income (loss) from real estate that includes leasing properties and portions of real estate used as leasing properties are as follows.

(Millions of yen)

| | | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|---|----------------------|---|---|
| Leasing real estate properties | Leasing revenue | 86,496 | 89,728 |
| | Leasing expenses | 55,870 | 58,153 |
| | Difference | 30,625 | 31,574 |
| | Other gains (losses) | (1,982) | 28 |
| Real estate including portions used as leasing property | Leasing revenue | 8,369 | 8,098 |
| | Leasing expenses | 5,289 | 4,535 |
| | Difference | 3,080 | 3,562 |
| | Other gains (losses) | 266 | (1) |

- (Note) 1. Since real estate that includes portions used as leasing properties also includes portions used by the Company and some of its consolidated subsidiaries for the provision of services and business administration, leasing revenue is not recorded for these portions. Expenses related to such portions (rent, depreciation, building management fees, taxes and dues, etc.) are included in leasing expenses.
- Other gains (losses) in the previous consolidated fiscal year mainly consisted of loss on building reconstruction and gain on sale of non-current assets.

(Revenue-recognition)

- Information that disaggregates revenue from contracts with customers
FY2022 (January 1, 2022 to December 31, 2022)

(Millions of yen)

| | Reportable segments | | | | Other Business (Note)1 | Total |
|---------------------------------------|--------------------------------|----------------------|------------------------|---------|---------------------------|---------|
| | Commercial Properties Business | Residential Business | Asset Service Business | Total | | |
| Real estate sales | 29,812 | 103,458 | 15,089 | 148,360 | — | 148,360 |
| Real-estate leasing | 76,735 | 5,309 | 6,367 | 88,412 | — | 88,412 |
| Other service offerings | 38,607 | 22,622 | 28,783 | 90,013 | 23,154 | 113,167 |
| Revenues from external customers | 145,155 | 131,390 | 50,240 | 326,786 | 23,154 | 349,940 |
| Revenue from contracts with customers | 72,019 | 117,601 | 42,202 | 231,823 | 22,539 | 254,362 |
| Revenue from other sources (Note)2 | 73,135 | 13,789 | 8,038 | 94,963 | 614 | 95,578 |
| Revenues from external customers | 145,155 | 131,390 | 50,240 | 326,786 | 23,154 | 349,940 |

(Notes) 1. The “Other” business segment is not included in reportable segments. “Other” includes businesses such as “Leisure business,” “Asset Management business,” and “Overseas businesses.”

- “Revenue from other sources” includes leasing income in accordance with ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” and real estate sales in accordance with the Accounting System Committee Report No. 15, “Practical Guidelines for Accounting for Transferees in Securitization of Real Estate Using Special Purpose Companies.”

FY2023 (January 1, 2023 to December 31, 2023)

(Millions of yen)

| | Reportable segments | | | | Other Business (Note)1 | Total |
|----------------------------------|--------------------------------|----------------------|------------------------|---------|------------------------|---------|
| | Commercial Properties Business | Residential Business | Asset Service Business | Total | | |
| Real estate sales | 38,643 | 104,693 | 25,248 | 168,585 | — | 168,585 |
| Real-estate leasing | 78,275 | 5,948 | 6,670 | 90,894 | — | 90,894 |
| Other service offerings | 38,337 | 23,498 | 31,881 | 93,717 | 22,748 | 116,466 |
| Revenues from external customers | 155,256 | 134,140 | 63,800 | 353,198 | 22,748 | 375,946 |

| | | | | | | |
|---------------------------------------|---------|---------|--------|---------|--------|---------|
| Revenue from contracts with customers | 76,968 | 110,738 | 48,569 | 236,277 | 22,134 | 258,411 |
| Revenue from other sources (Note)2 | 78,287 | 23,401 | 15,231 | 116,921 | 614 | 117,535 |
| Revenues from external customers | 155,256 | 134,140 | 63,800 | 353,198 | 22,748 | 375,946 |

(Notes) 1. The “Other” business segment is not included in reportable segments. “Other” includes businesses such as “Leisure business,” “Asset Management business,” and “Overseas businesses.”

2. “Revenue from other sources” includes leasing income in accordance with ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” and real estate sales in accordance with the Accounting System Committee Report No. 15, “Practical Guidelines for Accounting for Transferees in Securitization of Real Estate Using Special Purpose Companies.”

2. Fundamental information for understanding revenues from contracts with customers

The fundamental information for understanding revenues from contracts with customers is as described in “(6) Basis for Recognition of Significant Revenue and Expense, in ‘4. Matters regarding accounting policies’ of Notes (Significant matters that serve as the basis for preparing consolidated financial statements).”

3. Information regarding the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in the following consolidated fiscal year or later from contracts with customers that existed at the end of the current consolidated fiscal year.

(1) Balance of contract assets and contract liabilities

FY2022 (January 1, 2022 to December 31, 2022)

(Millions of yen)

| | Balance at the beginning of period (January 1, 2022) | Balance at the end of period (December 31, 2022) |
|---|---|---|
| Receivables arising from contracts with customers | 8,739 | 9,827 |
| Contract assets | 250 | 138 |
| Contract liabilities | 21,215 | 27,034 |

The receivables arising from contracts with customers consist of trade accounts receivable and trade notes receivable that are unconditional rights to payment as of the end of the consolidated fiscal year.

The contract assets correspond to the Group’s rights to the consideration for work that has created assets controlled by the customer at the end of the consolidated fiscal year but has not yet been invoiced. Contract assets are transferred to receivables when the right to payment becomes unconditional.

Contract liabilities relate to the consideration received or receivable by the Group from customers for the Group’s obligation to transfer goods or services to customers and primarily consist of deposits received or receivable from customers for condominiums at the end of the consolidated fiscal year.

Revenue recognized during the current consolidated fiscal year that was included in the contract liability balance at the beginning of the period amounted to ¥8,360 million.

FY2023 (January 1, 2023 to December 31, 2023)

(Millions of yen)

| | Balance at the beginning of period (January 1, 2023) | Balance at the end of period (December 31, 2023) |
|---|---|---|
| Receivables arising from contracts with customers | 9,827 | 9,859 |
| Contract assets | 138 | 50 |
| Contract liabilities | 27,034 | 37,586 |

The receivables arising from contracts with customers consist of trade accounts receivable and trade notes receivable that are unconditional rights to payment as of the end of the consolidated fiscal year.

The contract assets correspond to the Group's rights to the consideration for work that has created assets controlled by the customer at the end of the consolidated fiscal year but has not yet been invoiced. Contract assets are transferred to receivables when the right to payment becomes unconditional.

Contract liabilities relate to the consideration received or receivable by the Group from customers for the Group's obligation to transfer goods or services to customers and primarily consist of deposits received or receivable from customers for condominiums at the end of the consolidated fiscal year.

Revenue recognized during the current consolidated fiscal year that was included in the contract liability balance at the beginning of the period amounted to ¥9,375 million.

(2) Transaction prices allocated to remaining performance obligations

At the end of the previous consolidated fiscal year, transaction prices allocated to unfulfilled (or partially fulfilled) performance obligations by the Group amounted to ¥123,933 million, mainly related to real estate sales in the Residential business and are generally expected to be recognized as revenue within three years from the end of the consolidated fiscal year.

At the end of the current consolidated fiscal year, transaction prices allocated to unfulfilled (or partially fulfilled) performance obligations by the Group amounted to ¥55,884 million, mainly related to real estate sales in the Residential business and are generally expected to be recognized as revenue within three years from the end of the consolidated fiscal year.

In making notes, the practical expedient method is applied, and contracts with initially expected contract periods of one year or less and contracts for which revenue from the fulfillment of performance obligations is recognized in accordance with Paragraph 19 of the Implementation Guidance are not included.

(Segment information, etc.)

Segment information

1. Overview of reportable segments

The Company's reportable segments are the Company's constituent units for which separate financial information is available and for which the Board of Directors conducts a regular review to determine the allocation of management resources and assess the business performance.

The Company has established business divisions according to the nature of its business, and each division formulates comprehensive strategies for the businesses it handles and develops business activities.

Therefore, the Company comprises business segments with the divisions as the basis and conducts the three (3) businesses of Commercial Properties Business, Residential Business, and Asset Service Business as its reportable segments.

In the Commercial Properties business, operations include developing, selling, leasing, operating, and managing office buildings, commercial facilities, logistics properties, etc. In the Residential business, operations include developing, subdividing, selling, leasing, and managing condominiums and other residential properties. In the Asset Service business, operations include real estate sales, brokerage, consulting and parking lot development and operations.

2. Method of accounting for operating revenue, profit (loss), assets, and other items by reportable segment

The accounting method for reportable business segments is the same as that described in "Notes (Significant matters that serve as the basis for preparing consolidated financial statements)." Inter-segment revenues and transfers are based on prevailing market prices.

3. Information on operating revenue, profit (loss), assets and other items by reportable segment

FY2022 (January 1, 2022 to December 31, 2022)

(Millions of yen)

| | Reportable segments | | | | Other Business (Note)1 | Total | Adjustment (Note)2 | Per consolidated financial statements (Note) 3 |
|--|--------------------------------|----------------------|------------------------|-----------|------------------------|-----------|--------------------|--|
| | Commercial Properties Business | Residential Business | Asset Service Business | Total | | | | |
| Operating revenue | | | | | | | | |
| External customers | 145,155 | 131,390 | 50,240 | 326,786 | 23,154 | 349,940 | — | 349,940 |
| Inter-segment transactions | 1,606 | 330 | 558 | 2,495 | 256 | 2,752 | (2,752) | — |
| Total | 146,761 | 131,721 | 50,799 | 329,282 | 23,410 | 352,693 | (2,752) | 349,940 |
| Segment profit | | | | | | | | |
| Operating profit | 40,910 | 23,304 | 7,399 | 71,615 | 2,518 | 74,133 | (9,655) | 64,478 |
| Share of profit (loss) of entities accounted for using equity method | 293 | — | — | 293 | 1,532 | 1,825 | — | 1,825 |
| Total | 41,204 | 23,304 | 7,399 | 71,908 | 4,050 | 75,959 | (9,655) | 66,304 |
| Segment assets | 1,142,724 | 269,870 | 85,999 | 1,498,594 | 99,806 | 1,598,401 | 121,733 | 1,720,134 |
| Other items | | | | | | | | |
| Depreciation | 13,651 | 1,514 | 2,363 | 17,528 | 1,042 | 18,571 | 225 | 18,796 |
| Investments in entities accounted for using equity method | 1,525 | — | — | 1,525 | 41,126 | 42,652 | — | 42,652 |
| Increase in property, plant and equipment and intangible assets | 23,307 | 1,357 | 1,519 | 26,184 | 635 | 26,819 | 74 | 26,893 |

(Notes) 1. The “Other” business segment is not included in reportable segments. “Other” includes businesses such as “Leisure business,” “Asset Management business,” and “Overseas businesses.”

2. (1) Adjustment of ¥(9,655) million for segment profit includes inter-segment elimination of ¥34 million and corporate expenses of ¥(9,689) million that are not distributed to the reportable segments. Corporate expenses are primarily general and administrative expenses that do not belong to the reportable segments.

(2) Adjustment of segment assets of ¥121,733 million includes the company-level assets of ¥205,259 million and inter-segment elimination of ¥(83,526) million. The company-level assets chiefly consist of the Company’s cash, deposits, investment securities and assets relating to corporate divisions.

3. Segment profit is adjusted with the sum of operating profit and share of profit (loss) of entities accounted for using equity method in the consolidated statement of income.

FY2023 (January 1, 2023 to December 31, 2023)

(Millions of yen)

| | Reportable segments | | | | Other Business (Note)1 | Total | Adjustment (Note)2 | Per consolidated financial statements (Note) 3 |
|--|--------------------------------|----------------------|------------------------|-----------|------------------------|-----------|--------------------|--|
| | Commercial Properties Business | Residential Business | Asset Service Business | Total | | | | |
| Operating revenue | | | | | | | | |
| External customers | 155,256 | 134,140 | 63,800 | 353,198 | 22,748 | 375,946 | — | 375,946 |
| Inter-segment transactions | 1,021 | 383 | 1,791 | 3,197 | 138 | 3,335 | (3,335) | — |
| Total | 156,278 | 134,524 | 65,592 | 356,395 | 22,886 | 379,282 | (3,335) | 375,946 |
| Segment profit | | | | | | | | |
| Operating profit | 38,483 | 27,155 | 12,907 | 78,546 | 2,204 | 80,750 | (10,242) | 70,508 |
| Share of profit (loss) of entities accounted for using equity method | 1,670 | (6) | — | 1,664 | 2,256 | 3,920 | — | 3,920 |
| Total | 40,153 | 27,149 | 12,907 | 80,210 | 4,460 | 84,670 | (10,242) | 74,428 |
| Segment assets | 1,210,526 | 298,805 | 87,764 | 1,597,096 | 126,056 | 1,723,152 | 182,156 | 1,905,309 |
| Other items | | | | | | | | |
| Depreciation | 14,933 | 1,805 | 2,508 | 19,248 | 996 | 20,244 | 213 | 20,457 |
| Investments in entities accounted for using equity method | 1,653 | — | — | 1,653 | 26,266 | 27,920 | — | 27,920 |
| Increase in property, plant and equipment and intangible assets | 40,710 | 884 | 1,307 | 42,902 | 2,522 | 45,425 | 86 | 45,512 |

(Notes) 1. The “Other” business segment is not included in reportable segments. “Other” includes businesses such as “Leisure business,” “Asset Management business,” and “Overseas businesses.”

2. (1) Adjustment of ¥(10,242) million for segment profit includes inter-segment elimination of ¥72 million and corporate expenses of ¥(10,314) million that are not distributed to the reportable segments. Corporate expenses are primarily general and administrative expenses that do not belong to the reportable segments.

(2) Adjustment of segment assets of ¥182,156 million includes the company-level assets of ¥272,891 million and inter-segment elimination of ¥(90,734) million. The company-level assets chiefly consist of the Company’s cash, deposits and investment securities and assets. relating to corporate divisions.

3. Segment profit is adjusted with the sum of operating profit and share of profit (loss) of entities accounted for using equity method in the consolidated statement of income.

Related information

FY2022 (January 1, 2022 to December 31, 2022)

1. Information by Product and Service

Information by product and service is omitted as similar information is stated in “3. Information on Operating Revenue, Profit (Loss), Assets and Other Items by Reportable Segment” in “Segment Information.”

2. Information by Region

(1) Operating revenue

Operating revenue is omitted because the amount of operating revenue to external customers in Japan exceeded 90% of the amount of operating revenue stated in the consolidated statement of income.

(2) Property, plant and equipment

Property, plant and equipment are omitted because the amount of property, plant and equipment located in Japan exceeded 90% of the amount of property, plant and equipment stated in the consolidated balance sheet.

3. Information by Major Customer

Information by major customer is omitted because the amount of operating revenue to specified customers, which is included in operating revenue to external customers, is less than 10% of the operating revenue stated in the consolidated statement of income.

FY2023 (January 1, 2023 to December 31, 2023)

1. Information by Product and Service

Information by product and service is omitted as similar information is stated in “3. Information on Operating Revenue, Profit (Loss), Assets and Other Items by Reportable Segment” in “Segment Information.”

2. Information by Region

(1) Operating revenue

Operating revenue is omitted because the amount of operating revenue to external customers in Japan exceeded 90% of the amount of operating revenue stated in the consolidated statement of income.

(2) Property, plant and equipment

Property, plant and equipment are omitted because the amount of property, plant and equipment located in Japan exceeded 90% of the amount of property, plant and equipment stated in the consolidated balance sheet.

3. Information by Major Customer

Information by major customer is omitted because the amount of operating revenue to specified customers, which is included in operating revenue to external customers, is less than 10% of the operating revenue stated in the consolidated statement of income.

Information on Impairment Losses of Non-Current Assets by Reportable Segment

FY2022 (January 1, 2022 to December 31, 2022)

(Millions of yen)

| | Reportable segments | | | | Other Business | Total | Reconciling items | Per consolidated financial statements |
|-------------------|---------------------------------------|----------------------|------------------------|-------|----------------|-------|-------------------|---------------------------------------|
| | Commercial Properties Business (Note) | Residential Business | Asset Service Business | Total | | | | |
| Impairment losses | 1,772 | — | 320 | 2,093 | 141 | 2,234 | — | 2,234 |

(Note) Includes ¥1,772 million recorded as loss on building reconstruction.

FY2023 (January 1, 2023 to December 31, 2023)

(Millions of yen)

| | Reportable segments | | | | Other Business | Total | Reconciling items | Per consolidated financial statements |
|-------------------|--------------------------------|----------------------|------------------------|-------|----------------|-------|-------------------|---------------------------------------|
| | Commercial Properties Business | Residential Business | Asset Service Business | Total | | | | |
| Impairment losses | — | — | 157 | 157 | — | 157 | — | 157 |

Information on Amortization of Goodwill and the Balance of Unamortized Goodwill by Reportable Segment

FY2022 (January 1, 2022 to December 31, 2022)

(Millions of yen)

| | Reportable segments | | | | Other Business | Total | Reconciling items | Per consolidated financial statements |
|----------------------------|--------------------------------|----------------------|------------------------|-------|----------------|-------|-------------------|---------------------------------------|
| | Commercial Properties Business | Residential Business | Asset Service Business | Total | | | | |
| Amortization during period | 221 | 62 | 33 | 317 | — | 317 | — | 317 |
| Balance at end of period | 1,511 | 205 | — | 1,716 | — | 1,716 | — | 1,716 |

FY2023 (January 1, 2023 to December 31, 2023)

(Millions of yen)

| | Reportable segments | | | | Other Business | Total | Reconciling items | Per consolidated financial statements |
|----------------------------|--------------------------------|----------------------|------------------------|-------|----------------|-------|-------------------|---------------------------------------|
| | Commercial Properties Business | Residential Business | Asset Service Business | Total | | | | |
| Amortization during period | 177 | 51 | — | 229 | — | 229 | — | 229 |
| Balance at end of period | 1,333 | 153 | — | 1,486 | — | 1,486 | — | 1,486 |

Information on Gain on Bargain Purchase by Reportable Segment

FY2022 (January 1, 2022 to December 31, 2022)

A gain on bargain purchase of ¥870 million was recognized in the Commercial Properties business. The gain on bargain purchase was recognized because the acquisition cost of Kasumigaseki Building No. 7 PFI Co., Ltd. was less than the net asset value at the time of the business merger when Kasumigaseki Building No. 7 PFI Co., Ltd. was consolidated.

FY2023 (January 1, 2023 to December 31, 2023)

Not applicable.

Information on related parties

FY2022 (January 1, 2022 to December 31, 2022)

Not applicable.

FY2023 (January 1, 2023 to December 31, 2023)

Not applicable.

(Per Share Information)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|---------------------------------|---|---|
| Net assets per share | ¥2,135.08 | ¥2,378.61 |
| Basic earnings (loss) per share | ¥206.15 | ¥215.82 |

(Note) 1. Diluted earnings per share is not shown because there are no potential dilutive shares.

2. In the calculation of net assets per share and basic earnings per share, the shares of the Company held by the Board Benefit Trust (BBT) are included in the treasury shares deducted in the calculation of the total number of shares outstanding at the end of the period and the average number of shares during the period. The number of shares outstanding at the end of the period of the concerned treasury shares deducted in the calculation of the total number of shares outstanding at the end of the period was 241,000 shares for FY2022 and 225,000 shares for FY2023, and the average number of shares during the period of the concerned treasury shares deducted in the calculation of the average number of shares during the period was 241,000 shares for FY2022 and 229,000 shares for FY2023.

3. The calculation basis for basic earnings per share is as shown below.

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|---|--|--|
| Basic earnings (loss) per share | | |
| Profit attributable to owners of parent (Millions of yen) | 43,062 | 45,084 |
| Amount not belonging to the holders of common shares (Millions of yen) | — | — |
| Profit attributable to owners of parent that pertain to common shares (Millions of yen) | 43,062 | 45,084 |
| Average number of common shares during the period (Thousands of shares) | 208,890 | 208,900 |

4. The calculation basis for net assets per share is as shown below.

| Item | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
|--|--------------------------------------|--------------------------------------|
| Total net assets (Millions of yen) | 456,838 | 508,035 |
| Amount of deduction from total net assets (Millions of yen) | 10,843 | 11,135 |
| [Non-controlling interests included in the above (Millions of yen)] | 10,843 | 11,135 |
| Net assets at the end of the period that pertain to common shares (Millions of yen) | 445,994 | 496,900 |
| Number of common shares at the end of the period, which were used for the calculation of net assets per share (Thousands of shares) | 208,889 | 208,903 |

(Major Subsequent Events)

Not applicable.

(v) Consolidated supplementary schedules

Schedule of corporate bonds

| Company name | Issuer name | Issue date | Balance at beginning of period (Millions of yen) | Balance at end of period (Millions of yen) | Interest rate (%) | Collateral | Redemption date | Remarks |
|--------------------------|---|-------------------|--|--|-------------------|------------|-------------------|---------|
| Tokyo Tatemono Co., Ltd. | 23rd Unsecured bond | May 6, 2016 | 10,000 | 10,000 | 0.63 | None | May 1, 2026 | |
| Tokyo Tatemono Co., Ltd. | 24th Unsecured bond | September 1, 2016 | 10,000 | 10,000 | 0.82 | None | September 1, 2031 | |
| Tokyo Tatemono Co., Ltd. | 25th Unsecured bond | March 22, 2017 | 10,000 | 10,000 | 0.52 | None | March 19, 2027 | |
| Tokyo Tatemono Co., Ltd. | 26th Unsecured bond | May 1, 2017 | 10,000 | 10,000 (10,000) | 0.40 | None | May 1, 2024 | |
| Tokyo Tatemono Co., Ltd. | 27th Unsecured bond | August 30, 2017 | 10,000 | 10,000 | 0.80 | None | August 30, 2032 | |
| Tokyo Tatemono Co., Ltd. | 28th Unsecured bond | February 22, 2018 | 10,000 (10,000) | — | 0.20 | None | February 22, 2023 | |
| Tokyo Tatemono Co., Ltd. | 29th Unsecured bond | February 22, 2018 | 10,000 | 10,000 | 0.48 | None | February 22, 2028 | |
| Tokyo Tatemono Co., Ltd. | 30th Unsecured bond | February 22, 2018 | 15,000 | 15,000 | 1.08 | None | February 22, 2038 | |
| Tokyo Tatemono Co., Ltd. | 1st Hybrid bond | March 15, 2019 | 30,000 | 30,000 | 1.66 | None | March 15, 2056 | |
| Tokyo Tatemono Co., Ltd. | 2nd Hybrid bond (Green bond) | March 15, 2019 | 50,000 | 50,000 | 2.15 | None | March 15, 2059 | |
| Tokyo Tatemono Co., Ltd. | 31st Unsecured bond (Sustainability bond) | July 16, 2020 | 20,000 | 20,000 | 0.22 | None | July 16, 2025 | |
| Tokyo Tatemono Co., Ltd. | 32nd Unsecured bond (Sustainability bond) | July 16, 2020 | 20,000 | 20,000 | 0.50 | None | July 16, 2030 | |
| Tokyo Tatemono Co., Ltd. | 3rd Hybrid bond (Sustainability bond) | February 10, 2021 | 40,000 | 40,000 | 1.13 | None | February 10, 2061 | |
| Tokyo Tatemono Co., Ltd. | 33rd Unsecured bond (Sustainability bond) | July 30, 2021 | 10,000 | 10,000 | 0.29 | None | July 28, 2028 | |
| Tokyo Tatemono Co., Ltd. | 34th Unsecured bond (Sustainability bond) | July 6, 2023 | — | 20,000 | 0.88 | None | July 6, 2033 | |
| Total | — | — | 255,000 (10,000) | 265,000 (10,000) | — | — | — | |

(Notes) 1. Of the balance at the end of the current fiscal year, those scheduled to be redeemed within one year are shown in parentheses.

2. Estimated total redemption amount per year within 5 years from the consolidated balance sheet date is as follows.

(Millions of yen)

| | Within one year | Over one year and within two years | Over two years and within three years | Over three years and within four years | Over four years and within five years |
|---------------|-----------------|------------------------------------|---------------------------------------|--|---------------------------------------|
| Bonds payable | 10,000 | 20,000 | 10,000 | 10,000 | 20,000 |

Schedule of borrowings, etc.

| Category | Balance at beginning of period (Millions of yen) | Balance at end of period (Millions of yen) | Average interest rate (%) | Due date |
|--|---|---|------------------------------|-------------------------------|
| Short-term borrowings | 107 | 106 | 0.50 | — |
| Current portion of long-term borrowings | 48,819 | 53,407 | 0.54 | — |
| Current portion of non-recourse long-term borrowings | 3,120 | 3,240 | 0.51 | — |
| Current portion of lease liabilities | 130 | 126 | — | — |
| Long-term borrowings (excluding loans to be settled within one year) | 501,890 | 589,833 | 0.70 | January 2025 to December 2043 |
| Non-recourse long-term borrowings (excluding loans to be settled within one year) | 128,629 | 125,389 | 0.51 | January 2029 to March 2030 |
| Lease liabilities (excluding lease liabilities to be repaid within one year) | 1,950 | 1,606 | — | March 2025 to February 2048 |
| Other interest-bearing debt | | | | |
| Commercial papers | 50,000 | 50,000 | 0.17 | — |
| Accounts payable – other (due within one year) | 202 | 202 | 0.69 | — |
| Long-term accounts payable – other (excluding current portion of long-term accounts payable) | 2,028 | 1,825 | 0.69 | September 2033 |
| Total | 736,879 | 825,739 | — | — |

(Notes) 1. The average interest rate is the weighted average of the interest rate at the end of the current period over the balance at the end of the current period.

2. The average interest rate for lease liabilities is not stated since consolidated subsidiaries that record lease liabilities on the consolidated balance sheet at amounts prior to deducting the amount equivalent to interest included in the total lease payments are included.

3. Lease liabilities due within one year are included in “other” current liabilities on the consolidated balance sheet, and lease liabilities due after one year are included in “other” non-current liabilities.

4. Long-term accounts payable – other in other interest-bearing debt are included in “other” non-current liabilities in the consolidated balance sheet.

5. The amounts of long-term accounts payable – other, non-recourse long-term borrowings, lease liabilities, and long-term accounts payable – other (excluding current portion of long-term accounts payable) due within five years from the consolidated balance sheet date are as follows.

(Millions of yen)

| | Over one year and within two years | Over two years and within three years | Over three years and within four years | Over four years and within five years |
|------------------------------------|------------------------------------|---------------------------------------|--|---------------------------------------|
| Long-term borrowings | 77,699 | 66,406 | 78,231 | 94,217 |
| Non-recourse long-term borrowings | 3,240 | 3,240 | 3,240 | 3,240 |
| Lease liabilities | 105 | 103 | 1,385 | 6 |
| Long-term accounts payable – other | 202 | 202 | 202 | 202 |

Schedule of asset retirement obligations

Disclosure is omitted as the value of asset retirement obligations at the beginning and end of the current consolidated fiscal year is no more than one-hundredth of the total liabilities and net assets at the beginning and end of the current consolidated fiscal year, respectively.

(2) Other

Quarter information, etc. in the current consolidated fiscal year

| (Cumulative period) | | 1st Quarter | 2nd Quarter | 3rd Quarter | Current consolidated FY |
|---|-------------------|-------------|-------------|-------------|-------------------------|
| Operating revenue | (Millions of yen) | 118,393 | 179,670 | 238,199 | 375,946 |
| Profit before income taxes | (Millions of yen) | 27,448 | 36,320 | 43,886 | 68,411 |
| Profit attributable to owners of parent | (Millions of yen) | 17,755 | 23,816 | 29,085 | 45,084 |
| Basic earnings (loss) per share | (yen) | 85.00 | 114.01 | 139.23 | 215.82 |

| (Accounting period) | | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---------------------------------|-------|-------------|-------------|-------------|-------------|
| Basic earnings (loss) per share | (yen) | 85.00 | 29.01 | 25.22 | 76.58 |

(Note) The Company has introduced a Board Benefit Trust (BBT), and the Company shares held by the trust, which are recorded as treasury shares in shareholders' equity, are included in treasury shares as a deduction in the calculation of the average number of shares outstanding during the period for the purpose of calculating basic earnings per share for the period.

2. Non-Consolidated Financial Statements

(1) Non-Consolidated Financial Statements

(i) Non-Consolidated Balance Sheet

(Millions of yen)

| | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
|---|--------------------------------------|--------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 58,954 | 96,917 |
| Trade accounts receivable | 7,499 | 8,354 |
| Investments in leases | 3,568 | 3,509 |
| Real estate for sale | 117,096 | *2 173,490 |
| Real estate for sale in process | *2 159,806 | *2 151,586 |
| Real estate for development | 80,899 | 100,479 |
| Advance payments to suppliers | 1,227 | 2,340 |
| Prepaid expenses | 2,555 | 2,562 |
| Short-term loans receivable | 24,190 | 22,356 |
| Other | 27,465 | 37,111 |
| Allowance for doubtful accounts | (68) | (33) |
| Total current assets | 483,195 | 598,675 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | *1, *2 136,762 | *1, *2 132,938 |
| Structures | *2 2,364 | *2 2,219 |
| Machinery and equipment | *2 997 | *2 1,084 |
| Vehicles | 92 | 116 |
| Tools, furniture and fixtures | *2 1,427 | *2 1,313 |
| Land | *1, *2 512,726 | *1, *2 504,687 |
| Leased assets | 1 | 7 |
| Construction in progress | 44,084 | *6 88,435 |
| Other, net | 2,429 | 2,432 |
| Total property, plant and equipment | 700,887 | 733,235 |
| Intangible assets | | |
| Leasehold interests in land | 39,262 | 36,870 |
| Other | 40 | 41 |
| Total intangible assets | 39,303 | 36,911 |
| Investments and other assets | | |
| Investment securities | *1 94,395 | *1 120,520 |
| Shares and Investments in capital of subsidiaries and associates | 84,226 | 79,099 |
| Investments in other securities of subsidiaries and associates | 14,669 | 13,673 |
| Investments in silent partnerships | 1,242 | 1,213 |
| Investments in silent partnerships of subsidiaries and associates | 60,113 | 59,343 |
| Long-term loans receivable from subsidiaries and associates | 24,326 | 30,680 |
| Leasehold and guarantee deposits | *2 11,957 | 11,829 |
| Other | 30,012 | 28,465 |
| Allowance for doubtful accounts | (77) | (72) |
| Allowance for investment loss | (738) | (738) |
| Total investments and other assets | 320,126 | 344,016 |
| Total non-current assets | 1,060,317 | 1,114,162 |
| Total assets | 1,543,513 | 1,712,838 |

(Millions of yen)

| | End of FY2022 (December 31, 2022) | End of FY2023 (December 31, 2023) |
|---|--------------------------------------|--------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Short-term borrowings | 74,575 | 82,887 |
| Commercial papers | 50,000 | 50,000 |
| Current portion of bonds payable | 10,000 | 10,000 |
| Lease liabilities | 12 | 14 |
| Accounts payable - other | *1 9,423 | *1 11,103 |
| Accrued expenses | 11,565 | 10,863 |
| Income taxes payable | 1,206 | 13,446 |
| Contract liabilities | 24,257 | 34,597 |
| Advances received | 3,504 | 4,103 |
| Deposits received | 14,130 | 11,694 |
| Provision for bonuses | 299 | 317 |
| Provision for environmental measures | 0 | — |
| Deposits received under real estate specified joint enterprise law | — | *2 11,300 |
| Other | *1 1,257 | *1 2,326 |
| Total current liabilities | 200,232 | 242,655 |
| Non-current liabilities | | |
| Bonds payable | 245,000 | 255,000 |
| Long-term borrowings | 504,129 | 590,029 |
| Lease liabilities | 20 | 12 |
| Deferred tax liabilities | 13,649 | 17,145 |
| Deferred tax liabilities for land revaluation | 27,274 | 27,274 |
| Provision for retirement benefits | 8,283 | 8,270 |
| Provision for share-based remuneration for directors (and other officers) | 259 | 282 |
| Provision for loss on guarantees | 3,293 | 4,210 |
| Leasehold and guarantee deposits received | *1 72,541 | *1 72,873 |
| Deposits received under real estate specified joint enterprise law | *2 21,684 | *2 10,447 |
| Asset retirement obligations | 2,338 | 2,343 |
| Other | *1 19,097 | *1 21,432 |
| Total non-current liabilities | 917,573 | 1,009,324 |
| Total liabilities | 1,117,805 | 1,251,979 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 92,451 | 92,451 |
| Capital surplus | | |
| Legal capital surplus | 63,729 | 63,729 |
| Other capital surplus | 0 | 0 |
| Total capital surplus | 63,729 | 63,729 |
| Retained earnings | | |
| Other retained earnings | | |
| Reserve for tax purpose reduction entry of replacement assets | 5,802 | 5,786 |
| Reserve for tax purpose reduction to promote open innovation | 75 | 75 |
| Retained earnings brought forward | 175,850 | 193,073 |
| Total retained earnings | 181,728 | 198,935 |
| Treasury shares | (448) | (425) |
| Total shareholders' equity | 337,461 | 354,691 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 45,059 | 62,980 |
| Revaluation reserve for land | 43,187 | 43,187 |
| Total valuation and translation adjustments | 88,247 | 106,168 |
| Total net assets | 425,708 | 460,859 |
| Total liabilities and net assets | 1,543,513 | 1,712,838 |

(ii) Non-Consolidated Statement of Income

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|--|---|---|
| Operating revenue | | |
| Revenue from commercial properties | 104,627 | 114,882 |
| Revenue from residential business | 111,318 | 113,285 |
| Revenue from other business | 1,437 | 1,477 |
| Total operating revenue | 217,383 | 229,645 |
| Operating costs | | |
| Cost of commercial properties | 68,412 | 80,487 |
| Cost of residential business | 76,208 | 74,002 |
| Cost of other business | 1,621 | 1,567 |
| Total operating cost | 146,242 | 156,057 |
| Operating gross profit | 71,141 | 73,588 |
| Selling, general and administrative expenses | *2 23,178 | *2 23,852 |
| Operating profit | 47,962 | 49,735 |
| Non-operating income | | |
| Interest and dividend income | 5,265 | 7,869 |
| Reversal of allowance for doubtful accounts | — | 4 |
| Other | 414 | 233 |
| Total non-operating income | 5,680 | 8,106 |
| Non-operating expenses | | |
| Interest expenses | 5,369 | 6,636 |
| Borrowing fee | 629 | 752 |
| Bond issuance costs | — | 105 |
| Dividends paid on real estate specified joint enterprise law | 94 | 87 |
| Provision for allowance for doubtful accounts | 0 | — |
| Other | 39 | 1,024 |
| Total non-operating expenses | 6,133 | 8,606 |
| Ordinary profit | 47,509 | 49,235 |

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|---|---|---|
| Extraordinary income | | |
| Gain on sale of non-current assets | 630 | 226 |
| Gain on sale of investment securities | 50 | — |
| Gain on sale of shares of subsidiaries and associates | — | 736 |
| Gain on sale of investments in capital of subsidiaries and associates | — | 2,190 |
| Total extraordinary income | 681 | 3,153 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 9 | — |
| Loss on retirement of non-current assets | 62 | 59 |
| Impairment losses | 22 | — |
| Loss on building reconstruction | 547 | — |
| Loss on valuation of investment securities | 50 | — |
| Provision for allowance for investment loss | 738 | — |
| Provision for loss on guarantees | 1,065 | 916 |
| Loss on dissolution of joint venture | — | *3 3,712 |
| Total extraordinary losses | 2,495 | 4,688 |
| Profit before income taxes | 45,694 | 47,700 |
| Income taxes-current | 10,280 | 19,708 |
| Income taxes-deferred | 3,390 | (4,272) |
| Total income taxes | 13,671 | 15,436 |
| Profit | 32,023 | 32,264 |

Operating Statement of Cost

(a) Statement of cost of commercial properties business

| Category | Note number | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) | |
|-------------------------------|-------------|---|--------------------------|---|--------------------------|
| | | Amount (Millions of yen) | Composition ratio (%) | Amount (Millions of yen) | Composition ratio (%) |
| Cost of real estate sales | *1 | 21,398 | 31.3 | 30,021 | 37.3 |
| Personnel expenses | *2 | 4,207 | 6.1 | 4,766 | 5.9 |
| Expenses, etc. | | 42,805 | 62.6 | 45,700 | 56.8 |
| Taxes and dues | *3 | (5,888) | | (7,331) | |
| Land and building rent | | (10,125) | | (8,867) | |
| Maintenance expenses | | (1,805) | | (1,987) | |
| Utilities | | (4,437) | | (4,751) | |
| Administrative expenses | | (7,732) | | (7,785) | |
| Depreciation and amortization | *4 | (10,228) | | (11,484) | |
| Total | | 68,412 | 100.0 | 80,487 | 100.0 |

*1 Cost of real estate sales is the direct cost of real estate sales and includes land costs, construction costs and incidental expenses. Costs are calculated on job-order cost system.

*2 Personnel expenses include legal welfare expenses.

*3 Taxes and dues mainly consist of property taxes.

*4 Depreciation and amortization includes depreciation and amortization of real estate for sale under lease.

(b) Statement of cost of residential business

| Category | Note number | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) | |
|-------------------------------|-------------|---|--------------------------|---|--------------------------|
| | | Amount (Millions of yen) | Composition ratio (%) | Amount (Millions of yen) | Composition ratio (%) |
| Cost of real estate sales | *1 | 71,769 | 94.2 | 69,704 | 94.2 |
| Personnel expenses | *2 | 263 | 0.3 | 283 | 0.4 |
| Expenses, etc. | | 4,175 | 5.5 | 4,014 | 5.4 |
| Land and building rent | | (1,787) | | (1,802) | |
| Administrative expenses | | (336) | | (362) | |
| Depreciation and amortization | *3 | (926) | | (1,096) | |
| Total | | 76,208 | 100.0 | 74,002 | 100.0 |

*1 Cost of real estate sales is the direct cost of real estate sales, including land costs, construction and development costs, and incidental expenses. The cost is calculated based on job-order cost system. Further, cost of real estate sales includes book value devaluation of real estate held for sale of ¥1,251 million in the previous fiscal year and ¥33 million in the current fiscal year.

*2 Personnel expenses include legal welfare expenses.

*3 Depreciation and amortization includes depreciation and amortization of real estate for sale under lease.

(c) Statement of cost of other business

| Category | Note number | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) | |
|----------------------------------|-------------|---|-----------------------------|---|-----------------------------|
| | | Amount (Millions of yen) | Composition ratio (%) | Amount (Millions of yen) | Composition ratio (%) |
| Personnel expenses | * | 706 | 43.5 | 707 | 45.1 |
| Expenses, etc. | | 915 | 56.5 | 859 | 54.9 |
| Land and building rent | | (174) | | (175) | |
| Depreciation and amortization | | (261) | | (267) | |
| Total | | 1,621 | 100.0 | 1,567 | 100.0 |

*Personnel expenses include legal welfare expenses.

(iii) Non-Consolidated Statement of Changes in Equity

FY2022 (January 1, 2022 to December 31, 2022)

(Millions of yen)

| | Shareholders' equity | | | | | | | | | |
|---|----------------------|-----------------------|-----------------------|-----------------------|---|--|-----------------------------------|-------------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | | | Retained earnings | | | | Treasury shares | Total shareholders' equity |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings | | | Total retained earnings | | |
| | | | | | Reserve for tax purpose reduction entry of replacement assets | Reserve for tax purpose reduction to promote open innovation | Retained earnings brought forward | | | |
| Balance at beginning of period | 92,451 | 63,729 | 0 | 63,729 | 5,817 | 75 | 163,751 | 169,644 | (443) | 325,381 |
| Changes during period | | | | | | | | | | |
| Dividends of surplus | | | | | | | (11,711) | (11,711) | | (11,711) |
| Profit | | | | | | | 32,023 | 32,023 | | 32,023 |
| Reversal of revaluation reserve for land | | | | | | | (8,228) | (8,228) | | (8,228) |
| Reversal of reserve for tax purpose reduction entry of replacement assets | | | | | (15) | | 15 | — | | — |
| Purchase of treasury shares | | | | | | | | | (4) | (4) |
| Disposal of treasury shares | | | 0 | 0 | | | | | 0 | 0 |
| Net changes in items other than shareholders' equity | | | | | | | | | | |
| Total changes during period | — | — | 0 | 0 | (15) | — | 12,099 | 12,083 | (4) | 12,079 |
| Balance at end of period | 92,451 | 63,729 | 0 | 63,729 | 5,802 | 75 | 175,850 | 181,728 | (448) | 337,461 |

| | Valuation and translation adjustments | | | Total net assets |
|---|---|------------------------------|---|------------------|
| | Valuation difference on available-for-sale securities | Revaluation reserve for land | Total valuation and translation adjustments | |
| Balance at beginning of period | 46,614 | 34,959 | 81,574 | 406,956 |
| Changes during period | | | | |
| Dividends of surplus | | | | (11,711) |
| Profit | | | | 32,023 |
| Reversal of revaluation reserve for land | | | | (8,228) |
| Reversal of reserve for tax purpose reduction entry of replacement assets | | | | — |
| Purchase of treasury shares | | | | (4) |
| Disposal of treasury shares | | | | 0 |
| Net changes in items other than shareholders' equity | (1,555) | 8,228 | 6,673 | 6,673 |
| Total changes during period | (1,555) | 8,228 | 6,673 | 18,752 |
| Balance at end of period | 45,059 | 43,187 | 88,247 | 425,708 |

FY2023 (January 1, 2023 to December 31, 2023)

(Millions of yen)

| | Shareholders' equity | | | | | | | | | |
|---|----------------------|-----------------------|-----------------------|-----------------------|---|--|-----------------------------------|-------------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | | | Retained earnings | | | | Treasury shares | Total shareholders' equity |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings | | | Total retained earnings | | |
| | | | | | Reserve for tax purpose reduction entry of replacement assets | Reserve for tax purpose reduction to promote open innovation | Retained earnings brought forward | | | |
| Balance at beginning of period | 92,451 | 63,729 | 0 | 63,729 | 5,802 | 75 | 175,850 | 181,728 | (448) | 337,461 |
| Changes during period | | | | | | | | | | |
| Dividends of surplus | | | | | | | (15,057) | (15,057) | | (15,057) |
| Profit | | | | | | | 32,264 | 32,264 | | 32,264 |
| Reversal of reserve for tax purpose reduction entry of replacement assets | | | | | (15) | | 15 | — | | — |
| Purchase of treasury shares | | | | | | | | | (3) | (3) |
| Disposal of treasury shares | | | 0 | 0 | | | | | 26 | 26 |
| Net changes in items other than shareholders' equity | | | | | | | | | | |
| Total changes during period | — | — | 0 | 0 | (15) | — | 17,222 | 17,207 | 22 | 17,229 |
| Balance at end of period | 92,451 | 63,729 | 0 | 63,729 | 5,786 | 75 | 193,073 | 198,935 | (425) | 354,691 |

| | Valuation and translation adjustments | | | Total net assets |
|---|---|------------------------------|---|------------------|
| | Valuation difference on available-for-sale securities | Revaluation reserve for land | Total valuation and translation adjustments | |
| Balance at beginning of period | 45,059 | 43,187 | 88,247 | 425,708 |
| Changes during period | | | | |
| Dividends of surplus | | | | (15,057) |
| Profit | | | | 32,264 |
| Reversal of reserve for tax purpose reduction entry of replacement assets | | | | — |
| Purchase of treasury shares | | | | (3) |
| Disposal of treasury shares | | | | 26 |
| Net changes in items other than shareholders' equity | 17,921 | — | 17,921 | 17,921 |
| Total changes during period | 17,921 | — | 17,921 | 35,150 |
| Balance at end of period | 62,980 | 43,187 | 106,168 | 460,859 |

Notes

(Significant accounting policies)

1. Valuation criteria and valuation method for material assets

(1) Valuation criteria and valuation method for securities

- (i) Held-to-maturity debt securities
Amortized cost method (straight-line method)
- (ii) Stocks of subsidiaries and affiliates
Cost method based on the moving average method
- (iii) Available-for-sale securities
Stocks and securities other than non-marketable equity securities, etc.
Fair value method (Unrealized gains and losses are included directly in net assets, and the cost of securities sold is determined by the moving average method.)
Non-marketable equity securities, etc.
Cost method based on the moving average method

(2) Valuation criteria and valuation method inventories

- (i) Real estate for sale: Specific Identification Inventory Valuation Method (The book value is written off due to a decline in profitability.)
- (ii) Real estate for sale in process: Same as above
- (iii) Real estate for development: Same as above

2. Depreciation method of non-current assets

(1) Property, plant and equipment (excluding lease assets)

- (i) Buildings: Straight-line method
- (ii) Structures: Same as above
- (iii) Machinery and equipment: Same as above
- (iv) Vehicles: Declining-balance method
- (v) Tools, furniture and fixtures: same as above

(2) Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized by the straight-line method based on the usable period in the Company (5 years).

(3) Leased assets

- (i) Leased assets related to finance lease transactions that transfer ownership
Depreciation is computed by the same method as that applied to non-current assets owned by the Company.
- (ii) Leased assets related to non-ownership-transfer lease transactions
Depreciated using the straight-line method regarding the lease period as the useful life and assuming the residual value as zero.

3. Recording criteria for allowances

(1) Allowance for doubtful accounts

To prepare for losses due to bad debts, the Company reports the expected non-collectible amount using the loan loss ratio for general claims and individually examines the collectability of claims with a possibility of default and bankruptcy or reorganization claims. In the event that an allowance for doubtful accounts has been established for the entire amount of claims in bankruptcy, reorganization, or other similar claims, the allowance for doubtful accounts is directly deducted from the claims. As of the end of the previous fiscal year and the end of the current fiscal year, the amount of receivables that fall under this criterion was ¥2,698 million.

(2) Allowance for investment loss

To provide for possible losses on investments in subsidiaries, the Company records an amount deemed necessary, taking into consideration the financial position and expected future recovery of such investments.

(3) Provision for bonuses

Accrued bonuses to employees are provided for the portion of estimated bonuses to be paid in the current fiscal year.

(4) Reserve for retirement benefits

To provide for the payment of retirement benefits to employees, the Company accrues an estimated amount of retirement benefit obligations and plan assets at the end of the current fiscal year. Actuarial gains and losses of retirement benefits are amortized from the following fiscal year using the straight-line method over a fixed number of years (10 years) within the employee's average remaining years of service.

(5) Provision for share-based remuneration for directors (and other officers)

To provide for the payment of the Company's shares to the Directors and Audit & Supervisory Board Members in accordance with the Company's "Regulations of Directors' Equity Benefit," the Company records an amount based on the estimated amount of liabilities for share benefits as of the end of the current fiscal year.

(6) Provision for loss on guarantees

Accrued losses on guarantees are provided for based on the actual financial condition of the principal debtor.

(7) Provision for environmental measures

To provide for expenditures for the disposal of polychlorinated biphenyls (PCBs) and other wastes, the Company records an amount reasonably estimated to be required.

4. Basis for recognition of revenue and expense

(1) Accounting Standard for Revenue Recognition

The main performance obligations in the Company's main businesses related to revenues arising from contracts with customers and the usual point in time at which such performance obligations are satisfied (the usual point in time at which revenues are recognized) are as follows.

In the Commercial Properties business, the Company mainly develops, sells, leases, and operates office buildings, commercial facilities, and logistics facilities and has obligations to deliver real estate based on contracts with customers, to lease real estate, and to provide services stipulated in the contracts with customers.

In the Residential business, the Company mainly develops, subdivides, sells, leases, and operates condominiums, etc., and is obligated to deliver real estate based on contracts with customers, lease real estate, and provide services stipulated in contracts with customers.

Of these performance obligations, the delivery obligation is satisfied at the time the property is delivered to the customer, and revenue is recognized at the time of delivery. The transaction price is determined based on the amount in the contract with the customer and is received at the time stipulated in the contract. With respect to sales of condominiums and other properties, a deposit is usually received as part of the transaction price at the time the contract is concluded, and the balance is received at the time of delivery of the property.

Conversely, obligations to provide services and other items stipulated in the contract with customers are fulfilled at a point in time or over a certain period of time, depending on the nature of the service, whereby the Company records revenues. Transaction values are determined by consignment contracts with customers and are received based on said contracts.

For obligations to lease real estate based on contracts with customers, etc., revenue is recorded in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13; March 30, 2007).

In relation to the above performance obligations, no significant financial component is included in the amount of compensation.

Furthermore, no significant variable consideration is recognized that could cause the amount of consideration to vary.

(2) Recognition of revenues from finance lease transactions

Sales and cost of sales are recognized at the time of receipt of lease payments.

5. Other matters that serve as the basis for preparing non-consolidated financial statements

(1) Treatment of deferred assets

Bond issuance costs

The entire amount is expensed at the time of expenditure.

(2) Hedge accounting method

(i) Hedge accounting method

Interest rate swaps that meet the requirements for special treatment are accounted for using the special treatment, while other interest rate swaps are accounted for using the deferred hedge method.

(ii) Hedging instruments and hedged items

Hedging instrument: Interest rate swaps

Hedged items: Borrowings

(iii) Hedging policy

The Company enters into interest rate swaps to hedge the impact of interest rate fluctuations on earnings and does not enter into such swaps for speculative purposes.

(iv) Method of assessing hedge effectiveness

During the period from the inception of the hedge to the point at which its effectiveness is assessed, the Company compares the cumulative changes in cash flows of the hedging instrument with the cumulative changes in cash flows of the hedged item to determine its effectiveness. However, the effectiveness of interest rate swaps for which special treatment is applied is not assessed.

(3) Accounting for Retirement Benefits

The accounting method for unrecognized actuarial gains and losses and unrecognized past service costs related to retirement benefits differs from the method used in the consolidated financial statements.

(Significant accounting estimates)

1. Valuation of non-current assets

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

| | (Millions of yen) | |
|-------------------------------|-------------------|---------|
| | FY2022 | FY2023 |
| Property, plant and equipment | 700,887 | 733,235 |
| Intangible assets | 39,303 | 36,911 |
| Impairment losses (Note) | 569 | — |

(Note) The previous fiscal year includes ¥547 million recorded as loss on building reconstruction.

(2) Matters related to significant accounting estimates for identified items

The calculation method of the amount of (1) is the same as that described in “1. Valuation of non-current assets” in “(1) Notes to Consolidated Financial Statements (Significant accounting estimates)” of “1. Consolidated Financial Statements.”

2. Valuation of inventories

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

| | (Millions of yen) | |
|---------------------------------|-------------------|---------|
| | FY2022 | FY2023 |
| Real estate for sale | 117,096 | 173,490 |
| Real estate for sale in process | 159,806 | 151,586 |
| Real estate for development | 80,899 | 100,479 |
| Loss on valuation of inventory | 1,251 | 33 |

(2) Matters related to significant accounting estimates for identified items

The calculation method of the amount of (1) is the same as that described in “2. Valuation of inventories” in “(1) Notes to Consolidated Financial Statements (Significant accounting estimates)” of “1. Consolidated Financial Statements.”

3. Valuation of shares and investments in capital of subsidiaries and associates

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

| | (Millions of yen) | |
|--|-------------------|--------|
| | FY2022 | FY2023 |
| Shares and Investments in capital of subsidiaries and associates | 84,226 | 79,099 |
| Allowance for investment loss (Non-current assets) | (738) | (738) |
| Allowance for investment loss (Extraordinary loss) | 738 | — |

(2) Matters related to significant accounting estimates for identified items

(i) Method of calculation of the amount stated above under (1)

Shares and investments in subsidiaries and associates are stated at cost on the balance sheet. When the actual value of such shares and investments in subsidiaries and affiliates declines significantly due to deterioration in the relevant company’s financial condition, a corresponding reduction in value is made, and the valuation difference is recognized as a loss for the period.

Further, when the actual value has not yet reached a situation where it has declined significantly but has declined to some extent, an amount equivalent to the decline is recorded in the allowance for investment loss.

(ii) Key assumptions used in significant accounting estimates

The key assumptions used in the calculation of the actual value are those used in the valuation of the real estate held by each project company, which are described in “3. Valuation of investments in overseas entities accounted for using equity method,” “(1) Notes to Consolidated Financial Statements (Significant accounting estimates)” of “1. Consolidated Financial Statements.”

(iii) Effect of significant accounting estimates on the financial statements for the fiscal year following the current fiscal year

In valuing stocks and investments in subsidiaries and associates, the best estimates are made based on the key assumptions mentioned above in (ii). In the event of changes in the business environment or other factors that alter the assumptions used above, losses may need to be recognized in the following fiscal year or later.

4. Provision for loss on guarantees for loans of Yangon Museum Development Pte. Ltd. (below, “YMD”)

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

| | (Millions of yen) | |
|--|-------------------|--------|
| | FY2022 | FY2023 |
| Total amount of debt guarantees | 6,688 | 6,535 |
| Provision for loss on guarantees (Liabilities) | 3,293 | 4,210 |
| Provision for loss on guarantees (Extraordinary loss) | 1,065 | 916 |

(2) Matters related to significant accounting estimates for identified items

(i) Method of calculation of the amount stated above under (1).

The Company guarantees the borrowings of YMD, an entity accounted for using equity method. The Company estimates the amount of losses to be borne by YMD based on the valuation of fixed non-current assets held by Y Complex Co., Ltd. (“YC”), an entity accounted for using equity method of the Company, in which YMD has a stake, taking into consideration YMD’s financial position, and posts an amount equivalent to the Company’s share of YMD’s excess liabilities as a provision for loss on guarantees.

(ii) Key assumptions used in significant accounting estimates

The key assumptions used in the calculation of the amount of losses are those used in the valuation of the non-current assets held by YC, which are described in “3. Valuation of investments in overseas entities accounted for using equity method,” “(1) Notes to Consolidated Financial Statements (Significant accounting estimates)” of “1. Consolidated Financial Statements.”

(iii) Effect of significant accounting estimates on the financial statements for the fiscal year following the current fiscal year

Provision for loss on guarantees is based on the best estimate based on the key assumptions described in (ii) above. In the event of changes in the business environment or other changes in the assumptions and other factors described above, additional provisions may be required in the following fiscal year or later.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement, etc. policies)

We have applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31; June 17, 2021; below, “Implementation Guidance on Accounting Standard for Fair Value Measurement”) from the beginning of the current fiscal year, and we will apply the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

The impact of the application of the Accounting Standard for Fair Value Measurement on the financial statements for the current fiscal year is immaterial.

(Additional Information)

(Board Benefit Trust (BBT))

For the purpose of raising awareness of the need to contribute to medium- and long-term growth in corporate value, the Company has introduced a stock compensation plan, the “Board Benefit Trust (BBT),” for Directors (excl. External Directors) and Managing Officers who do not concurrently serve as Directors of the Company (hereinafter collectively referred to as “Directors, etc.”). For details, please refer to “(1) Notes to Consolidated Financial Statements (Additional Information)” of “1. Consolidated Financial Statements.”

(Matters related to the balance sheet)

*1. Assets pledged as collateral and liabilities related to collateral are as follows.

| Assets pledged as collateral | | |
|------------------------------|---------------------|---------------------|
| | (Millions of yen) | |
| | FY2022 | FY2023 |
| | (December 31, 2022) | (December 31, 2023) |
| Buildings | 4,948 | 4,626 |
| Land | 19,166 | 19,166 |
| Total | 24,115 | 23,792 |

| Liabilities related to collateral | | |
|---|---------------------|---------------------|
| | (Millions of yen) | |
| | FY2022 | FY2023 |
| | (December 31, 2022) | (December 31, 2023) |
| Accounts payable - other | 202 | 202 |
| Other (Current liabilities) | 16 | 16 |
| Leasehold and guarantee deposits received | 126 | 109 |
| Other (Non-current liabilities) | 2,028 | 1,825 |
| Total | 2,374 | 2,154 |

Other than the above, ¥305 million of investment securities were pledged as collateral for guarantees of borrowings of funds by affiliated companies in the previous and current fiscal years, respectively.

*2. Relevant real estate, etc. outlined in the real estate specified joint enterprise law (silent partnership method) is as follows.

| | (Millions of yen) | |
|----------------------------------|---------------------|---------------------|
| | FY2022 | FY2023 |
| | (December 31, 2022) | (December 31, 2023) |
| Real estate for sale | — | 8,488 |
| Real estate for sale in process | 10,307 | 7,620 |
| Buildings, etc. | 1,132 | 1,064 |
| Land | 2,826 | 2,826 |
| Leasehold and guarantee deposits | 40 | — |
| Total | 14,307 | 20,000 |

The corresponding investment received is recorded in “deposits received under real estate specified joint enterprise law.”

3. Guarantee liabilities and related values are as follows.

| | (Millions of yen) | |
|--|---------------------|---------------------|
| | FY2022 | FY2023 |
| | (December 31, 2022) | (December 31, 2023) |
| Liable for guarantees on loans to its customers | 4,481 | 768 |
| Liable for guarantees on loans to overseas affiliated companies | | |
| Yangon Museum Development Pte. Ltd. | 3,394 | 2,324 |
| Raimon Land Twenty Six Co., Ltd. | 340 | — |
| Raimon Land Sathorn Co., Ltd. | 2,021 | — |
| PT Dharma Tatemono Property | | |
| PT Dharma Tatemono Residences (Note) | 11,479 | — |
| Liable for guarantees on loans to transactions with affiliated companies | | |
| E-State Online Co., Ltd. | 23 | 14 |
| Nihon Parking Corporation | 4 | 4 |
| Liable for guarantees on loans to business partner | | |
| Maekawa Inc. | 302 | 1,757 |
| Setoda Resort Co., Ltd. | 30 | 30 |
| Total | 22,077 | 4,900 |

(Note) Indicates the total amount of joint guarantees.

4. Contingent liabilities related to debt assumption contract for bonds

Debt performance for the following bonds has been delegated based on a trust-type debt assumption agreement (debt assumption agreement) for the bonds with a financial institution. Accordingly, the Company's obligation to redeem the bonds to the bondholders will continue to exist until the bonds are redeemed, notwithstanding the offsetting elimination of the debt related to the bonds and the amount payable under said agreement.

| | (Millions of yen) | |
|---------------------|---------------------|---------------------|
| | FY2022 | FY2023 |
| | (December 31, 2022) | (December 31, 2023) |
| 18th Unsecured bond | 15,000 | — |
| Total | 15,000 | — |

5. Monetary receivables and payables to subsidiaries and affiliates (excluding those presented separately) are as follows.

| | (Millions of yen) | |
|---------------------------------|---------------------|---------------------|
| | FY2022 | FY2023 |
| | (December 31, 2022) | (December 31, 2023) |
| Short-term monetary receivables | 27,271 | 26,601 |
| Long-term monetary receivables | 2,309 | 2,202 |
| Short-term monetary payables | 30,381 | 32,053 |
| Long-term monetary payables | 4,815 | 5,608 |

*6 Reduction entry amount deducted from the acquisition cost for non-current assets due to the conversion of rights in connection with a Type 1 Urban Redevelopment Project under the Urban Renewal Act is as follows.

| | (Millions of yen) | |
|--------------------------|---------------------|---------------------|
| | FY2022 | FY2023 |
| | (December 31, 2022) | (December 31, 2023) |
| Construction in progress | — | 17,164 |

(Matters related to the statement of income)

1. Transactions with subsidiaries and affiliates are as follows.

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|--|---|---|
| Transactions related to operating revenue | 12,803 | 14,031 |
| Transactions related to operating expenses | 16,434 | 14,650 |
| Non-operating transactions | 2,343 | 3,846 |

*2. Selling expenses accounted for 55.9% and 54.3% in the previous and current fiscal years, respectively, and general and administrative expenses accounted for 44.1% and 45.7% in the previous and current fiscal years, respectively.

Major items and figures of selling, general and administrative expenses are as follows.

(Millions of yen)

| | FY2022 (Jan. 1, 2022 to Dec. 31, 2022) | FY2023 (Jan. 1, 2023 to Dec. 31, 2023) |
|-----------------------------|---|---|
| Advertising expenses | 3,492 | 3,577 |
| Sale Miscellaneous expenses | 3,006 | 2,324 |
| Salaries | 4,900 | 5,060 |
| Taxes and dues | 3,551 | 2,953 |

*3 Loss on dissolution of joint venture

The loss on dissolution of joint venture is related to the termination of the joint venture agreements with the joint venture partners due to the conversion of PT Dharma Tatemono Property and PT Dharma Tatemono Residences into subsidiaries.

(Matters related to securities)

Shares of subsidiaries and associates

FY2022 (December 31, 2022)

The fair values of shares of subsidiaries and associates are not stated as they do not have market prices.

FY2023 (December 31, 2023)

The fair values of shares of subsidiaries and associates are not stated as they do not have market prices.

(Note) Book value of non-marketable equity securities and other securities on the balance sheet

(Millions of yen)

| Category | FY2022 (December 31, 2022) | FY2023 (December 31, 2023) |
|------------------------|-------------------------------|-------------------------------|
| Shares of subsidiaries | 57,331 | 61,395 |
| Shares of associates | 47 | 47 |
| Total | 57,379 | 61,443 |

(Matters related to tax effect accounting)

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

| | (Millions of yen) | |
|---|-------------------------------|-------------------------------|
| | FY2022 (December 31, 2022) | FY2023 (December 31, 2023) |
| Deferred tax assets | | |
| Provision for retirement benefits | 2,534 | 2,530 |
| Impairment losses | 8,209 | 8,162 |
| Loss on valuation of real estate for sale | 822 | 665 |
| Loss on valuation of shares of subsidiaries and associates, etc. | 5,817 | 5,621 |
| Excess allowance for doubtful accounts | 870 | 857 |
| Unrealized gains (losses) on distributions from silent partnerships | 2,066 | 1,983 |
| Compensation income | 704 | 1,964 |
| Provision for loss on guarantees | 1,007 | 1,288 |
| Depreciation of real estate for sale | 1,366 | 1,880 |
| Other | 3,946 | 7,931 |
| Subtotal of deferred tax assets | 27,345 | 32,887 |
| Valuation allowance | (17,644) | (18,880) |
| Total deferred tax assets | 9,700 | 14,006 |
| Deferred tax liabilities | | |
| Valuation difference on available-for-sale securities | (19,424) | (27,192) |
| Reserve for tax purpose reduction entry of replacement assets | (2,558) | (2,551) |
| Other | (1,367) | (1,408) |
| Total deferred tax liabilities | (23,350) | (31,152) |
| Net deferred tax assets (liabilities) | (13,649) | (17,145) |

(Change in presentation method)

The “depreciation of real estate for sale,” which was included in “Other” in the previous fiscal year, is presented as a separate line item in the current fiscal year due to its increased materiality. On the other hand, the “Loss on valuation of investment securities,” which was separately presented in the previous fiscal year, is included in “Other” in the current fiscal year due to its decreased materiality. The notes for the previous fiscal year have been reclassified to reflect this change in presentation.

2. Breakdown by major cause when there is a significant difference between statutory tax rate and effective tax rate

| | FY2022 (December 31, 2022) | FY2023 (December 31, 2023) |
|---|-------------------------------|-------------------------------|
| Statutory tax rate | — | 30.6% |
| (Adjustment) | | |
| Increase (decrease) in valuation allowance | — | 2.6 |
| Entertainment expense(s) and other items not permanently deductible for income tax purposes | — | 2.8 |
| Dividends income and other items not permanently includable in income | — | (3.4) |
| Foreign withholding tax | — | 0.6 |
| Foreign tax credit | — | (0.4) |
| Other | — | (0.4) |
| Effective tax rate | — | 32.4 |

(Note) In the previous fiscal year, the difference between the statutory tax rate and the effective tax rate after the application of tax effect accounting was less than 5% of the statutory tax rate; thus, notes are omitted.

(Revenue-recognition related)

Notes have been omitted as information that forms the basis for understanding revenue from contracts with customers is identical to “(1) Notes to Consolidated Financial Statements (Revenue-recognition)” of “1. Consolidated Financial Statements.”

(Major Subsequent Events)

Not applicable.

(iv) Supplementary schedules

Schedule of property, plant and equipment

(Millions of yen)

| Category | Asset type | Book value, the beginning of period | Increase in the current year | Decrease in the current year | Depreciation in the current year | Book value, the end of period | Accumulated depreciation |
|----------------------------------|--|---|------------------------------------|------------------------------------|--|-------------------------------------|-----------------------------|
| Property, plant and equipment | Buildings | 136,762 | 5,337 | 589 | 8,570 | 132,938 | 117,214 |
| | Structures | 2,364 | 87 | 2 | 230 | 2,219 | 7,911 |
| | Machinery and equipment | 997 | 220 | 0 | 134 | 1,084 | 2,824 |
| | Vehicles | 92 | 65 | 0 | 41 | 116 | 812 |
| | Tools, furniture and fixtures | 1,427 | 393 | 1 | 505 | 1,313 | 4,736 |
| | Land | 512,726 [61,102] | 16,314 | 24,354 [5,190] | — | 504,687 [55,911] | — |
| | Leased assets | 1 | 7 | — | 1 | 7 | 4 |
| | Construction in progress | 44,084 [9,360] | 44,847 [5,190] | 495 | — | 88,435 [14,551] | — |
| | Other property, plant and equipment | 2,429 | 3 | — | — | 2,432 | — |
| | Total | 700,887 | 67,277 | 25,444 | 9,485 | 733,235 | 133,503 |
| Intangible assets | Leasehold interests in land | 39,262 | 0 | 2,392 | — | 36,870 | — |
| | Other | 40 | 3 | — | 2 | 41 | 344 |
| | Total | 39,303 | 3 | 2,392 | 2 | 36,911 | 344 |

(Notes) 1. Figures in [] in the “Book value, the beginning of period,” “Increase in the current year,” “Decrease in the current year,” and “Book value, the end of period” columns represent the difference between the book value of the land before revaluation conducted in accordance with the Order for Enforcement of the Act on Revaluation of Land (1998, Law No. 34). The increase in the current year and decrease in the current year are due to transfers between accounts in connection with the conversion of rights in the Type 1 Urban Area Redevelopment Project.

2. Major items in “Increase in the current year” are as follows

| | | |
|-----------------------------|--|-----------------|
| Construction in progress | Transfer in connection with the rights exchange procedures and participating committee members’ contributions, etc. in the Yaesu 1-chome North District Category 1 Urban Redevelopment Project | ¥32,643 million |
| Construction in progress | Participating committee members’ contributions, etc. in Type-1 Urban Redevelopment Project for Yaesu 1-Chome East Area in Front of Tokyo Station (District B) | ¥7,699 million |

3. Major items in “Decrease in the current year” are as follows

| | | |
|------|--|-----------------|
| Land | Transferred to construction in progress in connection with the rights exchange procedures in the Yaesu 1-chome North District Category 1 Urban Redevelopment Project | ¥23,920 million |
|------|--|-----------------|

Schedule of allowances

(Millions of yen)

| Category | Balance at beginning of period | Increase in the current year | Decrease in the current year | Balance at end of period |
|---|--------------------------------|------------------------------|------------------------------|--------------------------|
| Allowance for doubtful accounts | 145 | 65 | 106 | 105 |
| Allowance for investment loss | 738 | — | — | 738 |
| Provision for bonuses | 299 | 317 | 299 | 317 |
| Provision for share-based remuneration for directors (and other officers) | 259 | 86 | 63 | 282 |
| Provision for loss on guarantees | 3,293 | 916 | — | 4,210 |
| Provision for environmental measures | 0 | — | 0 | — |

(2) Major assets and liabilities

Statement is omitted as the Company prepared the consolidated financial statements.

(3) Other

Not applicable.

VI. Stock-Related Administration for the Company

| | |
|---|---|
| Fiscal year | From January 1 to December 31 |
| Ordinary General Meeting of Shareholders | To be held in March |
| Record date | December 31 |
| Record date for distribution of surplus | Interim dividend: June 30 Year-end dividend: December 31 |
| Number of shares constituting one unit | 100 shares |
| Purchase and sale of shares of less than one unit | |
| Office for handling business | (Special account) 1-3-3, Marunouchi, Chiyoda-ku, Tokyo Head Office Transfer Agent Department Mizuho Trust & Banking Co., Ltd. |
| Transfer agent | (Special account) 1-3-3, Marunouchi, Chiyoda-ku, Tokyo Mizuho Trust & Banking Co., Ltd. |
| Forwarding office | — |
| Handling charge for purchase and sale | Separately determined amount equivalent to commissions related to brokerage of stock transactions |
| Method of Public Notice | The Company carries out its public notifications by means of electronic public notice. However, in the event that it is not possible to provide electronic public notice due to an accident or other unavoidable reason, public notice shall be provided in the Nihon Keizai Shimbun published in Tokyo. Electronic public notices are posted on the Company's website, and the URL is as follows. https://www.tatemono.com/ir/ |
| Special benefit for shareholders | None |

(Notes) 1. Fees may not be charged in the event of a reverse stock split or a split of share certificates into trading units.

2. The Company's Articles of Incorporation stipulate that shareholders of the Company may not exercise any rights other than the following rights with respect to their shares constituting less than one unit.

- (1) Rights stipulated in each item of Paragraph 2, Article 189 of the Companies Act.
- (2) The right to make a request pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act.
- (3) Right to receive an allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by the shareholder.
- (4) Right to request the sale of the number of shares that, together with the number of shares of less than one unit held by the shareholder, will constitute one unit of shares.

VII. Reference Information on the Company

1. Information on the Parent Company

The Company has no parent company.

2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the current fiscal year to the filing date of the Annual Securities Report.

(1) Annual Securities Report and the attachments thereto, and Confirmation Letter

Fiscal Year (205th Fiscal Year) (From January 1, 2022 to December 31, 2022)

March 29, 2023

Filed with the Director-
General of Kanto Local
Finance Bureau

(2) Internal Control Report and the attachments thereto

March 29, 2023

Filed with the Director-
General of Kanto Local
Finance Bureau

(3) Quarterly Report and Confirmation Letter

1st quarter of 206th Fiscal Year (from January 1, 2023 to March 31, 2023)

May 12, 2023

Filed with the Director-
General of Kanto Local
Finance Bureau

2nd quarter of 206th Fiscal Year (from April 1, 2023 to June 30, 2023)

August 10, 2023

Filed with the Director-
General of Kanto Local
Finance Bureau

3rd quarter of 206th Fiscal Year (from July 1, 2023 to September 30, 2023)

November 10, 2023

Filed with the Director-
General of Kanto Local
Finance Bureau

(4) Amended Shelf Registration Statement (Bonds)

April 3, 2023

October 12, 2023

Filed with the Director-
General of Kanto Local
Finance Bureau

(5) Supplement to Shelf Registration Statement (Bonds) and attachments thereto

June 30, 2023

Filed with the Director-
General of Kanto Local
Finance Bureau

(6) Extraordinary Report

This is an extraordinary report pursuant to the provisions of Article 19, Paragraph 2, Item 9-2 (Results of the Exercise of Voting Rights at the General Meeting of Shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs.

April 3, 2023

Filed with the Director-
General of Kanto Local
Finance Bureau

This is an extraordinary report pursuant to the provisions of Article 19, Paragraph 2, Item 3 (Changes in Specified Subsidiaries) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

October 12, 2023
Filed with the Director-
General of Kanto Local
Finance Bureau

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

Not applicable.

(For Translation Purposes Only)

Independent Auditor's Report

March 27, 2024

The Board of Directors

Tokyo Tatemono Co., Ltd.:

Ernst & Young ShinNihon LLC.

Tokyo, Japan

| | | |
|--|-----------------------------------|--------------|
| Designated and Engagement Partner Managing Partner | Certified Public Accountant | Yuji Mukaide |
|--|-----------------------------------|--------------|

| | | |
|--|-----------------------------------|------------|
| Designated and Engagement Partner Managing Partner | Certified Public Accountant | Koji Ojima |
|--|-----------------------------------|------------|

<Audit of Financial Statements>

Opinion

In order to provide audit certification pursuant to Paragraph 1 of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Tokyo Tatemono Co., Ltd. for the fiscal year (from January 1, 2023 to December 31, 2023), provided in the "Financial Information," which comprises the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows, significant matters that serve as the basis for preparing consolidated financial statements, other notes, and consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Tokyo Tatemono Co., Ltd. and its consolidated subsidiaries as of December 31, 2023, as well as its consolidated financial performance and consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the requirements for professional ethics in Japan, and we have fulfilled our other ethical responsibilities as Auditors. 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 matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current consolidated fiscal year. 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.

| Recognition of revenue from real estate sales transactions (excluding housing sales) | |
|--|---|
| Description of Key Audit Matter | Auditor's Response |
| <p>Tokyo Tatemono Co., Ltd. (the "Company") and its consolidated subsidiaries engage in real estate sales transactions.</p> <p>Revenue from real estate sales transactions is included in "Real estate sales" (38,643 million yen in Commercial Properties, 104,693 million yen in Residential, and 25,248 million yen in Asset Service) that is part of "1. Information that disaggregates revenue from contracts with customers" under "Revenue-recognition" in the notes to the consolidated financial statements for the fiscal year ended December 31, 2023.</p> <p>Generally, real estate sales transactions (excluding housing sales) are highly individual in nature and the transaction amounts are large. Such transactions involve the risk that revenue is inappropriately recognized, despite substantially all the risks and rewards of ownership having not been transferred, due to the Company and its consolidated subsidiaries continuing to be involved with the real estate through, for example, entrustment of management after the sale of real estate and provision of substantial guarantees of future cash flows from the transferred real estate.</p> <p>Accordingly, we have determined that real estate sales transactions (excluding housing sales) represent a key audit matter.</p> | <p>We mainly performed the following procedures for real estate sales transactions (excluding housing sales) to test for the risk that revenue is inappropriately recognized.</p> <ul style="list-style-type: none"> • In order to consider transactions as a whole, the attributes of transaction counterparties, and whether there is continued involvement in real estate after it is sold, as well as the details of such involvement, we inspected sales contracts, requests for approval, minutes of meetings of the board of directors, and external information such as websites and the like. • In order to test transaction amounts, we compared such amounts with peripheral transactions and real estate appraisals. • In inspecting real estate appraisals, we compared the future cash flows underlying such real estate appraisals with publicly available market information and earnings from the real estate holding period. Further, we compared discount rates with publicly available peripheral cases. • In order to consider the impact of whether there is continued involvement in real estate after it is sold, as well as the details of such involvement, on the transfer of the risks and rewards of ownership, we inspected sale contracts and other related contracts and made inquiries of management and the relevant divisions. • In order to test the facts of transactions, we inspected supporting documents related to cash receipts and the company register. |

| Valuation of real estate for sale in process received as a result of the termination of the Indonesia business joint venture | |
|--|--|
| Description of Key Audit Matter | Auditor's Response |
| <p>As described in the notes to the consolidated statement of income in the notes to the consolidated financial statements, in the fiscal year ended December 31, 2023, the Company terminated its joint venture agreement with its partner in the joint venture to restructure the Dharmawangsa Project (tentative name), a project to develop condominiums and offices and sell them as individual units in Jakarta, Indonesia.</p> <p>As a result of the Company repaying external borrowings that it and the joint venture partner were required to repay in connection with the Dharmawangsa Project companies (hereinafter, the "Project Companies"), thus creating a loan receivable from the joint venture partner, and the Company accepting shares of the Project Companies held by the joint venture partner as a partial substitution for this loan receivable, the Company recorded loss on termination of joint venture agreement of 3,712 million yen in its consolidated statement of income for the fiscal year ended December 31, 2023.</p> <p>Loss on termination of joint venture agreement is calculated as the difference between the total of the existing equity in Project Companies and the equity accepted as a substitution for the loan receivable from the joint venture partner and the assets acquired and liabilities assumed that are recorded on the consolidated balance sheet. In-development real estate for sale in process constitutes a significant proportion of the assets acquired and liabilities assumed.</p> <p>The valuation of in-development real estate for sale in process is based on the business plan for the project. This business plan includes significant assumptions, namely, the expected amount of sales and the amount of construction costs expected to arise in the future, and these assumptions involve significant future uncertainty as well as management subjectivity in the selection and application of accounting estimations.</p> <p>Accordingly, we have determined that the valuation of in-development real estate for sale in process received in consolidation due to the termination of the joint venture agreement is a key audit matter.</p> | <p>We mainly performed the following procedures in considering the valuation of in-development real estate for sale in process received in consolidation.</p> <ul style="list-style-type: none"> • In order to obtain an understanding of the project, we inspected requests for approval, minutes of meetings of the board of directors, and the project business plan and made inquiries of management and managers of overseas business divisions. In addition, we performed on-site inspections and made inquiries of management of the Project Companies and local project managers. • In order to consider the expected amount of sales in the project business plan, we compared the sales amount with external information regarding sales transaction results for similar properties and with materials related to test marketing conducted by the Company and inspected market environment analysis reports published by external organizations. In addition, we performed trend analysis of sales transaction results for similar properties and compared the results with the outcome of reviews from prior years in which we involved specialists from EY network firms. • In order to consider the amount of construction costs expected to arise in the future in the project business plan, we made inquiries of management and heads of relevant divisions regarding the status of negotiations conducted to conclude construction contracts and inspected underlying estimates and cost breakdowns from contractors. In addition, we performed trend analysis of construction costs in price reports obtained from real estate appraisal firms and inspected market environment analysis reports published by external organizations. • In order to assess whether future uncertainty was evaluated by management and reflected in accounting estimates, we considered management's evaluation of uncertainty regarding the expected amount of sales and the amount of construction costs expected to arise in the future that incorporated a certain level of risk from the market environment. |

Other Information

Other information consists of that included in the Annual Securities Report, other than the consolidated financial statements, the financial statements and our Auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by the Directors in designing and operating the reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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. This includes establishing and operating internal control as management determines is necessary to enable the preparation and fair presentation 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 on the going concern basis of accounting and responsible for disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and implementation of the Company'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 includes our opinion from an independent perspective on the consolidated financial statements. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement due to fraud or error; in addition, design and perform audit procedures that address the risks of material misstatement. The selection and application of audit procedures are at our discretion. Furthermore, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting to prepare the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty related to the going concern basis of accounting exists, we are required to draw attention in our Auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to our Auditor's report date. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the 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 consolidated financial statements. We remain solely responsible for our audit opinion.

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

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, if measures have been taken to eliminate inhibiting factors or safeguards have been applied to reduce inhibiting factors to an acceptable level, the content of such measures or safeguards.

From the matters communicated with 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, 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.

< Audit of Internal Control >

Opinion

In order to provide audit certification pursuant to the Paragraph 2, Article 193-2 of the Financial Instruments and Exchange Act, we have audited the management's report on internal control over financial reporting of Tokyo Tatemono Co., Ltd. as of December 31, 2023.

In our opinion, the management's report on internal control referred to above, which represents that the internal control over financial reporting of Tokyo Tatemono Co., Ltd. as of December 31, 2023 is effectively maintained, presents fairly, in all material respects, the results of management's assessment of internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of internal control 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 section of internal control of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the requirements for professional ethics in Japan, and we have fulfilled our other ethical responsibilities as Auditors. 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

The management is responsible for establishing and operating internal control over financial reporting and preparing and properly presenting an internal control report in accordance with the evaluation standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect misstatements in financial reporting.

Auditor's Responsibilities in the Audit of Internal Control

Our responsibilities are to obtain reasonable assurance about whether the management's report on internal control is free from material misstatement and to express an opinion from an independent perspective on an internal control report in our audit report of internal control.

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

- Conduct audit procedures to obtain audit evidence regarding the results of the evaluation of internal control over financial reporting in the internal control report. Audit procedures for audit of internal control are selected and applied at the Auditor's discretion based on the materiality of the effects on the reliability of financial reporting.
- Examine representations on the scope, procedures, and results of assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Obtain sufficient appropriate audit evidence regarding the results of assessment of internal control over financial reporting in the management's report on internal control. We are responsible for direction, supervision and performance of the audit of management's report on internal control. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and Audit & Supervisory Board regarding the planned scope and timing of the audit of internal control, results of the audit of internal control, including identified material weaknesses which should be disclosed, the results of remediation, and other matters that are required by auditing standards for internal control.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, if measures have been taken to eliminate inhibiting factors or safeguards have been applied to reduce inhibiting factors to an acceptable level, the content of such measures or safeguards.

<Compensation-related information>

The amounts of compensation paid to our firm and others in the same network for audit attestation services and non-audit services for the company and its subsidiaries are as described in "(3) Status of Audits" under "Corporate Governance, etc." included in "Status of the Company."

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

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

End

*1 The original of the above Independent Auditor's Report is kept separately by the Company (the company submitting the annual securities report).

2 XBRL data is not included in the scope of the audit.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

(For Translation Purposes Only)

Independent Auditor's Report

March 27, 2024

The Board of Directors

Tokyo Tatemono Co., Ltd.:

Ernst & Young ShinNihon LLC.

Tokyo, Japan

| | | |
|--|-----------------------------------|--------------|
| Designated and Engagement Partner Managing Partner | Certified Public Accountant | Yuji Mukaide |
|--|-----------------------------------|--------------|

| | | |
|--|-----------------------------------|------------|
| Designated and Engagement Partner Managing Partner | Certified Public Accountant | Koji Ojima |
|--|-----------------------------------|------------|

Opinion

In order to provide audit certification pursuant to Paragraph 1 Article 193-2 of the Financial Instruments and Exchange Act, we have audited Tokyo Tatemono Co., Ltd.'s non-consolidated financial statements for the 206th fiscal year (from January 1, 2023 to December 31, 2023), provided in the "Financial Information," which comprises the balance sheet, statement of income, statement of changes in equity, significant accounting policies, other notes, and supplementary schedules.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of Tokyo Tatemono Co., Ltd. as of December 31, 2023, and its financial performance for the 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 financial statements section of our report. We are independent of the Company in accordance with the requirements for professional ethics that are relevant to our audit of the 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 financial statements of the current fiscal year. These matters were addressed in the context of the audit of the financial statements as a whole and in forming the Auditor's opinion thereon, and we do not provide a separate opinion on these matters.

| Valuation of real estate for sale in process that is a significant component of the valuation of shares received as a result of the termination of the Indonesia business joint venture | |
|---|--|
| Description of Key Audit Matter | Auditor's Response |
| <p>As described in the notes to the statement of income in the notes to the financial statements, in the fiscal year ended December 31, 2023, Tokyo Tatemono Co., Ltd. (the "Company") terminated its joint venture agreement with its partner in the joint venture to restructure the Dharmawangsa Project (tentative name), a project to develop condominiums and offices and sell them as individual units in Jakarta, Indonesia.</p> <p>As a result of the Company repaying external borrowings that it and the joint venture partner were required to repay in connection with the Dharmawangsa Project companies (hereinafter, the "Project Companies"), thus creating a loan receivable from the joint venture partner, and the Company accepting shares of the Project Companies held by the joint venture partner as a partial substitution for this loan receivable, the Company recorded loss on termination of joint venture agreement of 3,712 million yen in its statement of income for the fiscal year ended December 31, 2023.</p> <p>Loss on termination of joint venture agreement is calculated as the difference between the received shares of the Project Companies and the loan receivable. In determining the value of the shares of the Project Companies, it is important to determine the value of in-development real estate for sale in process held by the Project Companies.</p> <p>The valuation of in-development real estate for sale in process is based on the business plan for the project. This business plan includes significant assumptions, namely, the expected amount of sales and the amount of construction costs expected to arise in the future, and these assumptions involve significant future uncertainty as well as management subjectivity in the selection and application of accounting estimations.</p> <p>Accordingly, we have determined that the valuation of in-development real estate for sale in process, which is a significant component of the valuation of shares of the Project Companies received as a result of the termination of the joint venture agreement, is a key audit matter.</p> | <p>We mainly performed the following procedures in considering the valuation of in-development real estate for sale in process, which is a significant component of the valuation of shares of the Project Companies.</p> <ul style="list-style-type: none"> • In order to obtain an understanding of the project, we inspected requests for approval, minutes of meetings of the board of directors, and the project business plan and made inquiries of management and managers of overseas business divisions. In addition, we performed on-site inspections and made inquiries of management of the Project Companies and local project managers. • In order to consider the expected amount of sales in the project business plan, we compared the sales amount with external information regarding sales transaction results for similar properties and with materials related to test marketing conducted by the Company and inspected market environment analysis reports published by external organizations. <p>In addition, we performed trend analysis of sales transaction results for similar properties and compared the results with the outcome of reviews from prior years in which we involved specialists from EY network firms.</p> <ul style="list-style-type: none"> • In order to consider the amount of construction costs expected to arise in the future in the project business plan, we made inquiries of management and heads of relevant divisions regarding the status of negotiations conducted to conclude construction contracts and inspected estimates and cost breakdowns from contractors. <p>In addition, we performed trend analysis of the level of construction costs in price reports obtained from real estate appraisal firms and inspected market environment analysis reports published by external organizations.</p> <ul style="list-style-type: none"> • In order to assess whether future uncertainty was evaluated by management and reflected in accounting estimates, we considered management's evaluation of uncertainty regarding the expected amount of sales and the amount of construction costs expected to arise in the future that incorporated a certain level of risk from the market environment. |

Recognition of revenue from real estate sales transactions (excluding housing sales)

Information has been omitted because it is identical to the key audit matter (recognition of revenue from real estate sales transactions (excluding housing sales)) included in the Auditor's report on the consolidated financial statements.

Other Information

Other information consists of that included in the Annual Securities Report, other than the consolidated financial statements, the financial statements and our Auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by the Directors in designing and operating the reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In the course of our audit of the financial statements, our responsibility is to read through the other statements and, in the course of reading, to consider whether there are material inconsistencies between the other statements and the financial statements or our

knowledge obtained in the audit, otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements on the going concern basis of accounting and responsible for disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and implementation of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the 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 includes our opinion from an independent perspective on the non-consolidated financial statements. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement due to fraud or error. In addition, design and perform audit procedures that address the risks of material misstatement. The selection and application of audit procedures are at our discretion. Furthermore, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting to prepare the non-consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty related to the going concern basis of accounting 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 our Auditor's report date. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, if measures have been taken to eliminate inhibiting factors or safeguards have been applied to reduce inhibiting factors to an acceptable level, the content of such measures or safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current fiscal year and are, therefore, 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.

<Fee-related information>

Compensation-related information stated in the Independent Auditor's Report for the consolidated financial statements.

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 Group that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End

*1 The original of the above Independent Auditor's Report is kept separately by the Company (the company submitting the annual securities report).

2 XBRL data is not included in the scope of the audit.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Cover

Document Filed: Internal Control Report

Applicable Law: Paragraph 1 of Article 24-4-4 of the Financial Instruments and Exchange Act

Filed to: Director-General of Kanto Local Finance Bureau

Filing Date: March 27, 2024

Company Name: Tokyo Tatemono Kabushiki Kaisha

Company Name in English: Tokyo Tatemono Co., Ltd.

Name and Title of Representative: Hitoshi Nomura, Representative Director, President & Chief Executive Officer

Name and Title of Chief Financial Officer: Akira Izumi, Representative Director, Senior Managing Executive Officer

Location of Head Office: 1-9-9 Yaesu, Chuo-ku, Tokyo
(The above is the address registered as the location of the head office of the Company.
Actual business operations are conducted at the following “Nearest place of contact.”)
1-4-16 Yaesu, Chuo-ku, Tokyo

Place Where Available for Public Inspection: Tokyo Tatemono Co., Ltd. Kansai Branch
(3-4-8 Honmachi, Chuo-ku, Osaka-shi, Osaka)
Tokyo Stock Exchange, Inc.
(2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

1. Matters concerning the basic framework for internal control over financial reporting

Hitoshi Nomura, Representative director, President & Chief Executive Officer, and Akira Izumi, Representative director, Senior Managing Executive Officer & Chief Financial Officer, are responsible for designing and operating effective internal control over financial reporting of Tokyo Tatemono Co., Ltd. (“the Company”), and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters related to the scope of valuation, record date and valuation procedures

We conducted our assessment of internal control over financial reporting with a base date of December 31, 2023, the end of the current fiscal year.

Our assessment followed generally accepted standards for assessing internal control over financial reporting. In conducting this assessment, we evaluated internal controls that may have a material effect on the entire financial reporting in a consolidation (“company-level controls”) and based on the result of this assessment; we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. We also evaluated the effectiveness of internal control by assessing the related internal control over information technology.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of our financial reporting. The materiality that may affect the reliability of the financial reporting is determined, taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of the assessment of internal controls over business processes considering the results of the assessment of company-level controls conducted for the Company, its consolidated subsidiaries and equity-method affiliated companies. Consolidated subsidiaries and equity method affiliates deemed insignificant in terms of monetary and qualitative importance were not included in the company-wide internal control evaluation scope.

For the purpose of determining the scope of process-level control assessment, four business locations were selected as “Significant Business Locations,” which comprise the Company and its consolidated subsidiaries selected in descending order based on their fiscal year’s net sales, and which contributed approximately two-thirds of the Company’s consolidated net sales in the aggregate. In such Significant Business Locations, all business processes related to the accounts that are closely associated with the Company’s business objectives, such as sales, trade and other receivables, and inventories, were included in the scope of assessment. Furthermore, regardless of the Significant Business Locations, certain business processes related to significant accounts involving estimates and forecasts were added to the scope of assessment as business processes with the material impact of financial reporting.

3. Matters related to the results of the evaluation

Based on the above evaluation results, we have determined that the Company’s internal control over financial reporting is effective as of the end of the current fiscal year

4. Note

There is nothing to be added.

5. Special note

There are no special items to be noted upon confirmation.

Cover

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| Document Filed: | Confirmation Letter |
| Applicable Law: | Paragraph 1 of Article 24-4-2 of the Financial Instruments and Exchange Act |
| Filed to: | Director-General of Kanto Local Finance Bureau |
| Filing Date: | March 27, 2024 |
| Company Name: | Tokyo Tatemono Kabushiki Kaisha |
| Company Name in English: | Tokyo Tatemono Co., Ltd. |
| Name and Title of Representative: | Hitoshi Nomura, Representative Director, President & Chief Executive Officer |
| Name and Title of Chief Financial Officer: | Akira Izumi, Representative Director, Senior Managing Executive Officer |
| Location of Head Office: | 1-9-9 Yaesu, Chuo-ku, Tokyo (The above is the address registered as the location of the head office of the Company. Actual business operations are conducted at the following "Nearest place of contact.") 1-4-16 Yaesu, Chuo-ku, Tokyo |
| Place Where Available for Public Inspection: | Tokyo Tatemono Co., Ltd. Kansai Branch (3-4-8 Honmachi, Chuo-ku, Osaka-shi, Osaka) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) |

1. Matters concerning the appropriateness of the information in the Annual Securities Report

Hitoshi Nomura, Representative director, President & Chief Executive Officer of the Company, and Akira Izumi, Chief Financial Officer of the Company, have confirmed that the information in the Annual Securities Report of the Company for the 206th fiscal year (from January 1, 2023 to December 31, 2023) is properly presented in accordance with the Financial Instruments and Exchange Act.

2. Special note

There are no special items to be noted upon confirmation.