Sun Frontier Fudosan Co., Ltd.
Summary of Main Questions and Answers
at FY2026/3 3Q Financial & Business Results Presentation

Date & Time: February 6, 2026 (Fri) 13:00 – 14:00
Respondent: Seiichi Saito, President and CEO

【Q1】
What are the reasons behind maintaining the current full-year earnings forecast?
【A1】
Our Stock-Type Business (real estate services, hotel operations, etc.) is progressing steadily and exceeding initial plans. In contrast, in our Flow-Type Business (sale of real estate for sale), some projects have yet to reach final contract closure, and certain variables remain as we approach the fiscal year-end. Consequently, we have decided to maintain our initial forecast at this stage.

【Q2】
Have there been any changes in your acquisition stance or investor sentiment among buyers due to rising interest rates?
【A2】
Leveraging our strength in "in-house integrated operations"—from acquisition and renovation to sales—we formulate precise business plans for each project that incorporate targeted expected returns. We conduct acquisitions only after rigorous evaluation. Our disciplined acquisition stance remains unchanged, even in a rising interest rate environment. Regarding investor sentiment, although the yield gap (the spread between long-term interest rates and investment yields) is narrowing, demand remains exceptionally strong, and we recognize that the market remains robust.

【Q3】
Are there concerns that rising costs related to acquisitions and renovations, along with higher interest rates, might offset profits? Also, given the strong office market, is there room to further increase the gross profit margin (currently approx. 30%) of the Replanning Business?
【A3】
While cost increases are a reality, we are appropriately reflecting these in our rental prices by creating "high value-added properties" that ensure tenant comfort and support their business growth. Investor demand remains strong, and the sales market is firm despite the narrowing yield gap. We do not believe it is necessary to significantly revise our profit margin targets at this time. While we hope for further expansion driven by rising rents, margins vary by project, and we expect the overall profit margin to remain at current levels.

【Q4】

Regarding the regional strategy for the Replanning Business, please provide an update on progress in Osaka and any news on expansion into cities surrounding Tokyo, such as Shin-Yokohama.

【A4】

In Osaka, we are currently moving forward with the replanning of our first building in the Hommachi area. This project has been selected as a model project by the Ministry of Land, Infrastructure, Transport and Tourism, and expectations for our initiatives are high. We are currently focusing all efforts on ensuring the definitive success of this project as a foothold for our Osaka expansion. Regarding the Yokohama area, where we have a track record of past projects, we have resumed operations following a recovery in the office rental market. Our decision was driven by the availability of prime opportunities, combined with our existing management portfolio of over 10 buildings and our established local leasing base.

【Q5】

Given the strong performance of the Stock-Type Business, the achievement of this year's targets seems certain. Do you plan to leverage this surplus to shift real estate sales to the next fiscal year, thereby further boosting earnings for FY2026?

【A5】

We have no intention of intentionally suppressing performance this year to inflate next year's results. Our priority is to consistently achieve double-digit year-on-year growth across our entire business portfolio. We are making preparations to ensure that next year’s performance steadily exceeds this year's through stable, cumulative growth.

【Q6】

The Rental Conference Room Business is performing well. Are there any specific initiatives to increase locations while rents are rising?

【A6】

We are engaging in initiatives such as leasing buildings scheduled for future redevelopment specifically for the period leading up to their demolition. This allows us to operate while keeping rental costs suppressed.

【Q7】

In the Hotel and Tourism Business, it appears you are shifting toward a luxury strategy. What is your vision for the future hotel portfolio?

【A7】

We are not shifting exclusively toward luxury. We will continue to expand a well-balanced portfolio across four categories: "Hot Spring Resorts," "Regional Revitalization," "Urban Resorts," and our "Original Collection" (hotels added through M&A). Our core brands remain "HIYORI Hotel" and "Tabino Hotel." However, we also plan to develop luxury-class hotels to enhance our overall service capabilities.

【Q8】

How are you controlling for rising construction costs, particularly in new hotel developments?

【A8】

Rising construction costs are a serious challenge. Consequently, we are shifting away from large-scale new buildings on land we acquire. Instead, we are expanding our room count through flexible methods that meet our profitability criteria, such as M&A, leased operations, and the utilization of renovated properties.

【Q9】

The Medium-Term Management Plan targets growth in the New York business and fractional real estate products. However, the environment is changing due to rent control discussions in New York City and revisions to tax valuations in Japan. How will you achieve growth in these new areas?

【A9】

We are aware of the rent control discussions in New York City, though the final legislative outcome remains uncertain. Our focus is on apartments where a majority of units are exempt from rent control, so we do not anticipate a significant impact at this stage. Nevertheless, we will continue to monitor regulatory trends closely. Regarding fractional real estate products, some financial institutions have adopted a "wait-and-see" approach, and the sales environment is no longer as aggressive as it was prior to last December. However, since our products are designed for long-term stable management rather than tax savings, we believe the impact will be limited. Furthermore, properties acquired for fractional sales can be pivoted to whole-building sales if necessary, so we see no need to scale back our plans.