

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

Date & Time: May 12, 2026 (Tue) 13:00 – 14:00

Respondent: Seiichi Saito, President and CEO

【Q1】

Given concerns over rising material procurement costs and construction delays stemming from the situation in the Middle East, could you describe the current impact on your Real Estate Revitalization Business and Hotel Development Business, as well as any countermeasures you have in place?

【A1】

With respect to the Real Estate Revitalization Business, we have not experienced any significant impact at this time. Working in close coordination with the contractors, wholesalers, and trading companies with whom we have maintained long-standing relationships, we are managing the situation through advance ordering and switching to alternative materials. Specifically, we are sharing detailed forward-looking construction schedules with our suppliers to secure materials early, and in certain cases substituting alternative products through design modifications, thereby diversifying our procurement base. These measures provide us with confidence that operations can continue without disruption for at least the next six months or so.

Regarding new hotel development projects, we have received field reports indicating that contracts with general contractors have already been awarded for five or more hotels currently under construction, and that no notifications of construction delays or material shortages have been received from those contractors to date. For projects to be awarded going forward, there is potential for impact in terms of both material pricing and delivery timelines. We will continue to monitor the situation closely and respond appropriately.

【Q2】

What factors underlie the projected year-on-year decline in both ADR and occupancy rate for the Hotel and Tourism Business in the current fiscal year?

【A2】

In the prior fiscal year, the Osaka-Kansai Expo drove particularly strong ADR and occupancy levels at our hotels in the Osaka area. Our current-year outlook incorporates a certain degree of normalization from that elevated baseline. In other regions, while the number of visitors from China remains below its peak, inbound visitors from countries other than China have been increasing, and we do not anticipate an overall decline in demand.

Additionally, the current fiscal year will see the opening of multiple new properties centered on the "Tabino Hotel" series—a brand positioned in a relatively lower price tier catering primarily to business travelers. The initial ramp-up period for these openings is expected to weigh on overall ADR and occupancy relative to the prior year. That said, we intend to accelerate occupancy growth through strengthened marketing efforts and similar initiatives, and we continue to project growth in both revenue and profit for the Hotel and Tourism Business as a whole.

【Q3】

Interest expenses have been increasing. Could you explain your approach to managing further interest rate increases and business expansion going forward?

【A3】

The increase in interest expenses reflects higher borrowings driven by business expansion. We are working to improve our funding terms, and we manage total costs—including financing costs—on a project-by-project basis. Specifically, we aim to build an earnings structure capable of absorbing rising interest costs through improvements in NOI and enhanced capital efficiency achieved by shortening project durations. In addition, our co-investment arrangement with ITOCHU Corporation helps distribute the funding burden compared to sole investment, which we believe provides a meaningful offsetting benefit.

【Q4】

Regarding the capital and business alliance with ITOCHU Corporation, could you share any progress since the announcement and any synergies that are beginning to materialize?

【A4】

Our acquisition plan incorporates co-investment projects with ITOCHU Corporation and is set at a higher level than the prior year. In the first year, we anticipate co-investing approximately ¥10 billion in aggregate, and we are already in concrete discussions on specific opportunities. The primary investment targets are existing office buildings relating to the Replanning Business, which is our core strength. While we have historically specialized in the revitalization of small- to mid-sized office buildings, the alliance is enabling us to pursue larger deals on the order of ¥10 billion per building. We are currently beginning joint efforts on small- to mid-sized transactions and plan to progressively expand into larger office revitalization projects going forward. We are also receiving deal referrals and co-investment proposals relating to properties in Osaka.

【Q5】

As the alliance with ITOCHU Corporation enables you to begin pursuing larger deals, you will presumably be competing against well-capitalized developers and other major players—unlike your traditional competitive environment. How do you assess the acquisition landscape in that segment? And do you have confidence in achieving your ¥90 billion acquisition target for the current fiscal year?

【A5】

While the alliance with ITOCHU Corporation does provide us with deal flow and investment opportunities in larger transactions, we recognize that the acquisition environment for large-scale properties is highly competitive, and we do not view the alliance as making acquisitions any easier.

Our track record over the past three to four years shows a steady, incremental increase in acquisition volume, and we believe we are now at a level where achieving ¥70–80 billion on a normalized basis is well within reach. Adding the co-investment component with ITOCHU Corporation to this baseline, we are confident that the ¥90 billion target is fully achievable.

That said, our approach remains disciplined—we will evaluate each project on its individual merits, rigorously assessing the business plan and potential for value creation. We intend to pursue each opportunity as a "challenger," carefully scrutinizing the profitability of individual transactions while leveraging the revitalization expertise and business planning capabilities we have built up over the years.

【Q6】

In your Medium-Term Management Plan 2028, ordinary income growth is projected at 11.6% for the current fiscal year and 15.4% in the final year of the plan. What is the reasoning behind the acceleration in growth in the final year?

【A6】

Because our prior-year results exceeded plan, the profit targets for the current fiscal year are approaching the levels originally envisioned for the final year of the Medium-Term Management Plan 2028, and in certain segments are already reaching those originally projected end-targets.

Furthermore, with respect to co-investment projects with ITOCHU Corporation, work will begin in the current fiscal year, and we expect some of these properties to begin contributing to earnings in the following fiscal year. This is the primary driver behind the higher projected growth rate in the final year of the plan..

【Q7】

Within the context of the upward revision to your Medium-Term Management Plan 2028 targets, you indicate that the Real Estate Services Business will continue to grow. What are the main growth drivers?

【A7】

Growth in the Real Estate Services Business will be driven first and foremost by increasing the number of buildings under property management. As the property management portfolio grows, it generates a cascading effect—not only on property management fees, but on leasing brokerage commissions, construction revenues, and sales brokerage opportunities as well. This multiplier effect has been clearly evident over the past several years, with growth in the property management portfolio consistently underpinning overall Real Estate Services Business earnings. We accordingly continue to position property management as the primary growth driver.

In addition, for the Rental Conference Room Business, we plan to expand our total operating floor space from the current approximately 10,000 tsubo to 16,000 tsubo by the end of the Medium-Term Management Plan 2028 period (fiscal year ending March 2028), which is expected to generate a steady and ongoing increase in operating revenues.

Through these two pillars, we aim to achieve stable and sustainable growth in the Real Estate Services Business.