CHAP.
03

Challenges for Sustainable Growth

- Message from the President 18
- Value Creation Process 23
- Sources of Value Creation 24
- Long-Term Vision 2035 and Medium-Term Management Plan 2028 25
- Growth Strategies and Priority Measures of Medium-Term Management Plan 2028 26
- Management Conscious of Cost of Capital and Share Price 27
- Message from the Division Director of the Administration Division 28

MESSAGE *From* CEO



President and CEO
Seiichi Saito

Advancing to a New Stage of Growth, Expanding the Potential of Our Businesses, and Taking on the Challenge of Further Enhancing Corporate Value

FY2026/3, the first year of our Medium-Term Management Plan, gave us clear confidence that we are advancing to a new stage of growth. Progress in diversification has steadily strengthened our earnings base, and our capital and business alliance with ITOCHU Corporation has been in effect since April 2026. By further refining the Sun Frontier Group's distinctive value-creation and service capabilities in our three focus markets of offices, hotels, and residential properties, we will pursue sustainable growth and enhanced corporate value toward the realization of Long-Term Vision 2035.

Q. Please look back on the previous fiscal year, the first year of Medium-Term Management Plan 2028.

In FY2026/3, the previous fiscal year and the first year of our Medium-Term Management Plan, the Company made a strong start. Business performance exceeded our plan, and the profit target for the current fiscal year is already approaching the level originally set for the final year of the Plan. Some segments are already expected to achieve their original final-year targets ahead of schedule. Furthermore, in anticipation of business synergies from the capital and business alliance with ITOCHU Corporation, we revised upward our FY2028/3 performance targets to net sales of 150.0 billion yen and ordinary profit of 30.0 billion yen.

Under Long-Term Vision 2035, our Group aims to achieve net sales of 300.0 billion yen and ordinary profit of 60.0 billion yen in FY2035/3. The Medium-Term Management Plan represents an important milestone toward achieving these targets. Following the completion of the previous Medium-Term Management Plan, the true test was whether we could maintain the pace of growth and continue taking on the challenge of creating new value. The previous fiscal year, the first year of the current Medium-Term Management Plan, was a year in which our true capabilities were put to the test. As a result, we believe we gained clear confidence in our progress toward the next stage of growth.

The Medium-Term Management Plan sets out three priority measures. The first is "Strengthening the Human Resource Base," which involves investing in people, the driving force behind our growth, and building an organization in which employees share our principles and embrace challenges. The second is "Providing Manufacturing through



Making the Spirit of COMPASSION the Starting Point for Every Decision and Action

Clients' Point of View and Heart-Warming Services," through which we engage with clients from both manufacturing and service perspectives and enhance Sun Frontier's distinctive added value. The third is "Promoting Cooperation and Diversification within Core Business," which involves connecting functions and client touchpoints across the Group so that they enhance one another's value. We believe that the results of the previous fiscal year demonstrate steady progress in these measures.

A particularly important achievement was the progress made in transforming our earnings structure through diversification. Property sales, including Replanning, have long served as a key driver of our growth. At the same time, we have worked to develop stock-type businesses that generate recurring earnings, including real estate services, hotel operations, rental conference rooms, and property management. Our aim is to increase the share of stock-type businesses that are resilient to market fluctuations while maintaining growth in our flow-type businesses.

At the start of the Medium-Term Management Plan, the sales mix of flow-type and stock-type businesses was approximately 70:30. After the first year, we surpassed the 65:35 level initially targeted for the final year of the Plan ahead of schedule. This was driven by substantial growth in our stock-type businesses, including an increase in the number of hotel rooms under operation, growth in the Rental Conference Room Business, and strong performance in real estate brokerage. Furthermore, gross profit from our stock-type businesses exceeded fixed costs for the first time. We regard this as an important step toward strengthening the stability of our business foundation. With an eventual 50:50 balance in mind, we will continue to build a business portfolio that combines growth potential with stability.

Q. Please explain how the Three Core Management Pillars generate added value.

The Company practices philosophy management guided by COMPASSION (Altruism), our credo. COMPASSION means making service to clients and society, rather than our own interest, the starting point for decisions and actions. Achieving our performance and numerical targets serves as evidence of the extent to which we have contributed to our clients and society, while also enhancing each employee's sense of fulfillment in their work.

Under this shared value, our management is structured around three pillars: mental management based on our philosophy, all-employee participation management through divisional profitability, and management that evolves from the client's perspective. These are not independent initiatives. By connecting and putting them into practice at worksites, we generate distinctive added value and competitive advantage.

At the core of our management is "mental management based on our philosophy (Philosophy Management)." The Company provides numerous opportunities for employees to return to the Philosophy in their daily work. Employees share the uncertainties and challenges they encounter in the workplace and reflect on them in light of the Philosophy, putting COMPASSION (Altruism) into practice. We continually ask one another whether we are acting sincerely toward our clients and doing the right thing as human beings. This culture supports Sun Frontier's distinctive organizational character and fosters a corporate culture rooted in altruism.

The second pillar,"all-employee participation management through the small-group profitability system," is based on Amoeba Management advocated by Kazuo Inamori, founder of Kyocera Corporation. It is a management system in which the organization is divided into small units, each of which operates as an independent business. This system provides opportunities to develop leaders while enabling every employee to approach their work with a managerial mindset.

The third pillar, "Management that Evolves from the Client's Perspective," means continually asking what clients truly need. Based on the belief that while we cannot change others or the past, we can change ourselves and the future, we share client feedback and insights gained through our daily work across all of our operations, including office revitalization, hotel operations, and real estate services, and continuously refine our products and services.

What matters is that these three pillars interact with one another in the workplace. Viewed in isolation, the small-group profitability system may be merely one form of management accounting. However, when combined with the sharing of our Philosophy and management that evolves from the client's perspective, it becomes more than a mechanism for managing numbers and demonstrates its true value.

Under the small-group profitability system, the income and expenses of each division become more transparent, enabling every employee to understand how their work contributes to the Company's results. Furthermore, when multiple divisions are involved in a single project, internal transactions make the relationships of cooperation and contribution among the divisions more visible. While such a system could potentially lead each division to prioritize its own interests, our principles, Philosophy, and the client's perspective serve as the basis

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

for our decisions.

Under a shared set of values, employees can discuss not only the interests of their own divisions, but also how they can make a greater contribution to clients. This is the significance of the three pillars working together. By making each division's contribution visible, the system encourages collaboration across divisional boundaries and enhances each employee's sense of participation. As a result, it fosters a workplace culture in which employees work together and share their ideas to better serve clients.

The Company has an integrated, end-to-end structure spanning planning, commercialization, operations, and management. With support from our partner companies, employees who share common values take responsibility for core value creation across a broad range of areas. As a result, insights and know-how gained from each project accumulate within the Company without becoming fragmented, leading to the creation of new value. This is the source of our distinctive value creation capabilities and high profitability.

Q. What growth strategies are you pursuing to realize Long-Term Vision 2035?

To realize Long-Term Vision 2035, the Medium-Term Management Plan designates offices, hotels, and residential properties as our three focus markets. In each market, our basic growth policy is to leverage the product creation and service capabilities we have refined and create value by starting with solutions to the challenges faced by our clients. We will aim to expand earnings opportunities by moving beyond existing frameworks and strengthening collaboration among our businesses.

In the office market, with the Real Estate Revitalization Business, our founding business, at the core, we are expanding our business domains and strengthening the earnings base of the Real Estate Services Business. The market for small- and medium-sized buildings in central Tokyo still includes a large number of properties facing various challenges, such as aging facilities and a mismatch with current user needs. While steadily capturing Replanning business opportunities, for which strong demand is expected to continue, we are also expanding into areas such as new building development and small-lot real estate investment products, thereby diversifying our asset types.

In the Real Estate Services Business, expanding the number of property management contracts not only secures stable earnings but also creates opportunities in related services such as leasing brokerage, construction, and sales brokerage. Stable earnings from real estate services also provide the capacity for proactive property acquisitions in flow-type businesses and investment in new growth areas. By further refining a business structure in which the stock-type Real Estate Services Business and the flow-type Real Estate Revitalization Business complement one another, we will strengthen the earnings base of our office business still further.

The Hotel and Tourism Business is an important growth engine for the Company, expanding stock-type earnings through regional revitalization. Regions throughout Japan possess distinctive attractions in their culture, nature, cuisine, and history, and we believe tourism demand still offers substantial room for growth. Under the theme of "heart-warming and enjoyable hotels," we seek to leverage each region's appeal and provide experiential value that makes clients feel they have found a truly one-of-a-kind hotel. We will continue to expand the number of hotel rooms under operation through a combination of new development, revitalization through renovation, and M&A, while pursuing sustainable profit growth through hotel operations that advance together with local communities.

In the Residential Business, we pursue development and revitalization tailored to the characteristics of markets in countries and regions where populations continue to grow. In Da Nang, Vietnam, we develop condominiums that leverage Japanese-standard quality and planning capabilities, while in New York, the United States, we revitalize aging apartment buildings. In the Tokyo metropolitan area, we combine new development, including soundproof condominiums, with the revitalization of existing residences to meet diverse client needs. By combining different growth opportunities in Japan and overseas, we will further broaden our earnings base.

Developing Residential Businesses Tailored to Regional Characteristics (from left: Vietnam, New York, and Tokyo).







The current business environment presents risks including rising resource and construction material prices, higher interest rates, and exchange rate fluctuations. Nevertheless, our businesses have strengths that can be demonstrated even amid these changes. For example, real estate revitalization, which enhances the value of existing properties, is less susceptible to increases in material prices than new construction. In addition, office rents in central Tokyo and demand for hotel accommodation remain firm, creating an environment in which the value of truly worthwhile products and services for clients can be reflected in pricing.

Regardless of how the environment changes, the essential question is whether we can continue to be chosen by our clients. Business is, in a sense, a competition to see who can be of greater service to clients. Whatever the environment, we will remain sincerely focused on this essence and continue to do our utmost.



Q. Please explain the objectives of the capital and business alliance with ITOCHU Corporation and the synergies expected from it.

In April 2026, the Company commenced a capital and business alliance with ITOCHU Corporation. This is an important initiative for further accelerating our business growth.

In entering into the alliance with ITOCHU Corporation, we placed importance on whether the two companies could share common values. ITOCHU's principle of sampo-yoshi seeks value not only for the company itself but for all stakeholders, including business partners and society. This principle is deeply aligned with COMPASSION (Altruism), our credo. We are greatly encouraged by the opportunity to take on the challenge of creating new value together with a partner that shares our values.

Through this alliance, we aim to create new business opportunities by combining the strengths of ITOCHU Corporation and the Company. ITOCHU has an extensive business network as a general trading company, financial strength, and expertise in development and asset management. We, meanwhile, possess Replanning expertise developed through the revitalization of small- and medium-sized buildings in central Tokyo. Our strengths also include an integrated value chain spanning acquisition, planning, leasing, construction, sales, and management; locally rooted leasing capabilities; and operational expertise in hotels and rental conference rooms. By combining the strengths of both companies, we believe we can take on the challenge of creating value on an even greater scale.

Specifically, we anticipate two synergies. The first is an expansion of business opportunities. Through ITOCHU's network, we expect to gain broader access to information on the sale and utilization of real estate, leading to opportunities that would have been difficult for us to approach independently. The second is an increase in project scale. Joint investment will enable us to undertake larger office building revitalization and development projects than before. While we have traditionally built our track record primarily through small- and medium-sized projects, we will also take on projects in the 10 billion to 20 billion yen range, expanding growth opportunities in both the number and scale of projects.

As growth opportunities expand, the competitive environment will become even more demanding. However, the essential nature of the value required will not change significantly. By combining the product creation and service capabilities we have cultivated with ITOCHU's network and expertise, we will further deepen our value creation process and provide differentiated value even in large-scale projects.

As investment opportunities expand, growth investment will require an even higher degree of discipline. Under the Medium-Term Management Plan, we plan total investment of 350.0 billion yen over three years to expand our businesses through office and hotel revitalization and development, M&A, and other initiatives. In executing these investments, we will remain mindful of the cost of capital, emphasize profitability and capital turnover in each business, and pursue disciplined growth investment.

Q. Please describe the progress of your sustainability initiatives.

Based on our Management Philosophy, the Group aims to contribute to a sustainable society through its business activities. We have identified Environmental Protection, Regional Revitalization, and Human Resource Development as our three Important Issues and are advancing a range of initiatives through our businesses.

In Environmental Protection, our business itself can contribute to environmental conservation by revitalizing and enhancing the value of existing buildings rather than relying on demolition and reconstruction. Specific initiatives include "healthy building longevity," which maintains building value over the long term, and offsetting carbon dioxide emissions generated during construction.

The Hotel and Tourism Business plays a major role in Regional Revitalization. In cooperation with local partner companies and business operators, we work to revitalize entire communities with our hotels as a starting point, while also contributing to the utilization of local transportation, events, and tourism resources.

Among our three Important Issues, Human Resource Development is an area on which the Company places particular emphasis. People are the driving force behind our businesses, and human resources who recognize the challenges faced by our clients are the source of value creation toward realizing a sustainable society. The Company systematically and continuously provides a range of training programs, including training on our Management Philosophy, basic business knowledge, and specialized skills, as well as opportunities to participate in external professional training. We also believe that employee development should not be left solely to the Human Resources Department, but should be led proactively by those responsible for each business. Human resources with diverse experience and expertise connect under a shared Management Philosophy and learn from one another. We believe that leveraging diversity in this environment and enhancing employees' sense of fulfillment and growth will enable them to make an even greater contribution to our clients, thereby enhancing corporate value.

For these Important Issues, we establish KPIs directly linked to our business activities and monitor progress to ensure that our initiatives are effective.

Continuously Serving Society Is What Enhances Corporate Value.



Q. Please share a message for our stakeholders.

I would like to express my sincere gratitude once again to all stakeholders for their continued support of our Group.

The market environment is becoming increasingly complex due to geopolitical risks, inflation, rising interest rates, exchange rate fluctuations, and changes in working styles and tourism demand. As the saying goes, "It is neither the most intelligent nor the strongest that survives, but the one most adaptable to change." What matters in this era is to accurately identify signs of change without fearing them and to continue transforming ourselves. The Group will also anticipate changes in the times and sincerely work to resolve the challenges faced by our clients.

At the same time, no matter how much the environment changes, what we must accomplish remains unchanged: the realization of our Management Philosophy. We believe in helping others, as many as we can, throughout our lives. Guided by this value of COMPASSION (Altruism), we strive to make effective use of limited resources and contribute to our clients, local communities, and society. We believe that the accumulation of these efforts leads to the enhancement of corporate value over the medium to long term.

We also believe that, to live up to the trust placed in us by our stakeholders, it is important to communicate in our own words what the Company believes, what it aims to achieve, and how it is taking action. We will continue to communicate the Group's progress and direction of growth carefully through the Integrated Report, various other media, and opportunities for dialogue.

We will continue to take on challenges with all employees united in purpose so that we can meet the expectations of our stakeholders.

Sun Frontier's Value Creation Process

Starting from COMPASSION (Altruism), our credo, we implement the Medium-Term Management Plan and address our Important Issues (Materiality) to resolve social issues through our businesses and create new value, thereby pursuing Long-Term Vision 2035.

Company Policy (Credo) | **COMPASSION (Altruism)** — We believe in helping others, as many as we can, throughout our lives.

External Environment

Trends in Society
- Carbon neutrality
- Slowdown of the Chinese economy
- Rising crude oil prices due to geopolitical risks

Risks
- Inflation and rising interest rates
- Rising energy costs
- Rising personnel expenses

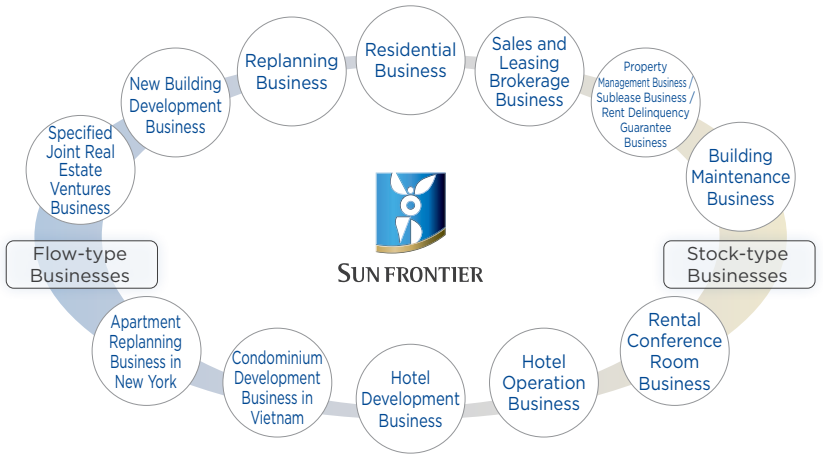
Opportunities
- Conservation of and coexistence with nature
- Higher selling prices

Management Resources Supporting Value Creation

FY2026/3 Results

Capital	Qualitative	Quantitative
Human Capital	Diverse Human Resources Who Embody the Philosophy	Number of Consolidated Employees 1,949 (including part-time employees)
Intellectual Capital	Expertise and Know-How to Meet Client Needs	Number of Registered Trademarks 93
Social and Relationship Capital	Customer Base and Brand	Consolidated Subsidiaries 39
Natural Capital	Reduction of Environmental Impact	Number of Buildings with BELS Certification 29 Buildings in Total
Financial Capital	Sound Financial Position	Total Assets 264.4 billion yen

Business Activities Supporting Value Creation



Medium-Term Management Plan (FY2026/3 to FY2028/3)

Priority Strategies

Strengthening the Human Capital Base
- Manufacturing Through Clients' Point of View and Heart-Warming Services
- Promoting Cooperation and Diversification Within Core Business

Important Issues (Materiality)

- Environmental Protection
- Regional Revitalization
- Human Resource Development

Value Creation

- Customers
- Employees
- Business Partners
- Shareholders and Investors
- Environment

Value Provided to Society

Economic Value: FY2028/3 Targets

Net Sales	150 billion yen
Ordinary Profit	30 billion yen
Ordinary Profit Margin	20%
ROE	14% or more
Equity Ratio	Approximately 45%

Social Value

Further Evolution into a Corporate Group That Attracts Human Resources Who Share the Value of COMPASSION (Altruism).
Providing an Even Wider Range of Real Estate Services to Resolve the Challenges Faced by Our Clients.

Governance Structure Supporting Value Creation

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.

Sources of Value Creation Cultivated under the Spirit of COMPASSION

The Sun Frontier Group leverages its five forms of management capital to grow its businesses and continues to take on the challenge of creating future value. Each form of capital is directly linked to our management strategies and daily practices.

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

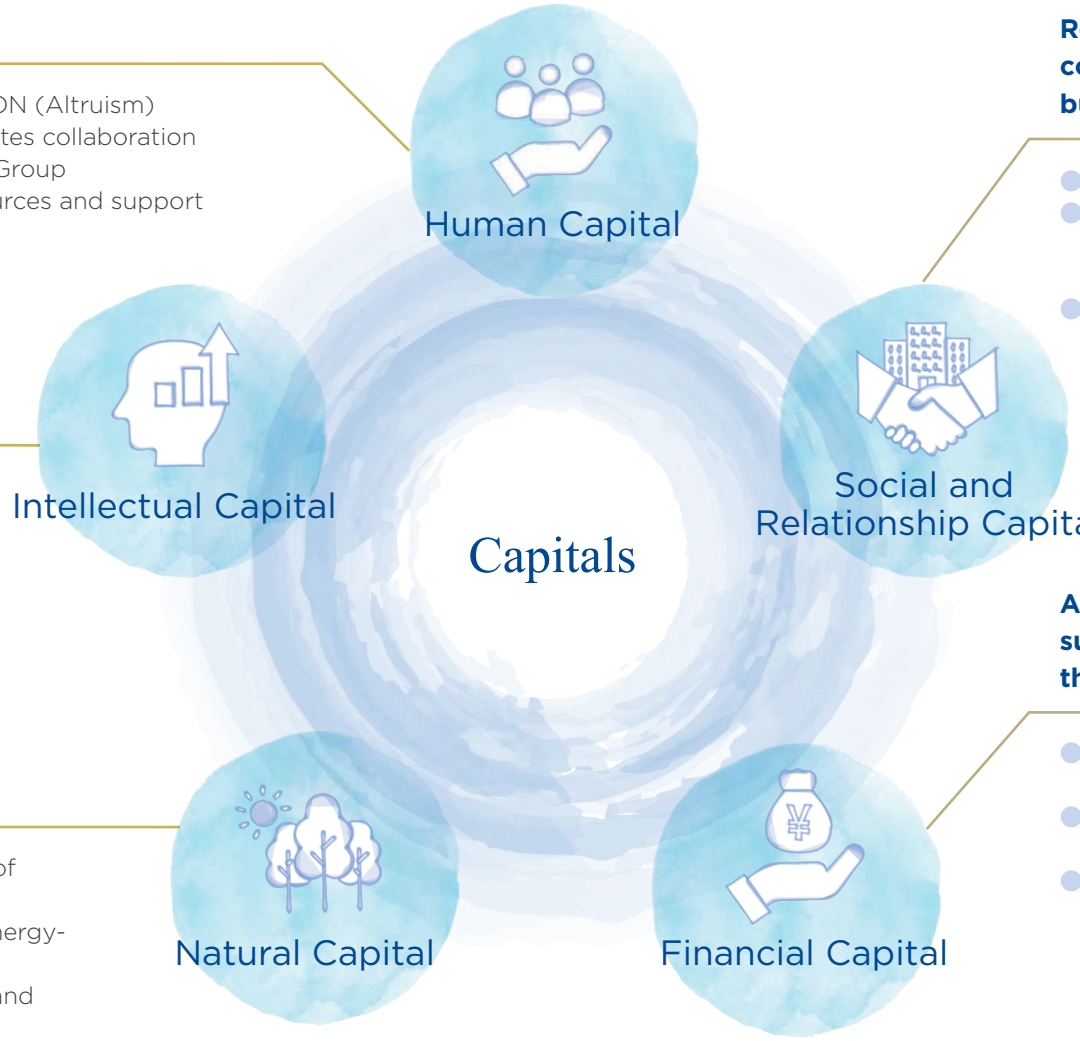
- A deeply rooted spirit of COMPASSION (Altruism)
- An organizational culture that promotes collaboration across divisions and throughout the Group
- Development of diverse human resources and support for career development.

Leveraging our expertise and technologies to drive the creation of new value.

- Putting the Sun Frontier Philosophy into Practice
- Distinctive Expertise and Know-How in Real Estate Revitalization
- Enhancing Operational Efficiency Through Data Utilization and IT Infrastructure

Environmental considerations enable sustainable growth.

- Reducing the environmental impact of building operations.
- Introducing renewable energy and energy-efficient equipment.
- Contributing to resource circulation and sustainable urban development.



Relationships of trust and contributions to society enable business sustainability.

- Building trust with each stakeholder
- Collaborating with and contributing to local communities and municipalities
- Promoting ESG and sustainability initiatives

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

- Stable funding to support growth investment
- Maintaining financial soundness through a high equity ratio
- Ensuring business sustainability through cash flow management

Long-Term Vision 2035 and Medium-Term Management Plan 2028

Guided by the value of COMPASSION (Altruism), our credo, the Group seeks to realize Long-Term Vision 2035 and its quantitative targets through the realization of our Management Philosophy: "Look after every employee and pursue the happiness of both mind and matter. At the same time, contribute to the evolution and development of human society with a spirit of coexistence and realize a sustainable society."
In FY2026/3, the first year of Medium-Term Management Plan 2028, which represents a milestone toward achieving Long-Term Vision 2035, we confirmed steady progress and a favorable business outlook, as well as expected synergies and solid prospects for business growth through the capital and business alliance with ITOCHU Corporation. Accordingly, we revised upward the Plan's final-year quantitative targets. We will vigorously pursue the early realization of Long-Term Vision 2035.

The Roadmap to Long-Term Vision 2035

The former medium-term management plan (results) (FY2019/3 to FY2025/3)

Basic Policy

We provide "places where people gather, connect with one another, and create social development and happiness."

Net Sales	103.1 billion yen
Ordinary Profit	20.4 billion yen
Ordinary Profit Margin	19.8%
ROE	14.7%
Equity Ratio	46.8%

Medium-term Management Plan (FY2026/3 to FY2028/3)

Basic Policy

Work to resolve social issues by promoting cooperation and diversification within core business, providing manufacturing through clients' point of view and heart-warming services.

Net Sales	150 billion yen
Ordinary Profit	30 billion yen
Ordinary Profit Margin	20%
ROE	14% or more
Equity Ratio	Approximately 45%

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.

Net Sales	300 billion yen
Ordinary Profit	60 billion yen

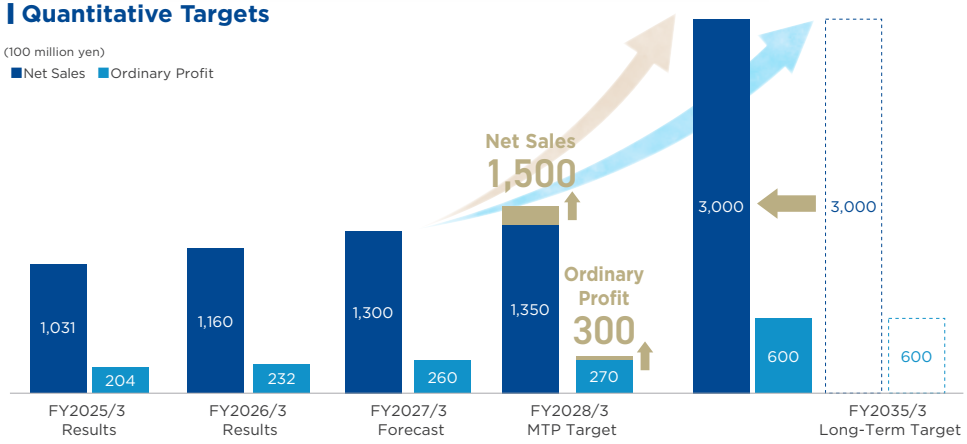
Evolution of the Business Portfolio

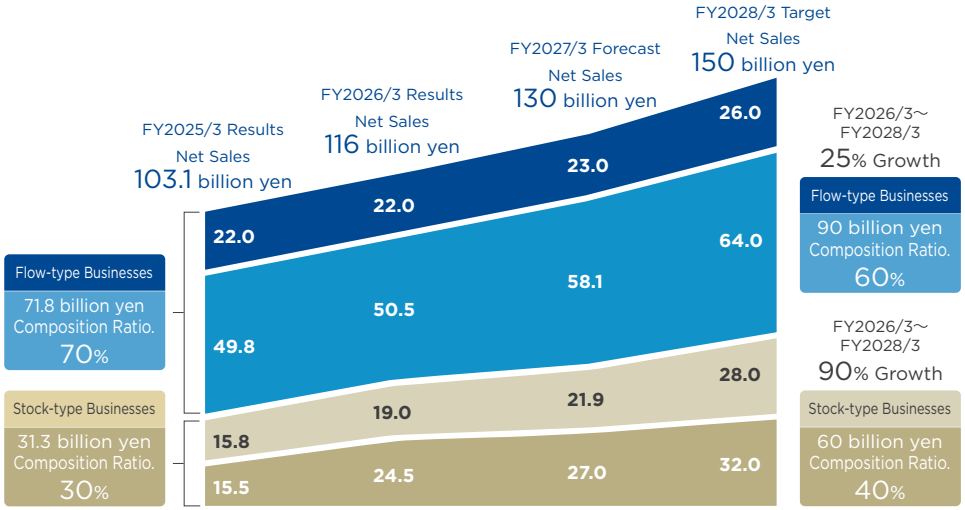
We are further transforming our earnings structure while expanding and growing our businesses.

In our flow-type businesses, we are diversifying asset types, while in our stock-type businesses, we are diversifying into related fields. While steadily growing overall net sales, we will increase the share of stock-type businesses, which are resilient to market fluctuations.

Under the upwardly revised Medium-Term Management Plan, we project a 25% increase in net sales from flow-type businesses compared with FY2025/3 and strong growth of more than 90% in stock-type businesses. By FY2028/3, we aim to increase the share of stock-type businesses in net sales from the current 37% to 40%.

Quantitative Targets





Flow-type Businesses	**Property Sales Businesses (New Areas)** ・Apartment Replanning Business in New York ・New Building Development Business ・Small-Lot Real Estate Investment Products Business ・New Residential Development Business	**Property Sales Businesses (Existing Areas)** ・Replanning Business ・Hotel Development Business ・Condominium Development Business in Vietnam
Stock-type Businesses	**Operation Businesses** ・Hotel Operation Business	**Real Estate Services Business** ・Real Estate Services Business ・Rental Conference Room Business ・Construction Solutions Business

Growth Strategies and Priority Measures of Medium-Term Management Plan 2028

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

Priority Measures

Strengthening the Human Capital Base



- Strengthen recruitment and development to expand our human resources
- Develop leaders through education and training based on our Management Philosophy, and expand the organization through the division of Amoebas under Amoeba Management
- Further evolve into a corporate group that attracts diverse human resources, regardless of age, gender, or nationality, who share the value of COMPASSION (Altruism)

Providing Manufacturing and Heart-Warming Services through Clients' Point of View



Providing Manufacturing through Clients' Point of View

- New building development; hotel development; apartment Replanning in New York; and condominium development in Vietnam
- Utilize M&A to strengthen the foundation of the Construction Business

Heart-warming Services from the Client's Perspective

- Enhance our ability to stay close to building owners and resolve their challenges from a long-term perspective
- Enhance our ability to respond attentively and warmly to the needs of tenant companies and corporate users of our services
- Develop human resources and foster an organizational culture capable of providing heart-warming and enjoyable services that inspire hotel guests

Promoting cooperation and diversification within core business



Flow-type Businesses

- Develop the New Building Business with the aim of maintaining the long-term economic value of buildings through collaboration among the Leasing Management, Property Management, and Construction divisions
- Promote small-lot real estate investment products, expanding beyond central Tokyo to Osaka and Nagoya
- Pursue apartment Replanning in New York and condominium development in Vietnam

Stock-type Businesses

- Provide diverse real estate services to resolve the challenges faced by our clients
- Strengthen our Tokyo branch network, focus on securing sublease contracts, and increase the number of buildings under management
- Expand the operating area of the Rental Conference Room Business
- Increase the number of hotel rooms under operation, including through M&A

Growth Strategy

Accelerate growth by diversifying real estate utilization through a combination of development, services, and operations, while expanding our business domains and geographic reach.

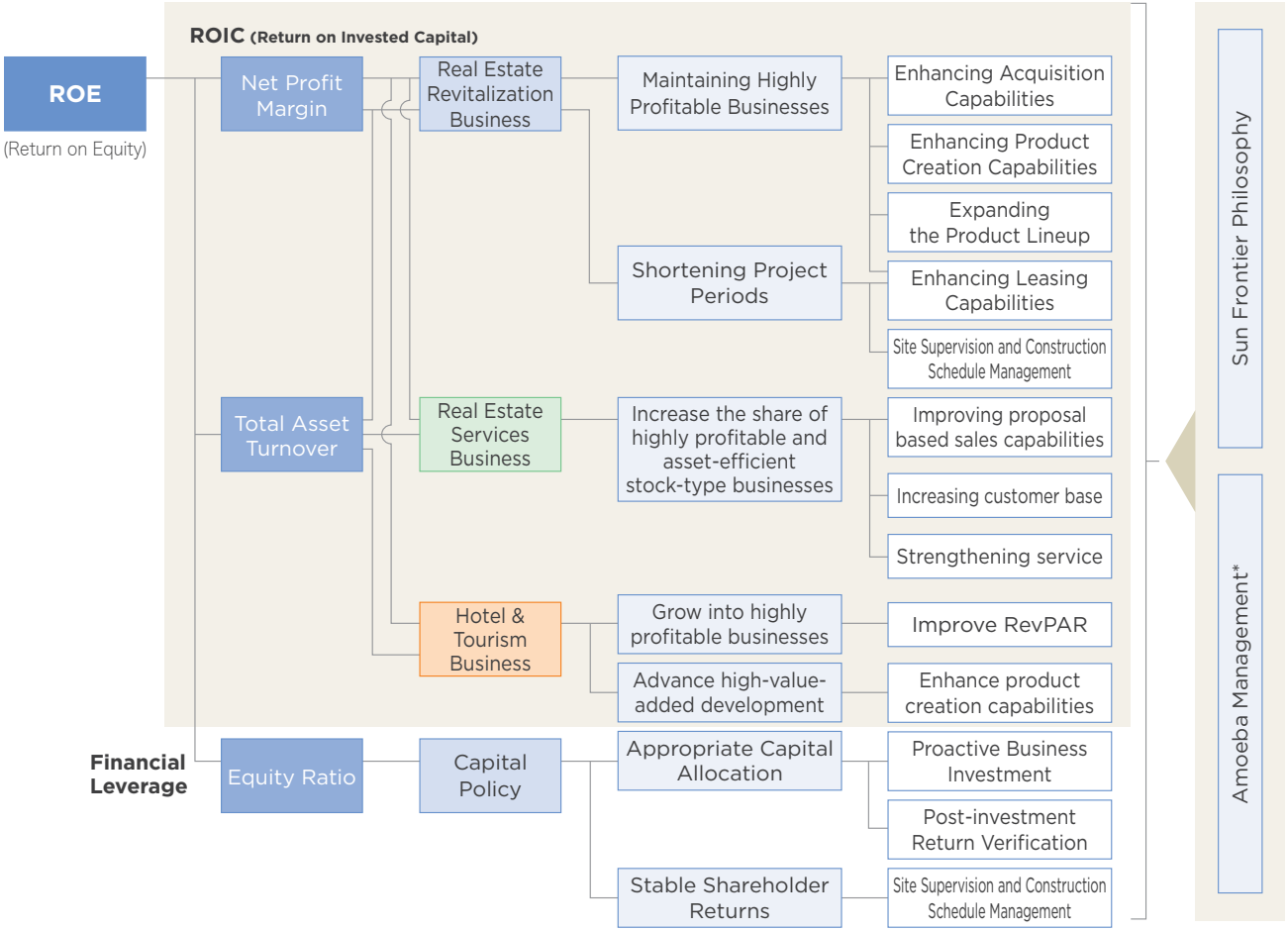
<table>
<tr><th>Three Focus Markets</th><th>Business Model</th><th>Business Domain</th><th colspan="2">Area</th><th>Our Aspiration</th></tr>
<tr><td rowspan="4">Office</td><td rowspan="3">Development</td><td>Renovation</td><td rowspan="4">Tokyo</td><td rowspan="4">Osaka*2</td><td rowspan="3">Contribute to a sustainable society through resource-circulating real estate utilization</td></tr>
<tr><td>New Construction*1</td></tr>
<tr><td>Small-Lot Real Estate Investment Products (Specified Joint Real Estate Ventures)</td></tr>
<tr><td>Services</td><td>Real Estate Services</td><td>Create smiles and inspiration by resolving challenges from the client's perspective</td></tr>
<tr><td rowspan="3">Hotel</td><td rowspan="2">Development</td><td>New Construction</td><td colspan="2" rowspan="3">Nationwide</td><td rowspan="3">Develop heart-warming and enjoyable hotels nationwide and grow together with local communities</td></tr>
<tr><td>Renovation</td></tr>
<tr><td>Operations</td><td>Hotel Operations</td></tr>
<tr><td rowspan="3">Residential</td><td rowspan="2">Development</td><td>New Construction*1</td><td>Vietnam*2</td><td rowspan="3">Tokyo*2</td><td rowspan="3">Provide safe, secure, comfortable, and high-quality living environments and contribute to national development</td></tr>
<tr><td>Renovation*1</td><td>New York*2</td></tr>
<tr><td>Services</td><td>Real Estate Services*1</td><td>Vietnam*2
New York</td></tr>
</table>

*1 Expansion of business domains *2 Geographic expansion

Management Conscious of Cost of Capital and Share Price

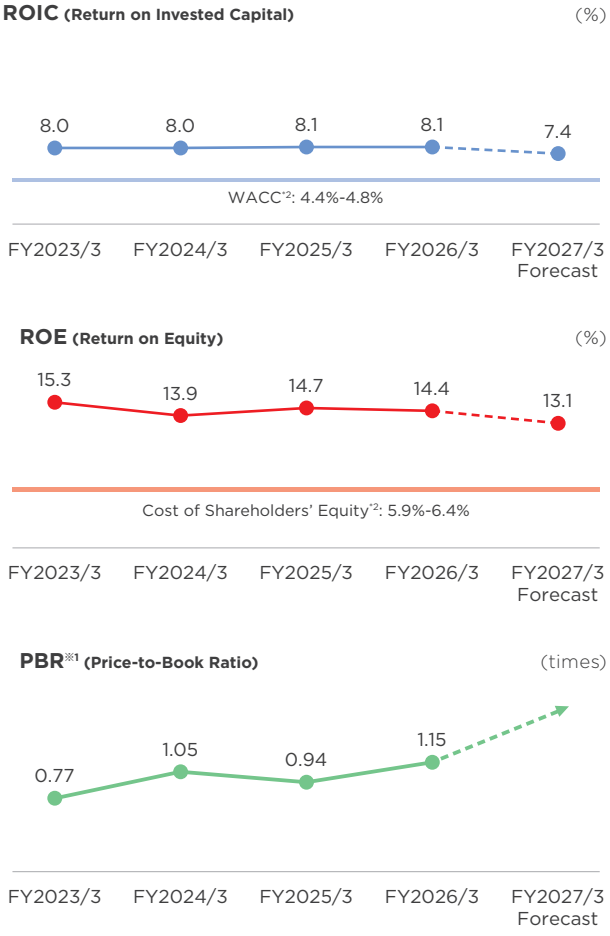
The permeation of the Philosophy and Amoeba Management enhances employee engagement and drives our businesses through all-employee participation management. While maintaining financial discipline, we seek to raise ROIC and improve ROE. By keeping ROIC above WACC, we aim to maintain ROE above the cost of shareholders' equity and thereby improve PBR.

Drivers of ROE Improvement



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

Trends in ROIC, ROE, and PBR



*1 PBR figures are as of the end of each fiscal year.
*2 The cost of shareholders' equity is calculated using the Capital Asset Pricing Model. We assume that the cost of shareholders' equity will remain at 5.9%-6.4% and WACC at 4.4%-4.8%, in line with the medians for the past five fiscal years.

Message from the Division Director of the Administration Division

We will take on the challenge of creating future value through growth investment, financial discipline, and improved capital efficiency.

We achieved record-high results in the first year of the new Medium-Term Management Plan. By balancing growth investment with financial discipline, enhancing our business portfolio, pursuing M&A, and advancing the capital and business alliance with ITOCHU Corporation, we will support sustainable growth and greater corporate value with a focus on capital efficiency.



Takeshi Hirahara
Director, Senior Executive Officer, Division Director of Administration Division and General Manager of Corporate Planning Department

Achievements in the First Year of the New Medium-Term Management Plan and Building a Foundation for the Next Stage of Growth

In the previous fiscal year, the first year of the Medium-Term Management Plan, we achieved record-high net sales and ordinary profit. The business environment was far from calm, with rising material prices and interest rates in Japan and uncertainty surrounding trade policies. Nevertheless, we believe that the breadth of the earnings base our Group has built and our ability to respond flexibly to environmental changes underpinned these steady results.

By segment, all four segments expanded their operations, steadily diversifying our business portfolio and strengthening our earnings base. The Real Estate Revitalization Business, our core business accounting for approximately two-thirds of net sales, maintained high profitability with a segment profit margin of 29.0%. The Real Estate Services Business recorded net sales of 16.3 billion yen and a segment profit margin of 53.4%, increasing its presence as a stable earnings base. In the Hotel and Tourism Business, hotel operations generated net sales of 18.9 billion yen and a segment profit margin of 21.7%, contributing to both scale expansion and higher profitability. In Other Business, net sales increased from 1.9 billion yen in the previous fiscal year to 5.8 billion yen, partly reflecting the contribution of the Otake Kenso Group, which joined the Group through M&A.

In addition to this performance growth, the previous fiscal year was also one in which we laid the groundwork for sustainable growth. In the Real Estate Revitalization Business, while steadily executing sales, we increased acquisitions that will become future sources of earnings by 26.6%, from 50.8 billion yen in FY2025/3 to 64.3 billion yen, making progress in both sales and acquisitions. Initiatives for the next stage of growth also advanced across our businesses, including expanding property management contracts and our branch network in the Real Estate Services Business, proactive investment in the Hotel and Tourism Business, internalizing the supply chain through M&A in construction, and expanding the Overseas and Residential Businesses. We believe the major significance of the year was that we achieved current results while also preparing for the future.

Evolution of Our Business Portfolio by Combining Flow-Type and Stock-Type Businesses

Optimizing the business portfolio is a key theme of our growth strategy. While securing growth through flow-type businesses centered on real estate revitalization, we are increasing the share of stock-type businesses, such as hotel operations and real estate services, that are less susceptible to market fluctuations, thereby building a more stable earnings structure. To achieve this, in May 2026 we revised upward the Medium-Term Management Plan targets for FY2028/3, projecting a 25% increase in net sales from flow-type businesses compared with FY2025/3 and growth of more than 90% in stock-type businesses.

Under this policy, in the Real Estate Revitalization Business, our founding business, we continue to deepen the Replanning market while expanding into new asset types, including newly developed offices and residential properties, small-lot real estate investment products, and overseas real estate revitalization. By combining products with different asset turnover rates, we intend to build a sustainable growth base that is less affected by market conditions and sales timing. We will also allocate more resources to asset-efficient stock-type businesses. Our target portfolio combines high profitability with stable earnings.

In the previous fiscal year, growth in stock-type businesses was driven by the Hotel Operation Business, which captured robust inbound demand, and the Rental Conference Room Business, which achieved higher net sales and profit through increased repeat clients and large-scale projects. To convert this expanding demand into further earnings opportunities, we will continue growth investment in hotel operations and rental conference rooms while building operating systems that remain mindful of investment recovery periods and capital efficiency.

In addition, sales brokerage, leasing brokerage, and property management (PM) are important components supporting our stock-type business. In particular, as the number of buildings under management increases, PM generates additional business opportunities in brokerage and construction work, making it an important growth driver. To establish a stable earnings base through the expansion of our stock-type business, we must expand the number of locations and the total area under

management, accurately identify client needs through ongoing points of contact, and continuously refine the quality of our services.

This is where our Group's corporate culture and human strengths come into play. Rather than expanding flow-type and stock-type businesses independently, we combine them to create added value. Feedback from tenant companies and hotel guests obtained through real estate services and hotel operations is reflected in the planning, design, and renewal of office buildings and hotels. By maintaining ongoing client relationships through PM, building maintenance, and hotel operations even after revitalized or developed properties are sold or opened, we can help maintain and enhance asset value comprehensively over the medium to long term.

In other words, our product creation capabilities developed through flow-type businesses generate new client touchpoints, and the service insights gained from those touchpoints further refine our next round of product creation. This enables us to maintain and deepen client relationships and maximize long-term client value. We will continue to strengthen a highly profitable and stable business structure by evolving from the client's perspective and continuously improving daily operations.

Balancing Growth Investment and Financial Discipline to Improve Capital Efficiency.

In addition to the strong progress made in the first year of the Medium-Term Management Plan, following the capital and business alliance with ITOCHU Corporation launched in April 2026 and the approximately 13.1 billion yen raised through the associated third-party allotment of shares, we raised our targets for FY2028/3, the final year of the Plan, to net sales of 150.0 billion yen and ordinary profit of 30.0 billion yen. We also increased the total growth investment framework from the initial 310.0 billion yen to 350.0 billion yen and executed investments of 107.4 billion yen in the first year, approximately one-third of the initial plan.

This financing plan is intended to allocate funds to areas in which we can leverage our strengths and further reinforce our future earnings base toward the realization of Long-Term Vision 2035. In making investment decisions, we comprehensively assess factors including business synergies, return on invested capital (ROIC), and investment recovery periods, and will maintain disciplined capital allocation from the perspectives of both growth potential and profitability.

In the current economic environment, we must also anticipate the possibility of a higher cost of capital due to rising interest rates and changes in market risk perceptions. What matters in such an environment is not refraining from investment, but generating added value that exceeds cost increases and continuing to be chosen by all stakeholders. The key lies in the quality of our product creation and services. By enhancing the appeal of properties themselves and the quality of their operations, they can continue to be selected even at higher rents, while occupancy rates remain stable. If net operating income (NOI), an indicator of real estate profitability, grows at a rate exceeding inflation, we can absorb higher costs while maintaining and improving profitability. We believe that it is precisely when the external environment becomes more challenging that our Group's strengths come to the fore: addressing each client challenge and continuing to provide optimal product creation and services.

We emphasize capital efficiency in order to allocate limited management resources to areas with the greatest potential to create added value and thereby achieve sustainable enhancement of corporate value. In terms of capital efficiency, we target ROE of 14% or more while maintaining an equity ratio of approximately 45% as an indicator of financial stability. Through profit growth driven by growth investment and improved asset efficiency, we will continue to generate added value exceeding the cost of capital. ROE can be broken down into the product of profit margin, asset turnover, and financial leverage, but we do not seek management that relies on excessive leverage.

This approach is rooted in the management stance we have cultivated through challenging business environments in the past. Even in difficult circumstances, the Group has placed importance on valuing its human resources and preserving relationships of trust with stakeholders, including financial institutions. The commitment to "valuing people" and "keeping promises," which has taken root through these experiences, underpins our financial discipline. We will therefore continue to improve ROE through lean and resilient management based on high profit margins and a streamlined balance sheet.

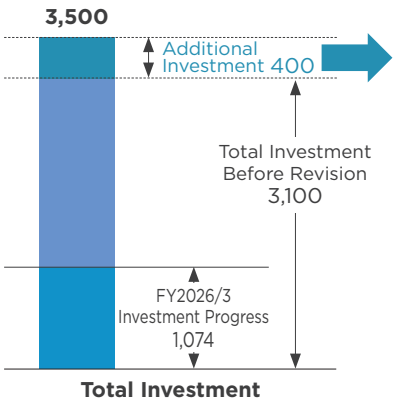
Regarding shareholder returns, we forecast annual dividends of 80 yen per share for FY2027/3, an increase of 4 yen from the previous fiscal year. We will continue to uphold our three basic policies of providing long-term and stable returns to shareholders, securing funds for proactive and bold investment in future growth, and maintaining the stability of our financial foundation. At the same time, we will pursue highly capital-efficient management while emphasizing the balance among growth investment, financial discipline, and shareholder returns.

Creating New Business Value through M&A with People Who Share Our Values

M&A is one of the important means by which the Group can accelerate growth. Its success, however, requires a process of jointly enhancing business value through post-merger integration (PMI)*2.

The most important consideration in evaluating M&A opportunities is whether we can share corporate philosophies and values. Both

Total Investment for FY2026/3-FY2028/3
(100 million yen)



Breakdown (100 million yen)

Business	Investment Before Revision	Additional Investment
Replanning (including short- and long-term)	1,530	220
New Construction	310	40
New York	210	40
Small-Lot Real Estate Investment Products	220	40
Hotel	640	60
Vietnam	90	—
M&A*1	100	—

*1 Excluding real estate M&A

*2 Post-Merger Integration: the integration process following an M&A transaction

companies must identify with and put into practice the values of pursuing the happiness of employees in both mind and matter and contributing to society through business. The extent to which these values are shared has a significant impact on organizational integration and business growth following an acquisition.

For this reason, during negotiations we communicate candidly the philosophy we uphold and what we value in conducting our businesses. At the same time, as the accepting company, we believe it is important to respect the history of the other company and the views of its employees and to engage in careful and repeated dialogue. This approach has proven effective at the Otake Kenso Group and Nagano Linden Plaza Hotel, which joined our Group during the previous fiscal year, and PMI is progressing smoothly and according to plan.

In PMI for the Hotel Operation Business, the staff members who join our Group become irreplaceable assets. The "heart-warming and enjoyable hotels" we aspire to create are places where employees themselves enjoy exercising creativity and ingenuity and achieve self-realization through the smiles of clients. Attracting human resources who identify with our Group's Philosophy, regardless of their previous experience, brings renewed vitality and hospitality to the workplace. M&A tends to be discussed in terms of numbers such as acquisition prices and financial indicators. However, future value that cannot necessarily be measured by numbers alone lies in people and trust. In other words, deeper sharing of values promotes employee retention and the creation of synergies after integration, ultimately leading to enhanced corporate value.

The funds invested in M&A are valuable capital entrusted to us by shareholders, investors, and financial institutions. We therefore pursue investment results encompassing not only the acquisition itself, but also synergy creation through PMI and the recovery of invested capital. We put our Management Philosophy into practice in daily business activities and consistently reflect it in investment decisions and PMI. Together with our new colleagues, we seek to create synergies that turn "one plus one into three or even four," enabling people in the workplace to grow with energy and enthusiasm and jointly cultivate new business value. This is the Group's fundamental approach to M&A.

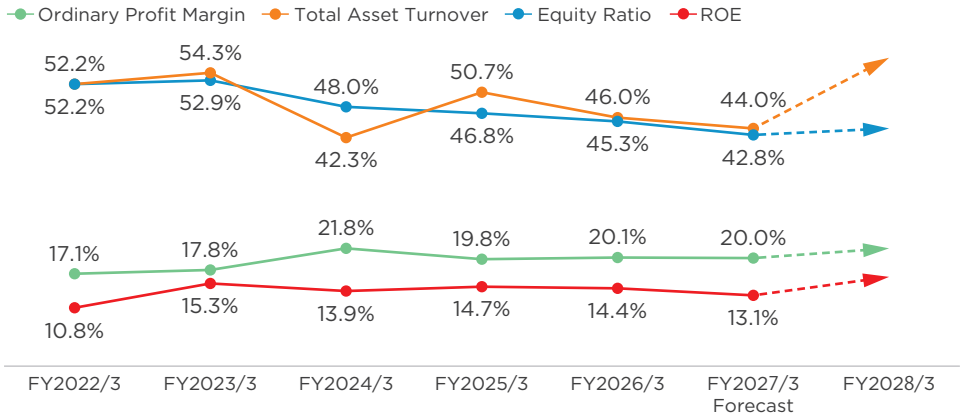
Expanding Growth Opportunities through the Capital and Business Alliance with ITOCHU Corporation.

We believe it will take some time for the results of the capital and business alliance with ITOCHU Corporation to become evident in our financial performance. Nevertheless, the two companies are already holding discussions on specific themes for collaboration, and we have made a positive start through candid exchanges of views. ITOCHU's principle of sampo-yoshi and COMPASSION (Altruism), which lies at the heart of the Group's management, are deeply aligned, and we strongly recognize the compatibility of our corporate cultures.

The strategic significance of this alliance lies in its potential to greatly expand the Group's growth opportunities by combining the management resources of both companies. By bringing together ITOCHU's extensive business network, human resources and expertise in asset management, financial strength, and information capabilities with our expertise in real estate revitalization, on-site capabilities, agility, and operational capabilities, we intend to expand into growth areas in a wide range of fields. These include larger projects, stronger sourcing capabilities, financial support, broader access to overseas investors, the creation of business opportunities in the Hotel and Tourism Business, and a stronger supply chain.

As a specific indication of progress, we have incorporated joint investment projects into our acquisition plan and are planning investment exceeding the level of the previous fiscal year. In the first year, we envisage joint investments in which ITOCHU's investment exceeds 10.0 billion yen, focusing on projects to revitalize existing office buildings. This alliance has broadened the potential for us to take on large-scale projects of approximately 10.0 billion yen per building, in addition to the small- and medium-sized projects in which we have traditionally excelled. Starting with our current collaboration, we will gradually

Trends in Key Indicators and ROE



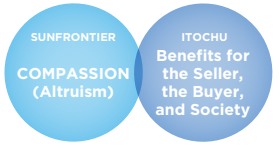
Purpose and Background of the Capital and Business Alliance with ITOCHU Corporation

Purpose

Accelerate business growth and significantly enhance corporate value over the medium to long term through a strategic capital and business alliance toward the realization of our Management Philosophy.

Background

Compatibility of Corporate Cultures



Strong alignment of corporate philosophies, enabling the development of a robust, long-term relationship of trust

Strategic Complementarity





expand these initiatives while capturing new project opportunities.

At the same time, as our business domains expand, significant management risks are also increasing, including rising interest rates, economic fluctuations, post-M&A PMI, and IT risks such as cybersecurity. The Group will strengthen its risk monitoring framework and balance growth with discipline.

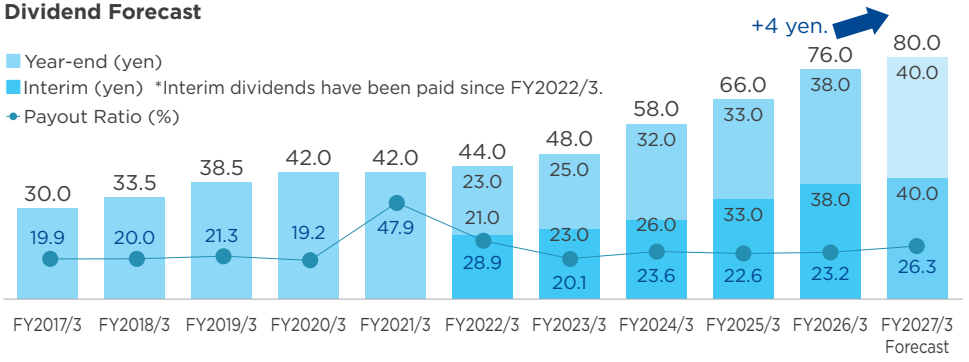
From a financial perspective, the third-party allotment of shares enabled us to strengthen our equity capital to a certain extent. Going forward, we will seek the understanding of our financial institutions regarding our improved creditworthiness and translate this into greater financing capacity and better financing terms. At the same time, we will convert business synergies from the alliance into tangible results one by one and pursue growth opportunities while maintaining management independence and operational autonomy as a listed company.

Transforming Our Philosophy into Competitiveness and Continuing to Create Future Value.

The source of the Group's distinctive added value lies in the practice of our Management Philosophy: "Look after every employee and pursue the happiness of both mind and matter. At the same time, contribute to the evolution and development of human society with a spirit of coexistence and realize a sustainable society." Guided by this Philosophy, we have addressed social issues through our businesses.

The Group regards human resources as the source of corporate value. Through the practice of the Philosophy and Amoeba Management, we continuously develop human resources who will lead the next generation of management and strengthen the organizational foundation supporting the realization of Long-Term Vision 2035.

Dividend Forecast



The practice of our Philosophy and the embodiment of value creation are supported by six foundational strengths: human resources developed through the Philosophy; a trusted client base; businesses with high social significance; business processes based on advanced management; partner companies that share our values; and disciplined finance. These are not independent elements, but interact with one another.

Our commitment to addressing client challenges deepens relationships of trust and leads to repeat business and new business opportunities. Investment in human resources strengthens on-site capabilities and service quality, while sharing values with partner companies reinforces the network supporting our businesses. Maintaining strong financial discipline also provides a solid foundation for continued growth investment. In this way, the integration of financial strategy with non-financial initiatives ultimately improves earnings power and capital efficiency, forming one of the Group's structural strengths.

Sustainability management is also an extension of our philosophy-driven management. The Real Estate Revitalization Business, our founding business, makes effective use of limited resources and breathes new value into buildings. Regional Revitalization through the Hotel and Tourism Business creates new flows of people and renewed vitality in local communities. Our response to climate change based on the TCFD[*3] recommendations, enhanced disclosures on human capital, and compliance initiatives also provide concrete evidence of the Group's commitment to addressing social issues through its businesses.

In governance, we emphasize not only establishing systems and formal structures, but also the character of the people who make them function in practice. What we value is the commitment to ask, based on the Group's Philosophy, "What is the right thing to do as a human being?" and to uphold what is right. Precisely because business opportunities are expanding through growth investment, M&A, and the capital and business alliance, we will strengthen Sun Frontier's distinctive decision-making principles and thoroughly maintain disciplined management.

Under Long-Term Vision 2035, the Group aspires to "Utilize limited resources to fill the world with smiles and excitement! Becoming a corporate group that continues to challenge the creation of future value." Our mission is to make effective and careful use of nonrenewable resources, contribute to the development of people, society, and the environment, and, guided by this corporate philosophy, develop human resources who continue to take on the challenge of creating new value with a frontier spirit.

In the second year of the Medium-Term Management Plan, we will continue to fulfil this mission by further refining Providing Manufacturing through Clients' Point of View and Heart-Warming Services, promoting diversification through cooperation within our core business, and translating synergies from the capital and business alliance with ITOCHU Corporation into concrete results one by one. In our capital policy, we will enhance capital efficiency and pursue sustainable enhancement of corporate value while maintaining a medium- to long-term balance among growth investment, financial soundness, and shareholder returns. Through continued constructive dialogue with shareholders and investors, we will sincerely respond to the expectations and assessments of the capital markets and practice transparent information disclosure, appropriate capital allocation, and risk management.

*3 Task Force on Climate-related Financial Disclosures