

## SECTION 02

# Creating Corporate Value and Our Aspirations

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# Sun Frontier Group's Path of Creating New Value

With the Sun Frontier Spirit (pioneering spirit), we embrace change and challenges and achieve growth by creating new value.

## 1999

### Founding

Founded by the current President, starting with real estate brokerage for investment properties. Began sales and leasing brokerage of commercial real estate.



## 2000s

### Establishing and Growing the Foundation of the Urban Office Building Business

2001: Launched the Replanning\* Business. This model quickly became an industry forerunner, revitalizing and adding high value to existing office buildings by reducing resource waste and benefiting owners, tenants, and the environment. 2005: Established SF Building Support Co., Ltd., starting comprehensive support services for office buildings in central Tokyo.



February 2007:  
Listed on the First Section of  
the Tokyo Stock Exchange

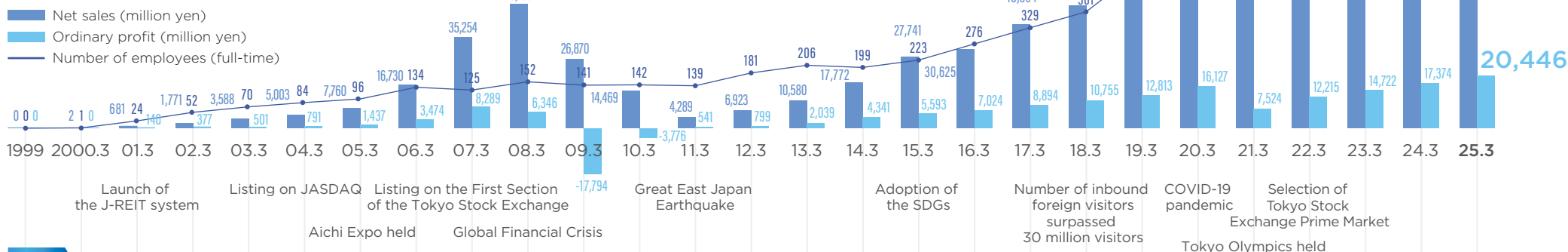
Founder Tomoaki Horiguchi rings the bell to commemorate the company's listing.



## 2010s

### Beyond Offices, Expanding to Regional Revitalization and Overseas

2013: Established Tokyo Sunshine Realty Co., Ltd. in Taipei, Taiwan. 2015: Launched the Conference Room Rental Business and the Hotel Operation Business; established a local subsidiary in Vietnam. 2017: Regional Revitalization Business began in earnest.



### Founding Establishment and growth of the urban office building business foundation

- Commencement of property management business
- Start of Replanning\* (building revitalization / activation) business
- Establishment of SF Building Support Co., Ltd. and start of rent default guarantee business

- Real estate services business
- Real estate revitalization business
- Hotel & Tourism business
- Overseas business

### Business expansion

- Start of building maintenance business
- Start of provision of setup offices
- Launch of rental space business in front of Tokyo Station
- Established Sun Frontier Hotel Management Inc. and commenced hotel
- Established Sun Frontier Sado Co., Ltd. and launched regional revitalization business
- Spun off the conference room rental business and established Sun Frontier Space Management Inc.
- Start of offering small-lot real estate ownership products
- Established local subsidiary in Vietnam, SUN FRONTIER VIETNAM CO., LTD.

## Sun Frontier Today

Centered on the revitalization of mid-sized office buildings in central Tokyo, we provide a one-stop range of real estate services including sales and leasing brokerage, property management, building maintenance, rent guarantee, and rent conference room. Leveraging our expertise in real estate utilization, we also develop businesses in hotels and tourism, overseas development, and construction.

### FY2025/3 Performance Summary

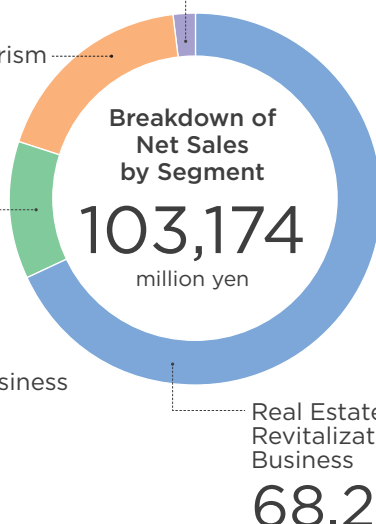
Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Dividend	Equity Ratio
103.1 billion yen	21.2 billion yen	20.4 billion yen	14.1 billion yen	66 yen per share	46.8%





### Segment Information

Other Business  
(Overseas Development and Construction Business)  
1.9%

Hotel & Tourism Business  
18.0%

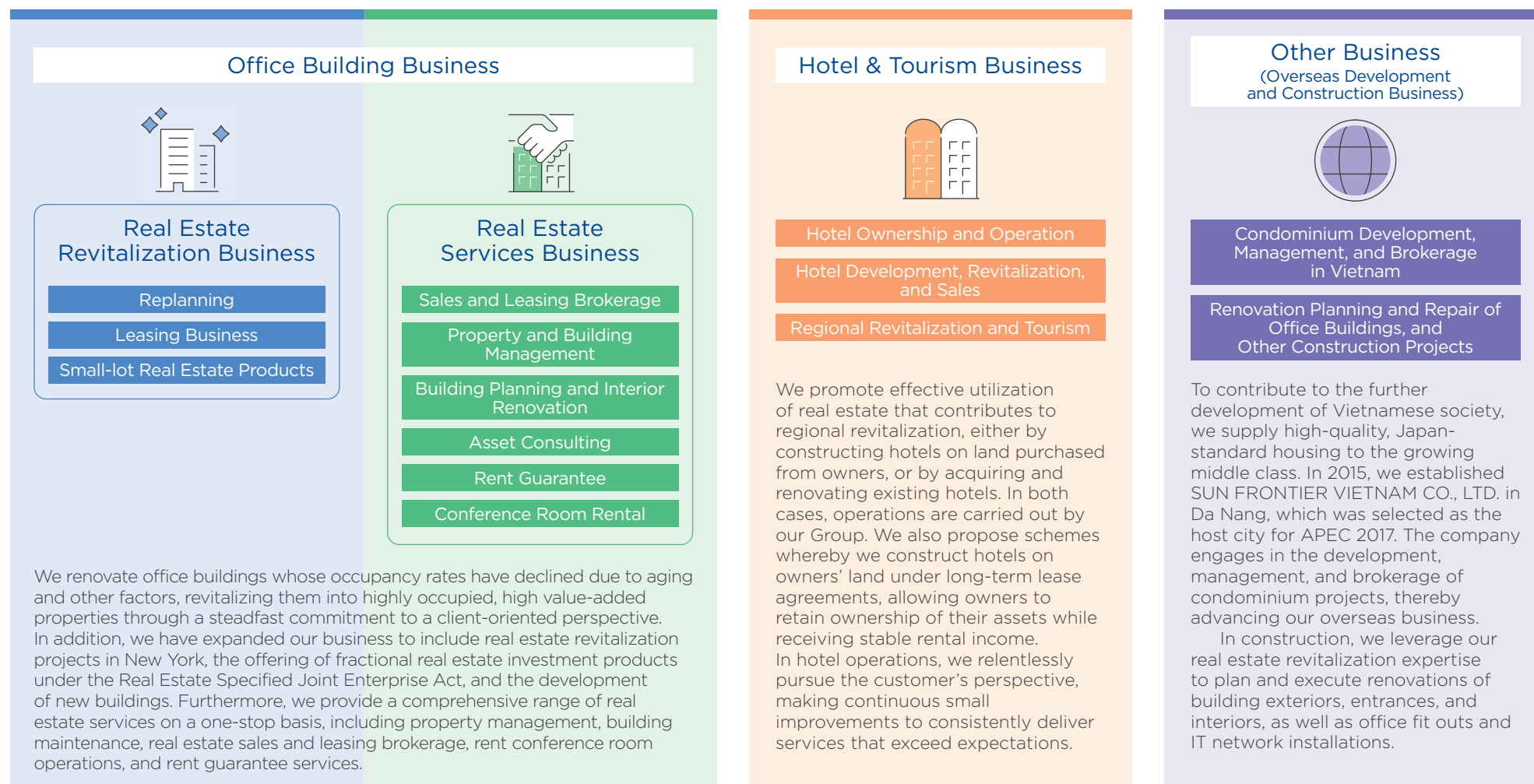
Real Estate Services Business  
11.9%



	Full-year Results	Business Overview
 <b>Real Estate Revitalization Business</b>	Net Sale 71,339 million yen	Replanning business, which revitalizes existing office buildings to add high value, leases business of revitalized buildings, and provides small-lot real estate ownership products.
	Segment Profit 20,104 million yen	
 <b>Real Estate Services Business</b>	Net Sale 12,488 million yen	Comprehensive real estate services including property management, building maintenance, sales and leasing brokerage, conference room rentals, and rent guarantee.
	Segment Profit 6,112 million yen	
 <b>Hotel &amp; Tourism Business</b>	Net Sale 18,831 million yen	Hotel revitalization, development of proprietary hotel brands, operation of hotels under the theme of "Heart-warming and Fun Hotels," and regional revitalization through tourism.
	Segment Profit 4,072 million yen	
 <b>Other Business (Overseas Development and Construction Business)</b>	Net Sale 1,992 million yen	Overseas operations focusing on the development and management of high-quality, Japan-standard housing, as well as construction projects such as renovation planning and repair of office buildings.
	Segment Profit 435 million yen	

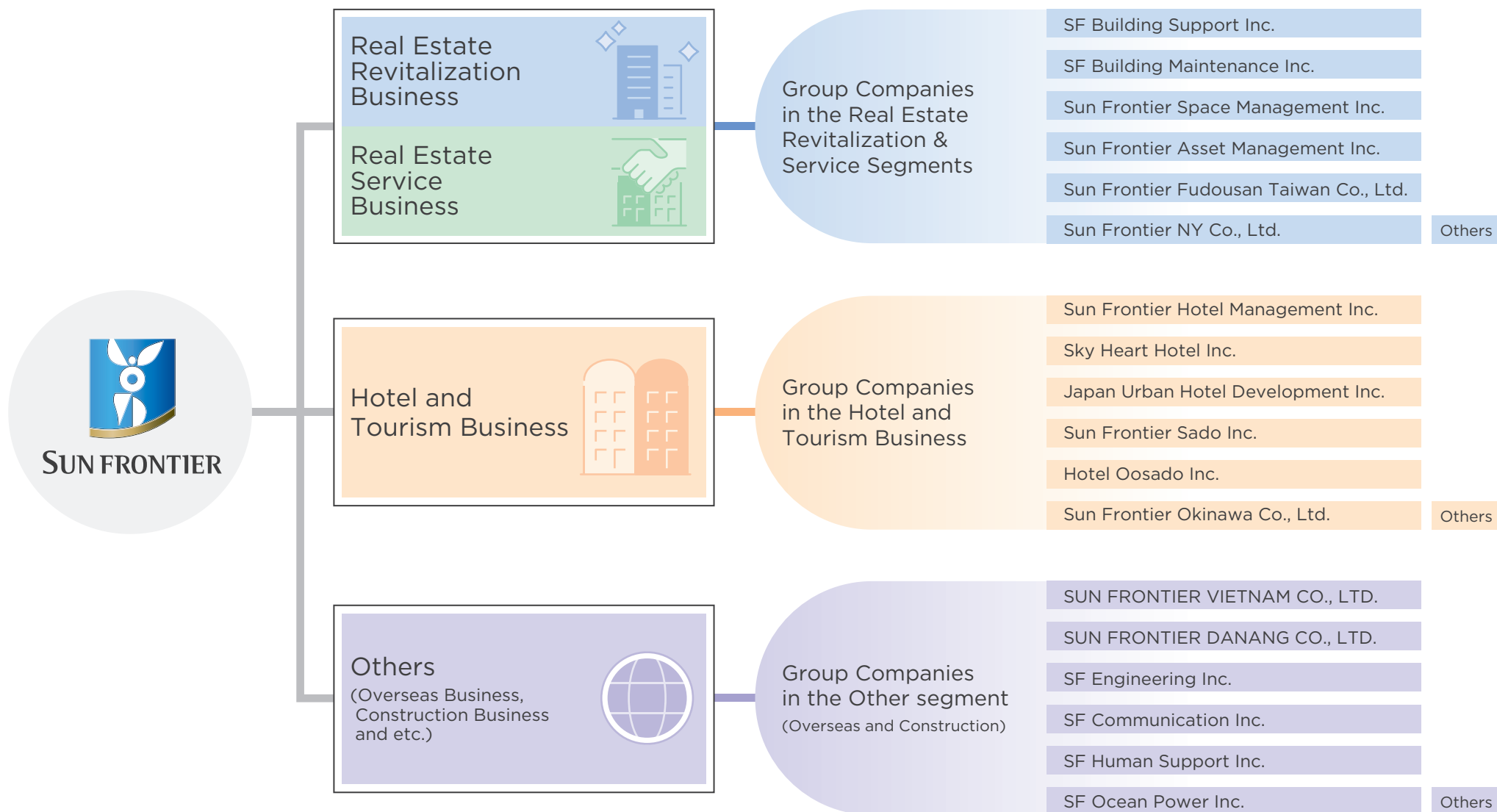
## Based on our Philosophy and adopting a customer-oriented perspective, we tackle challenges and provide high value-added products and services through a chain-compounded model.

Guided by our credo of COMPASSION (Altruism), we position the Office Building Business—where we can exert the greatest influence—at the core, while boldly taking on the challenges of the Hotel & Tourism Business, Overseas Business, and Construction Business. We never remain satisfied with the status quo. By evolving our businesses powerfully, we contribute to the happiness and prosperity of our customers and society. Aligning all employees with shared values and working wholeheartedly to solve customer issues is our strength in generating high value-added products and services through synergistic integration.



# Sun Frontier Group Structure (as of March 31, 2025)

The Sun Frontier Group consists of 32 companies: 19 domestic and 13 overseas.





## | Message from Top Management |

# Taking on the Challenge of Sustainable Growth and Creation of Future Value under the New Medium-Term Management Plan

In 2013, we set a long-term target of “increasing net sales tenfold over the next 10 years.” Based on this vision, we successfully achieved the previous Medium-Term Management Plan, and from this fiscal year we have launched a new Medium-Term Management Plan. We see the rapidly changing external environment as an opportunity for growth. Through our business activities, we will contribute to solving social issues and pursue sustainable growth.

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**Q. Please share your reflections on the fiscal year ended March 2025, the final year of the previous Medium-Term Management Plan.**

The previous fiscal year, being the final year of the Medium-Term Plan (hereinafter “MTP”), was a year in which we were strongly committed to achieving the targets we had set. With the desire that “each employee takes on ambitious goals, achieves them, and thereby experiences personal growth, builds confidence in their ability to deliver, and connects this to confidence in the future,” we devoted ourselves to our

initiatives. The fact that we were able to achieve such challenging goals together has provided a solid foundation for future growth and was a highly significant experience for both the Company and our employees.

In the MTP, achieving numerical targets is important, but the numbers themselves are not the ultimate purpose. Our Group practices philosophy management based on the spirit of



**Seiichi Saito,**  
President & CEO

“altruism,” and we believe that numbers are not just results, but indicators of how much we have contributed to society. In other words, achieving our targets demonstrates that we have been able to provide value to society.

At the core of our Group is the Real Estate Revitalization Business, which we undertake with a strong sense of mission: “How can we avoid wasting resources, and what positive impact can we have on the environment and society?” We regard net sales as the “result of contributing to society,” while profits represent the “added value” generated by providing our clients with satisfaction, joy, and inspiration.

We recognize that the current external environment presents various challenges, such as labor shortages,

rising construction costs, and higher interest rates. By sharing this recognition across the Company and encouraging each employee to exercise creativity in their respective roles, we aim to overcome these challenges. As a measure to address labor shortages, we are strengthening recruitment in line with the new MTP’s priority policy of “enhancing our human resource foundation.” At the same time, we call on each employee to step beyond the boundaries of their own expertise and strive to become “multi-skilled” professionals, capable of taking on two or three roles. This pursuit of multitasking not only raises productivity, but also indirectly mitigates the effects of labor shortages.

As for the rise in construction costs, this is being driven by multiple

factors: increases in raw material prices, a decrease in construction workers, and shorter working hours for on-site workers as a result of work style reforms, all leading to extended construction periods. We are continuing to address these challenges by collaborating with our business partners, and at present no significant impact has arisen.

In advancing our business, we have focused on project speed and internal collaboration. Building sales plans do not always proceed as scheduled, given various environmental factors. For example, in the fiscal year ended March 2025, acquisition conditions and product launch timing during the COVID-19 pandemic caused sales to be concentrated in the fourth quarter. During that fiscal year, we placed priority on advancing projects ahead of schedule.

We also strengthened interdepartmental collaboration more than ever and continuously communicated the importance of anticipating and acting ahead.

A major achievement of the fiscal year ended March 2025 was the transformation of our revenue structure. The composition of our business shifted to 70% Real Estate Revitalization (flow-type business) and 30% Real Estate Services and Hotel Operations (stock-type businesses). Going forward, while continuing to enhance added value in flow-type businesses, which are considered more susceptible to market fluctuations, we will further increase the share of stable, stock-type businesses. In the new MTP, we aim for a flow-to-stock ratio of 65:35 by the fiscal year ending March 2028.



### Please tell us once again about the Philosophy that underpins your management.

Our Group upholds COMPASSION (Altruism) as our credo and develops its businesses based on the Philosophy: “look after every employee and pursue the happiness of both mind and matter. At the same time, to cocreate a rich and sustainable society by contributing to the evolution and the development of the human society.”

In short, altruism means “a spirit of COMPASSION.” For example, we feel joy when someone smiles because of our own efforts. That essence of human

nature is the spirit of altruism. However, COMPASSION must not be self-serving; we must constantly ask ourselves what truly constitutes good from a long-term perspective. Engaging in work that benefits others and contributes to social well-being raises employees’ motivation for growth, leads to the sustainable growth of the Company, and ultimately contributes to the development of society as a whole for us, the spirit of altruism is the foundation of management. I have inherited the



**We take great pride in having achieved the ambitious targets of the previous MTP.**

role of President from our founder, Mr. Horiguchi, deeply resonating with this concept. However, I do not value it solely because it is the founding spirit. Unless I am personally convinced, internalize it as my own, and practice it continuously, realizing Philosophy will be difficult. To achieve lofty aspirations, it is essential to make constant efforts to permeate the Philosophy throughout the entire organization.

The *Sun Frontier Philosophy*, consisting of our credo, management philosophy, future vision, and course of action, cannot be put into practice overnight. Through repetition in daily morning assemblies, group readings from the *Philosophy Handbook*, and

philosophy training programs by level, we cultivate shared values. By doing so, regardless of age or career stage, we aspire to be an organization where employees can naturally talk with each other about “what is right as human beings” and “the significance and purpose of work.” When I myself am consulted on a specific project, I place greater emphasis on the purpose of the project and the added value it creates for society. Having common values as the basis for a shared standard of judgment reduces hesitation in decision-making and improves efficiency. Employees are also cultivating decision-making skills grounded in “what is right as human beings” through their daily work.

To realize customer happiness, what becomes the key is the “Three Core Management Pillars” of Sun Frontier.



transactions. Here again, our shared values—the Philosophy—are the key to proper operation. Thus, the Philosophy and Amoeba Management are inseparable.

The final pillar is the “client’s perspective,” indispensable in any business. This means pursuing “what truly matters to customers” from a long-term, essential perspective. For example, while achieving high rents with controlled expenses is a natural goal for property owners, what is more important

is whether the building is attractive to tenant companies and can sustain long-term occupancy. For this reason, we sometimes propose investments such as long-term renovations.

In this way, by grounding ourselves in the Philosophy and Amoeba Management and further emphasizing the customer’s perspective, our business activities generate high value through chain-compounded integration and lead to the realization of true customer happiness.

## Q. Could you explain those three values?

The first is philosophy-based management, which as explained earlier, serves as a shared value for all employees, fostering unity. The second is Amoeba Management\*, a system advocated by Kazuo Inamori, founder of Kyocera Corporation. It is a management method aimed at realizing all-employee participation management, fostering human resources with a managerial mindset, and establishing a divisional accounting system directly connected to the market. Each small group of about 10 employees (amoeba) becomes one unit, aiming to increase added value per hour. This nurtures profitability awareness

while enhancing team spirit through mutual competition among amoebas.

Each amoeba within our Group must always remain conscious of its own profit and loss while cooperating with other teams within the divisional accounting system. Rather than pursuing only short-term profits of one’s own department, our culture emphasizes pooling the wisdom of all divisions into one project to maximize added value and pursue overall profitability. Specifically, under our “in-house transactions” system, departments provide services to one another and pay fees commensurate with contributions, similar to market

## Q. Please tell us about future business development toward realizing the Long-Term Vision.

This fiscal year, we launched a new Medium-Term Management Plan (MTP) based on the basic policy: “Work to resolve social issues by promoting

cooperation and diversification within core business, providing client-centric product creation and heart-warming services.” This plan is back cast from our



Long-Term Vision 2035, announced in May 2024: “Utilize limited resources to fill the world with smiles and excitement! Becoming a corporate group that continues to challenge the creation of future value.”

Toward achieving our Long-Term Vision 2035, I would like to first share our current market outlook and business development. We regard the market for office buildings and real estate utilization—our core business—as a growth market. Due to the construction boom during the bubble era, many aging office buildings exist in central Tokyo, and over 80% of the mid-sized buildings, our Group’s main focus, are over 20 years old. Many of these buildings suffer from aging facilities or outdated designs, leading to prolonged vacancies. Such properties represent opportunities for us to solve customers’ problems. Our basic approach is to minimize waste of resources by revitalizing what can be utilized. However, for excessively deteriorated properties, we undertake projects with the philosophy of *“transforming them into their proper form through reconstruction (new development)”*. As a new challenge, we have also launched our Replanning Business in the Osaka area, thereby accelerating growth by expanding both business domains and geographic coverage. Additionally, Tokyo remains attractive from a demographic perspective, so we are newly entering the residential business by developing rental apartments to respond to

housing demand.

In the Hotel & Tourism Business, the market is expected to grow further, driven by revitalization of domestic travel after COVID-19, recovery in inbound demand, and the government’s Tourism Nation Promotion Basic Plan, which sets a target of 60 million annual inbound visitors by 2030. Meanwhile, many regions across Japan face shortages of accommodation facilities. Under the theme of “Heart-warming and Fun Hotels,” our Group aims to expand nationwide into regional cities and tourist destinations. Our goal is to increase the number of hotel rooms under operation from approximately 3,000 today to 10,000 by 2033.

Overseas, we are engaged in residential development projects in Da Nang, Vietnam, and New York, USA. In Vietnam, construction of our second condominium is progressing smoothly and is scheduled for completion in the second half of 2026. With continued population growth expected, we will meet housing demand by providing Japanese-quality housing. In New York, we are renovating apartments more than 100 years old. As a global city that attracts people from around the world, demand for housing is expected to remain high. Yet, many residences still fall short in terms of quality. By providing livable apartments of high scarcity value and Japanese quality, we also position this as a business that supports domestic investors in realizing their dream of “owning real estate in New York, the

The “market of distressed and aging office buildings” is itself a growth market for us.



center of the world.”

Thus, under the new MTP, we will focus on the three core markets—offices, hotels, and residential—both in Japan

and overseas, aiming to realize the Long-Term Vision through expansion of business domains and geographic reach, and thereby accelerating growth.

Q.

**Please tell us about the initiatives based on the basic policy of the new Medium-Term Management Plan (MTP).**

In the new MTP announced in May 2024, we set three priority measures: strengthening our human resource base, client-centric product creation and heart-warming services, and cooperation and diversification within core business.

First, “strengthening our human resource foundation” will be realized through enhancing recruitment capabilities and further improving

our training programs. Based on our human resource development policy, we are building systems that encourage employees to take initiative in their own learning, thereby fostering a culture that promotes growth.

Second, “creating customer-oriented products” refers to our commitment to design and quality that delight our customers, as well as to building



**We aim to enhance our corporate value by expanding our business through proactive investment in growth areas.**

technologies that restore compliance and enhance functionality. This is a strength unique to our Group, which engages in both development and operation of offices and hotels. We not only provide “heartwarming services,” but also reflect feedback from tenants and hotel guests in the design of buildings and hotels.

Third, regarding diversification, we have long been advancing initiatives such as in our leasing division, where we not only handle leasing brokerage but also lease properties from owners and operate conference rooms. We will accelerate this diversification. By calling it “linked to core businesses,”

we emphasize that new business opportunities are often found in adjacent fields while innovating to grow our core business.

In the new MTP, sustainability remains a focus. We are steadily implementing concrete measures and targets (KPIs) for the three material issues—environmental protection, regional revitalization, and human resource development. In terms of environmental protection, in our Real Estate Revitalization Business we extend the usable life of buildings beyond statutory useful life by upgrading facilities. We refer to this as “extending the healthy lifespan of real estate.” In

addition, we have set a target to offset 100% of CO<sub>2</sub> emissions generated during construction processes every year. For regional revitalization, our initiatives aim to strengthen disaster prevention and mitigation through community collaboration. These include providing setup offices with dedicated disaster-prevention equipment spaces and installing disaster-prevention warehouses. In human resource development, while we achieved our target of allocating 12% or more of prescribed working hours to training, we fell short of our goal for the ratio of female managers. Accordingly, we reviewed the target year and KPIs. What matters most is not only verifying achievement levels of KPIs and linking them to improvements but also maintaining the flexibility to revise KPIs

and initiatives in line with changing times.

With regard to our management policy with awareness of capital costs and stock price, we will continue proactive investments for growth, secure solid profits through business expansion, and return profits to shareholders through increased dividends while also reinvesting in our businesses.

As growth areas, we will allocate funds to office and hotel development as well as M&A and have set an investment amount of JPY 310 billion during the new MTP period as growth investment. We will expand businesses, profits, and dividends in tandem, enhance corporate value, and meet shareholder expectations from a long-term perspective.

## **Q. Finally, do you have a message for stakeholders?**

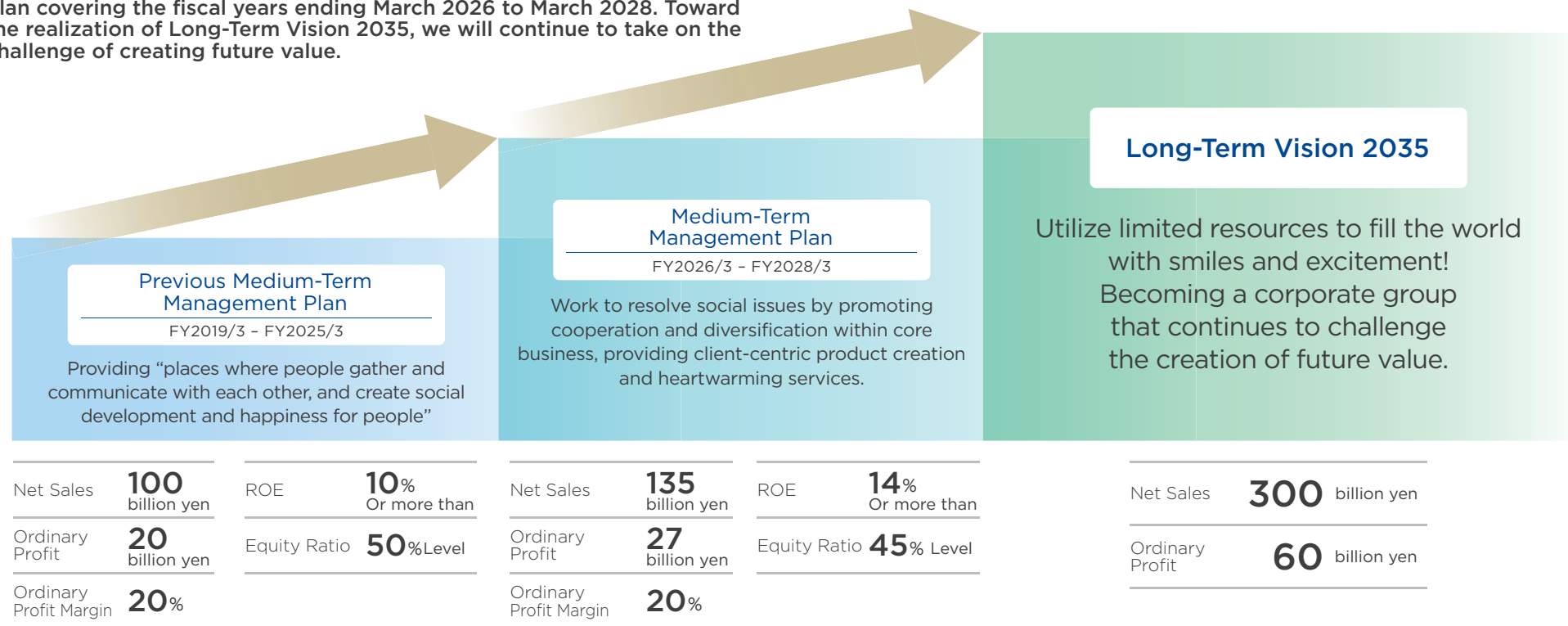
We would like to extend our sincere appreciation to all stakeholders who continuously support our Group. Going forward, we will continue to value dialogue with stakeholders and communicate openly and clearly about our management policies, business plans, progress, and growth strategies for the future. Specifically, at quarterly financial results briefings, I personally provide explanations directly to investors and analysts and answer their questions. For overseas customers and investors,

we are also enhancing our disclosure through multilingual support in English and Chinese.

Particularly in this fiscal year, the first year of the new MTP, we issued our first Integrated Report. Through this report, we hope to further deepen communication with our stakeholders and enhance understanding of our Group. We sincerely ask for your continued support as we pursue new challenges and aim for further growth of the Sun Frontier Group.

## Roadmap toward Long-Term Vision 2035

The previous Medium-Term Management Plan overcame the unprecedented challenges of the COVID-19 pandemic and achieved the targets for net sales and profits. Currently, we are implementing the Medium-Term Management Plan covering the fiscal years ending March 2026 to March 2028. Toward the realization of Long-Term Vision 2035, we will continue to take on the challenge of creating future value.



### External Environment

#### Number of Corporations by Prefecture and Office Buildings in Tokyo's 23 Wards

The central Tokyo office building market is characterized by its overwhelming market depth with a concentration of tenant companies. On the other hand, about 90% of medium- and small-sized buildings are more than 20 years old, and deterioration remains a major issue.

#### In-migration to the Tokyo Metropolitan Area and Japan's Demographics

From a demographic perspective, Tokyo remains a highly promising market. Although population growth is projected to peak around 2030, declines thereafter are expected to remain moderate compared to the national average. In particular, net in-migration to the Tokyo metropolitan area is expected to remain at high levels.

#### Overseas Markets (U.S. and Vietnam)

As shown in the IMF's World Economic Outlook, both the United States and Vietnam continue to experience population growth and high economic growth rates. Given the large proportion of young people, these markets are expected to sustain growth over the long term.

#### Hotel Market Recovery and Future Growth Potential

Driven by the recovery in inbound demand and the expansion of domestic travel following the COVID-19 pandemic, and supported by the government's policy goal of attracting 60 million visitors to Japan by 2030, this sector is expected to achieve sustained growth.

# Toward Achievement of the Medium-Term Management Plan

While continuing to ensure high profitability and growth, we will actively invest in businesses with careful attention to financial discipline and develop highly capital-efficient operations.

## Review of the Previous Medium-Term Management Plan

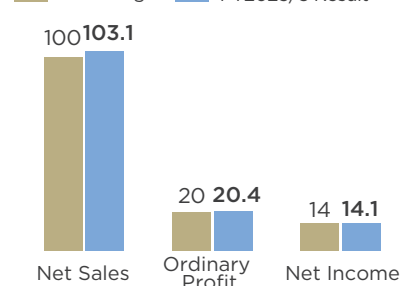
Quantitative Targets	Medium-Term Plan (announced in May 2021)	FY2025/3 Results	Business Expansion	FY2021/3	FY2025/3 Results
Net Sales	100 billion yen	103.1 billion yen	Property Acquisitions	15 billion yen	50.7 billion yen
Ordinary Profit	20 billion yen	20.4 billion yen	Number of PM entrusted properties	397 buildings	542 buildings
Net Income	14 billion yen	14.1 billion yen	Hotel Operations	17 hotels 2,369 rooms	28 hotels 3,144 rooms
Ordinary Profit Margin	20.0%	19.8%			
Equity Ratio	50%Level	46.8%			
ROE	10%Or more than	14.7%			

### Other Achievements (FY2022/3 - FY2025/3)

Increased revenues from stock-type businesses	The revenue increase has almost covered SG&A expenses.
Growth through M&A	Three hotel companies became consolidated subsidiaries, adding 637 rooms.
Diversified funding	Issued zero-coupon privately placed CBs and formed a business alliance with Company AA.
Workforce diversification	Promoted participation of women and seniors; strengthened hiring of foreign employees.
Faster decision-making	Transitioned to a company with Audit & Supervisory Committee; established standing Board of Directors meetings.
Enhanced value-conscious management	Expanded restricted stock compensation eligibility to Amoeba leaders.

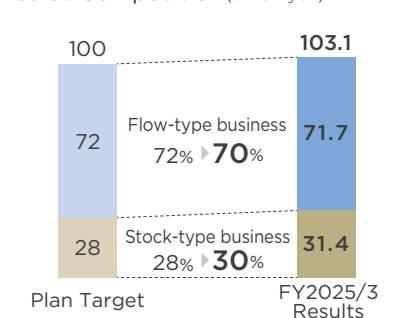
### Quantitative Targets (billion yen)

■ Plan Target ■ FY2025/3 Result



High value-added businesses achieved higher profit margins, meeting both sales and profit targets.

### Sales Composition (billion yen)



Stock-type businesses exceeded plan, improving the business balance.

## Outline of the Medium-Term Management Plan

In flow-type businesses, we will promote diversification of asset types. In stock-type businesses, we will promote diversification into related fields. While growing each business, we will also pursue transformation of the profit structure.

### Basic Policy

Promoting diversification of our core businesses through client-centric product creation and heartwarming services, while addressing social issues.

We will contribute to solving social issues by strengthening our human capital base, expanding our business domains, and increasing opportunities to serve our clients through the diversification of flow-type businesses and the stable growth of stock-type businesses.



### Key Initiatives

- Strengthening the Human Capital Base
- Client-Centric Product Creation and Heartwarming Services.
- Promotion of Diversification and Collaboration in Core Businesses

### Target for FY2028/3

Net Sales	135.0 billion yen
Ordinary Profit	27 billion yen
Ordinary Profit Margin	20%
ROE	14% Or more than
Equity Ratio	45%Level

# Key Initiatives and Growth Strategy of the Medium-Term Management Plan

Based on the three priority policies, we will further evolve our business model by combining renovation, new construction and development, as well as service and operation businesses in the three focus markets.

## Priority Measures

### 1 Strengthening the human resource base

- Enhance recruitment and increase the number of employees
- Develop and foster leaders through training and education based on our management philosophy; expand the organization through “amoeba division” under Amoeba Management\*
- Further evolve into a corporate group that attracts diverse human resources regardless of age, gender, or nationality, united by the value of “COMPASSION (Altruism)”

### 2 Client-centric product creation and heart-warming services

#### Client-centric product creation

- Apply and strengthen our expertise in client-oriented product creation, cultivated through office building Replanning, to new office building development, hotel development, apartment Replanning in New York, and condominium development in Vietnam
- To strengthen the foundation of the construction business through M&A

#### Heart-warming services from clients’ point of view

- To enhance our ability to solve the long-term issues of building owners by providing close support
- To strengthen our ability to respond attentively and warmly to tenant companies and service users
- To foster talent and create an organizational culture that provides heartwarming and enjoyable services that impress hotel guests

### 3 To promote cooperation and diversification within core business

#### Cooperation and diversification within core business (flow-type business)

- Development of New Construction Business that aims to maintain the long-term economic value of buildings through the cooperation with Leasing Management, Property Management and Construction department
- Promotion of small-lot real estate property (properties in Osaka, and Nagoya in addition to the central Tokyo area)
- Development of apartment replanning in New York and condominium in Vietnam

#### Cooperation and diversification within core business (stock-type business)

- Provide more diversified services for real estate to solve clients’ problems
- Increase branches in Tokyo, focus on sub-leases entrusted, and increase entrusted buildings for Property Management
- Increase operating area in Rental Conference Room Business
- Increase rooms of hotel operation (including M&A)

### Focus Areas and Our Vision

- Business domain expansion
- Area expansion

Three focus markets	Business model	Business domains	Areas		Our vision
Offices	Development	Renovation	Tokyo	Osaka	Contribute to the realization of a sustainable society through resource-circulating real estate utilization
		New construction			
		Small-lot real estate ownership products (Specified Joint Real Estate Ventures)			Create smiles and excitement by solving customer issues from their perspective
	Services	Real estate services			
Hotels	Operations	Conference room operations	Nationwide (Japan)		Expand “Heart-warming and Fun Hotels” nationwide and grow together with local communities
	Development	New construction			
	Operations	Hotel operations			
Residential	Development	New construction	Vietnam	Tokyo	Provide safe, secure, comfortable, and high-quality living environments, contributing to national development
		Renovation	New York		
	Services	Real estate services	Vietnam/New York		



## Active Investment for Future Growth

- Over the three years of the new Medium-Term Management Plan, we plan to invest a total of 310 billion yen.
- Of this, 200 billion yen will be allocated to the Replanning Business, 21 billion yen to small-lot real estate ownership products, 70 billion yen to hotel development, and 10 billion yen to M&A and digital initiatives.
- In executing investments, we will always conduct verification from the perspective of capital costs, while proactively advancing investments for future growth.

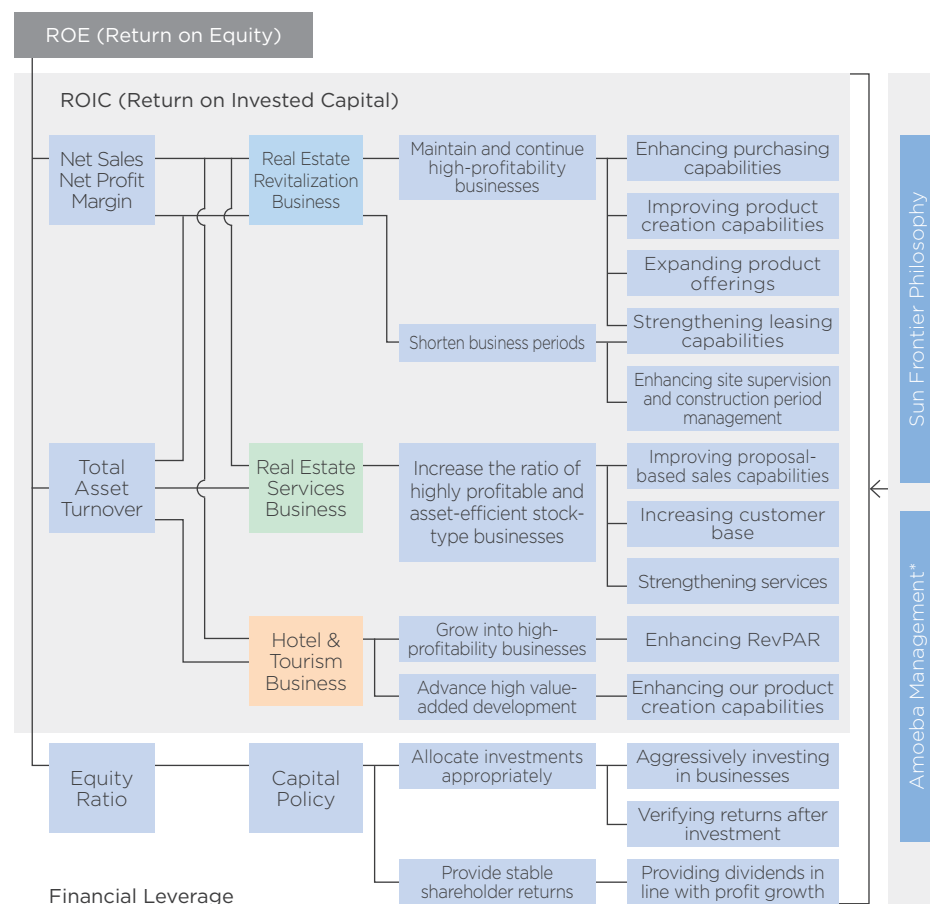
Planned fund inflows (cumulative)	Planned fund outflows (cumulative)			
<b>Business income from property sales, etc.</b>  <b>Borrowings</b>  <b>Cash and deposits</b>  <b>322 billion yen</b>	<b>Business growth investments</b>  <b>310 billion yen</b>	Short-term Replanning	100 billion yen	Continue proactive investment in small- and medium-sized office buildings in the five central wards of Tokyo
		Medium- to long-term Replanning	50 billion yen	Focus investments on both rental income and capital gains
		New construction development	30 billion yen	Expand investments by leveraging our accumulated expertise
		New York apartment Replanning	20 billion yen	Strengthen investments for business expansion in growth markets
		Small-lot real estate ownership products	21 billion yen	Promote product development not only in Tokyo but also in other regions such as Kansai
		Hotel development	70 billion yen	Actively invest toward achieving 10,000 hotel rooms under operation
		Condominium development in Vietnam	9 billion yen	Invest in Da Nang, a high-growth market with strong housing demand
		M&A and digital Others	10 billion yen	Aggressively utilize opportunities to accelerate business growth and generate synergies
<b>Shareholder returns</b>	<b>Shareholder returns</b>	Dividend*	12 billion yen	Increase dividends in line with profit growth and return value to shareholders

\*Note: We assume that by the end of the fiscal year ending March 2027, conversion of convertible bonds

## Management with Awareness of Capital Costs and Stock Price

- Grounded in the corporate culture and management system of Philosophy and Amoeba Management\*, which are the unique strengths of the Sun Frontier Group, we will implement specific measures described in the ROE improvement drivers.
- In each business segment, we will emphasize profitability and capital efficiency, enhance ROIC, and thereby improve ROE.
- While maintaining an ordinary income margin of 20% and an equity ratio of 45%, we aim to achieve ROE of 14% or higher.

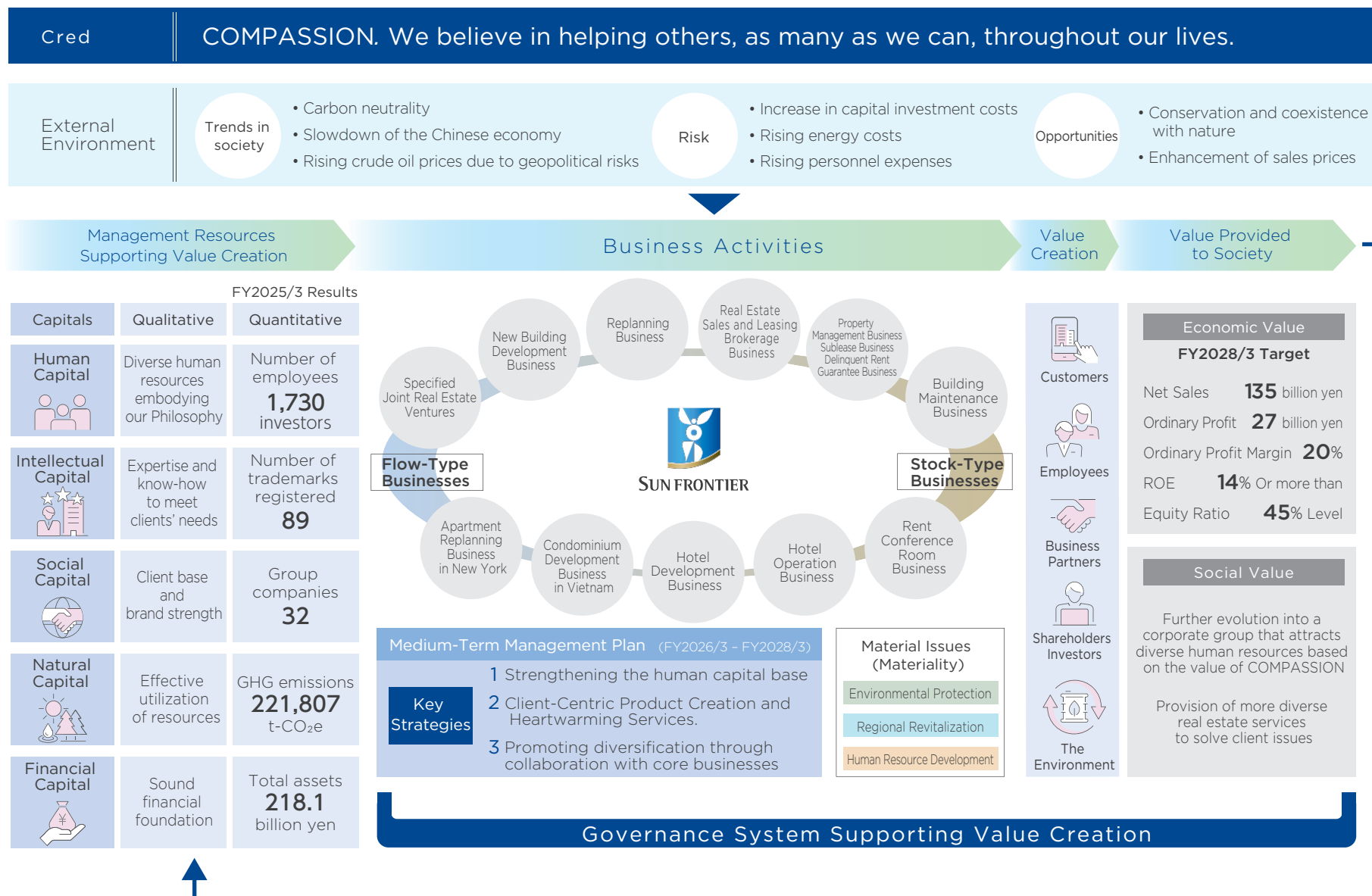
### ROE Improvement Drivers



\*\*"Amoeba Management" is a registered trademark of Kyocera Corporation.

# Sun Frontier's Value Creation Process

Starting from our *Credo of COMPASSION*, we implement the Medium-Term Management Plan and address material issues (materiality) to resolve social issues through our businesses and create new value, thereby pursuing our Long-Term Vision 2035.



Utilize limited resources to fill the world with smiles and excitement!  
Becoming a corporate group that continues to challenge the creation of future value.

Long-Term  
Vision  
2035

## Sources of Value Creation Cultivated under the Spirit of COMPASSION

The Sun Frontier Group leverages five forms of capital to drive business growth and continually take on the challenge of creating future value. Each capital is directly connected to our management strategies and daily practices.

The Strength of Each Employee Drives the Growth of the Entire Group.

- Deep-rooted spirit of COMPASSION
- Organizational culture fostering collaboration across departments and the Group
- Development of diverse human resources and support for career building

Leveraging our expertise and know-how drives the creation of new value.

- Practicing the Sun Frontier Philosophy
- Proprietary technology and expertise in real estate revitalization
- Enhancing operational efficiency through data utilization and IT infrastructure

Trust-based relationships and social contribution enable the sustainability of our business.

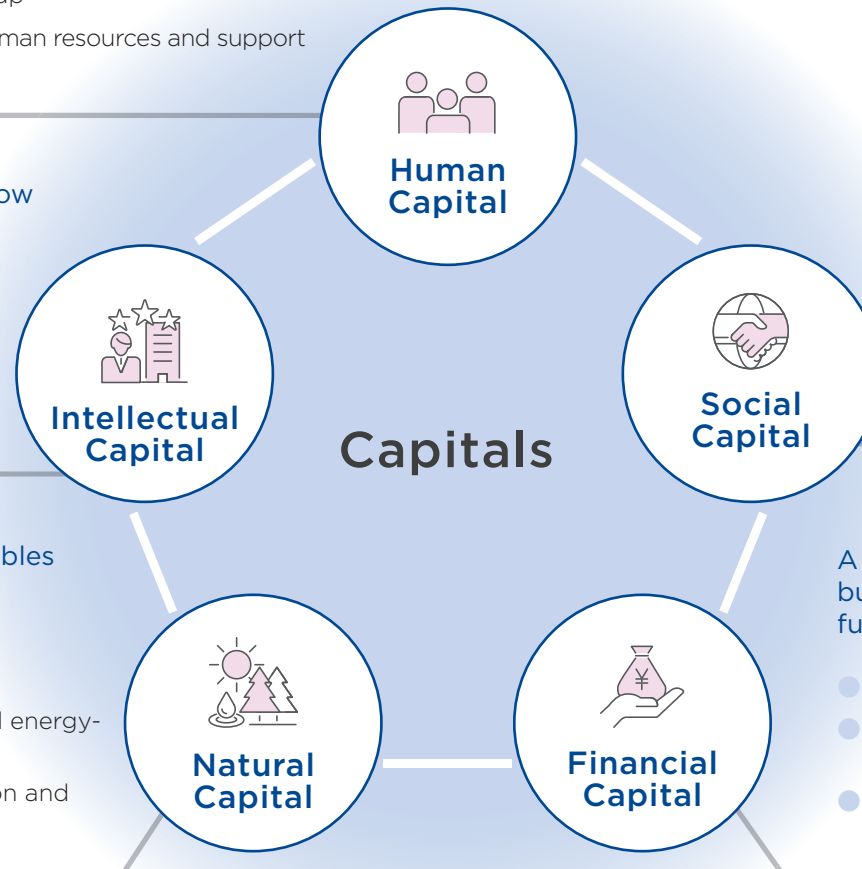
- Building trust with stakeholders
- Collaboration and contribution to local communities and governments
- Promotion of ESG and sustainability initiatives

Environmental consideration enables sustainable growth.

- Reducing environmental impact in building operations
- Introducing renewable energy and energy-saving equipment
- Contributing to resource circulation and sustainable urban development

A stable financial foundation supports business expansion and the creation of future value.

- Stable funding to support growth investments
- Maintaining financial soundness with a high equity ratio
- Ensuring sustainability of operations through cash flow management





## Generating Greater Added Value through the Inseparable Philosophy and Amoeba Management\*

Takeshi Hirahara

Senior Executive Officer  
Deputy General Manager of Administration Headquarters  
and General Manager of Corporate Planning Department

### Looking Back on the Seven-Year Previous Medium-Term Management Plan, Which Concluded in FY2025/3

First of all, I would like to take this opportunity to express my sincere gratitude to everyone for the successful completion of the previous Medium-Term Management Plan (hereinafter, the “previous Plan”). For the Sun Frontier Group, which celebrated its 25th anniversary in April 2024, achieving the targets of the previous Plan in FY2025/3 holds significant meaning, particularly because we overcame the impact of the global financial crisis, which resulted in our first-ever net loss in FY2009/3 and FY2010/3 since our founding.

The dream we envisioned 12 years ago in 2013 with great excitement was “Tenfold in Ten Years,” namely “100 billion yen in net sales and 20 billion yen in ordinary income.” In 2018, we

elevated this dream into a five-year Medium-Term Management Plan and announced it publicly. However, due to the COVID-19 pandemic, we were forced to extend the final year by two years, ultimately achieving the Plan after seven years. The process of reaching the goals of the previous Plan, which was not always smooth sailing, is also the history of our Group facing social issues head-on through the practice of our Management Philosophy: *“To look after every employee and pursue the happiness of both mind and matter. At the same time, to cocreate a rich and sustainable society by contributing to the evolution and the development of the human society.”*

At the core of our Group’s management lies the spirit of COMPASSION, which we have cherished since our founding. Practicing Philosophy Management—helping one another in times of adversity—culminated in the achievement

of the previous Plan, and this has become a source of great confidence. Our core business of office building revitalization is rooted in the awareness of sustainability, encapsulated in the belief that “it is wasteful to demolish buildings that can still be used.” Promoting sustainability management toward a sustainable society and future not only makes employees more aware of the social value of the revitalization business but also motivates them to discover their own purpose and pursue self-realization. In this way, sustainability management harmonizes with Philosophy Management, which pursues happiness in both mind and matter, guiding our Group in a way that goes beyond numerical results. Alongside the previous Plan, we also identified three material issues for sustainability management, and in 2022 we established concrete numerical targets as part of our Sustainability Vision, further accumulating achievements.

### Long-Term Vision 2035 and the Role of the New Medium-Term Management Plan

Our Group’s vision for the future in Long-Term Vision 2035 is “To utilize limited resources to fill the world with smiles and excitement! and to become a corporate group that continues to challenge the creation of future value.”

What this represents is the pursuit of a corporate group that upholds our corporate philosophy of “restraining the wasteful use of irreplaceable resources and contributing to the lasting prosperity of humankind and all living beings on Earth,” while nurturing human resources with a frontier spirit who will continue to take on the challenge of creating new value.

Under this vision, our new Medium-Term Management Plan 2028 (the “new Plan”) implements the policy of “working



to resolve social issues by promoting cooperation and diversification within core business, providing client-centric product creation and heartwarming services.” As a growth strategy, we will focus on human resource development and capital efficiency, and in the three markets of offices, hotels, and residential (domestic and overseas) we will promote: Product creation businesses such as renovation, new construction, and development, Service and operation businesses such as real estate services and hotel management, and Unique differentiated businesses that combine these strengths of our Group.

As financial targets, we aim for net sales of 135.0 billion yen, ordinary profit of 27.0 billion yen, and an ordinary income margin of 20% in FY2028/3, the final year of the new Plan, while striving for 10% annual growth. Given the uncertain business environment, we will work to achieve these targets ahead of schedule by maintaining the momentum built during the previous Plan.

Furthermore, our growth strategy includes diversifying flow-type businesses and strengthening stock-type businesses to enhance our business portfolio, with an emphasis on capital efficiency through careful attention to capital turnover. Over the three years of the new Plan, we plan to invest 310.0 billion yen in business growth, actively directing funds into growth and new business areas.

### What Added Value Do “Philosophy” and “Amoeba Management\*” Generate?

The Sun Frontier Philosophy, centered

on our credo of COMPASSION, may seem unrelated to profit generation through corporate activities. However, our Philosophy teaches fair and just management based on the question: “What is the right thing to do as a human being?” As reflected in the new Plan’s emphasis on strengthening our human resource base, we place human development at the core of our management goals, treasuring the mindset that “it is fulfilling to serve others.” Sharing the Philosophy allows each employee to connect across organizational boundaries toward lofty goals, fostering a vibrant culture of co-creation.

While diversity is essential in co-creation, it does not mean that every perspective is equally valid. The formula advocated by Kazuo Inamori, founder of Kyocera—“*Results of life and work = thinking × enthusiasm × ability*”—holds true only when “thinking” is appropriate. Unless we share the belief that “*bringing joy to customers is a source of happiness*,” our management model cannot function. Therefore, the common goal of realizing our Management Philosophy must underpin our organizational management. At the same time, in human resource development, we place importance on diversity, fairness, and inclusion, respecting each individual’s uniqueness.

As for Amoeba Management, it is an organizational method characterized by “realizing all-employee participation management,” “developing human resources with a managerial mindset,” and “an independent accounting system directly linked to the market.” Each Amoeba Leader, as a manager, must

strive to be respected as a person in order to earn the trust and commitment of their members. This is precisely why Philosophy is so important. A true leader is someone who inspires members to feel, “By following this person, I too can grow and contribute to society.”

Thus, Philosophy and Amoeba Management\* are inseparable, nurturing our Group’s corporate culture that values character and challenge, and producing human resources who contribute to society. In this soil, solving social issues through the practice of our Management Philosophy leads directly to resolving customers’ issues, which are reflected as net sales, and to creating high added value, which is reflected as ordinary income.

### Management with Awareness of Capital Costs and Stock Price

Management is the activity of investing funds entrusted by shareholders to expand business. When the spirit of Philosophy combines with the economic rationality of Amoeba Management\*, it creates added value that pleases customers, which in turn is reflected in customer satisfaction and our stock price. Ultimately, this converges into the ROE figure. We believe that pursuing correct actions and self-realization results in customer smiles, and as those smiles multiply, they are reflected as net sales representing our “contribution value” and as profits representing “added value creation.” As a private company, our Group seeks to return profits to shareholders, reinvest in society, and become an indispensable presence. Specifically, under the new Plan we have set a target of 14% or higher for ROE.

As mentioned earlier regarding diversification of our business portfolio, financially we will carefully evaluate







business risks and returns, operating with full awareness of the spread between shareholder capital cost and ROE, as well as stock price reflecting investor expectations. By continuously questioning our *raison d'être* in society, we aim to achieve sustainable growth and enhance corporate value over the medium to long term.

### Relationships with Shareholders and Other Stakeholders

Our Group's basic policy on shareholder returns is:

1. Endeavor to provide long-term and stable profit returns,
  2. Secure investment funds to boldly take on future growth opportunities, and
  3. Maintain a stable financial base.
- Based on this policy, we have continued to increase dividends for 12 consecutive years. Going forward, by steadily expanding earnings and

continuing to achieve ROIC exceeding WACC, we aim to raise PBR and continue increasing dividends in line with this policy, while striving to achieve the new Plan. We recognize that as our Group enhances the social value we create and becomes increasingly indispensable to society, our corporate value will sustainably increase, creating a cycle that leads to enhanced shareholder returns.

As it is often said that a company is a "public entity of society," our Group derives its *raison d'être* from the support of diverse stakeholders. Therefore, IR activities play an important role in minimizing information asymmetry internally and externally. We position timely disclosure of highly transparent information as one of our key measures to facilitate investment decisions and express our commitment to investors through management activities. In particular, we believe there is room to increase the ratio of overseas

institutional investors and intend to focus on this area.

### Outlook for FY2026/3, the First Year of the New Plan, in Light of the External Environment

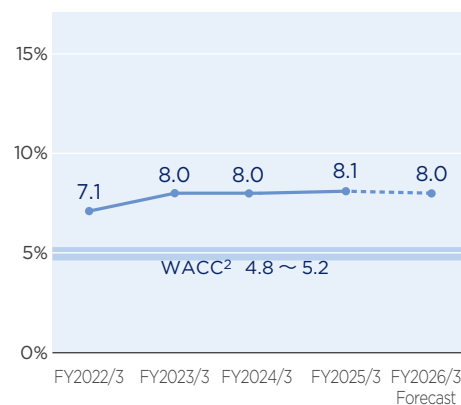
Amid urgent global challenges such as climate change and infectious diseases, the Global South is rising rapidly against the backdrop of Western liberal democracies, and new frameworks for international order and security are being explored. In macroeconomics, downward pressures persist worldwide due to U.S. tariff policies, China's real estate problems, and multiple geopolitical risks. Japan too faces structural issues such as a declining birthrate, aging population, and a fragile social security system, with little optimism regarding the outlook for exchange rate stability or fiscal and monetary policy responses to inflation.

In our Group's business environment,

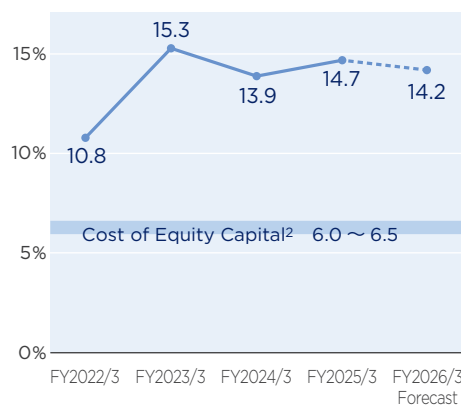
the office business is benefiting from steady domestic demand and growing discussions on new office concepts driven by DX, while the hotel business is riding the wave of a revitalized tourism market driven by inbound demand. For us, these represent opportunities for a major leap forward. Furthermore, our Group is home to human resources driven by aspirations such as "contributing to society" and "bringing smiles to customers." We therefore believe the environment for business growth is well-prepared.

During the period of the previous Plan, with the support of many stakeholders, we were able to realize a dream 12 years in the making. Fortunately, by advancing toward the North Star of our Management Philosophy, we are able to contribute to society and remain indispensable. As we enter FY2026/3, the first year of the new Plan, we are determined to take a fresh first step toward sustainable growth and enhanced corporate value for the future.

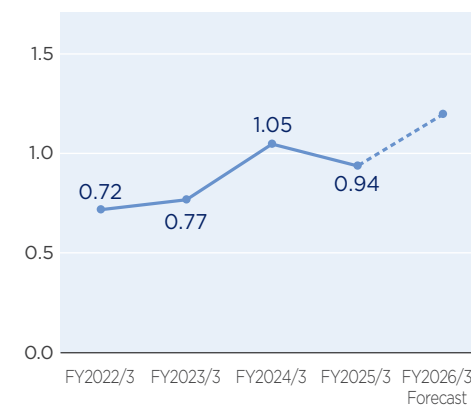
ROIC



ROE



PBR<sup>1</sup>



Note: 1. PBR is calculated as of the fiscal year-end of each period

2. The cost of equity capital is calculated using the Capital Asset Pricing Model. We assume the cost of equity capital will remain between 6.0-6.5% and WACC (Weighted Average Cost of Capital) between 4.8-5.2%, in line with the median of the past four years.