CHAP.
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Sustainability Management

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Sustainability Management

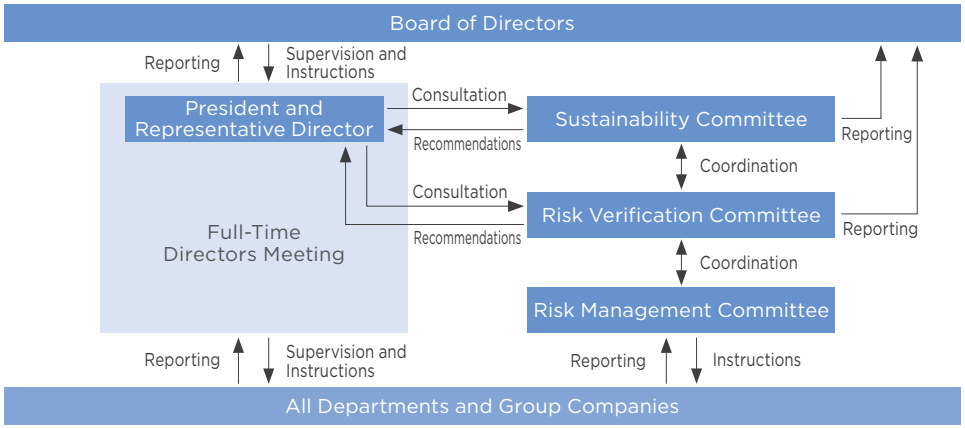
Since its founding, the Group has practiced philosophy-driven management centered on the spirit of Altruism. Based on this philosophy, we have established our Sustainability Vision and three material issues.
We will continue to promote sustainability management toward the realization of a sustainable society and a better future beyond.

Sustainability Vision

**We value the spirit of Altruism, our Credo,
and contribute to the realization of
a sustainable society through
our business activities.**

Sustainability Promotion Structure

To contribute to the realization of a sustainable society and enhance corporate value over the medium to long term, we have established the Sustainability Committee, chaired by the President and Representative Director and vice-chaired by the Head of the Sustainability Promotion Office. Sustainability representatives from each business division serve as committee members, while outside officers serve as advisors. Based on our Management Philosophy and corporate philosophy, the Committee further promotes initiatives that contribute to solving social issues.



Three Material Issues (Materiality)

Materiality 1

Environmental Protection

As a frontier in the Real Estate Revitalization Business, we enhance environmental sustainability by significantly reducing waste and greenhouse gas emissions.

Materiality 2

Regional Revitalization

As a frontier in sustainable regional revitalization, we create sustainable growth for regional economies through our office, hotel, and tourism businesses.

Materiality 3

Human Resource Development

As a frontier in philosophy-driven management, we seek to spread the concept of Altruism, which is essential to realizing a sustainable society.

Materiality Identification Process

With reference to various frameworks, including the SDGs, ISO 26000, and the GRI Standards, we held extensive discussions on the various social issues that need to be addressed, integrating the perspectives of our stakeholders with those of the Company's management. Through direct dialogue with stakeholders and with insights and advice from experts, we clarified the issues we recognize and the direction we should take. The material issues were then identified following approval by the Board of Directors.

Identification Process

Identification	Assessment	Measures	Monitoring
• Risk Verification Committee • Risk Management Committee		• Sustainability Committee • Each Group Company and Business Division	• Risk Verification Committee • Risk Management Committee • Board of Directors

Related Organizations



Materiality 1 Environmental Protection

Our Aspiration

As a frontier in the Real Estate Revitalization Business, we enhance environmental sustainability by significantly reducing waste and greenhouse gas emissions.

Based on our corporate philosophy of "avoiding the waste of limited resources," as a frontier in the real estate revitalization business, we have set concrete initiatives and KPIs such as extending the economic service life of office buildings and achieving high occupancy through sound management and operations, with the aim of solving social issues.

Material Issues, Specific Initiatives and KPIs

Social Issues to Be Addressed	Key Initiatives	Specific Initiatives	Indicators	KPIs / Targets	FY2023 Results	FY2024 Results	FY2025 Results	Related SDGs
Global warming caused by greenhouse gas emissions	Reduction of greenhouse gas emissions from business activities	Reduction of greenhouse gas emissions from construction through real estate revitalization	CO_2 emissions reduction rate compared with rebuilding	Reduction rate of 12% or more	12.7%	12.8%	12.6%	
		Offset greenhouse gas emissions from real estate revitalization construction using carbon credits	Carbon offset implementation rate for revitalized properties	100% carbon offset implementation rate	100%	100%	100%	
		Reduction of greenhouse gas emissions from our own business activities	Greenhouse Gas Emissions (Scope 1 and 2)	Compared with FY2022 FY2030: 22% reduction (2.7% annual reduction) FY2050: Carbon neutrality	—	3.5% increase	2.0% reduction	
		Reduction of greenhouse gas emissions across the supply chain (upstream/downstream)	Greenhouse Gas Emissions (Scope 3)	—	—	—	—	
	Expansion of Renewable Energy Use	Renewable Energy Development Initiatives	Number of solar power generation systems and other facilities installed at commercial properties and hotels developed by the Company	—	—	—	—	
Resource Conservation and Waste Reduction (Biodiversity)	Extending the Healthy Life of Real Estate	Extension of buildings' economic useful lives through real estate revitalization	Rate of Extension of Economic Useful Life	Average extension rate of 30% or more	54.1%	59.5%	66.9%	
		Improve occupancy rates of aging buildings through comprehensive real estate support.	Occupancy Rate of Buildings Over 30 Years Old	Average occupancy rate of 90% or more	93.8%	92.8%	94.1%	
			Building management contract retention rate required to achieve the above occupancy rate for buildings over 30 years old	Building management contract retention rate of 90% or more	98.0%	98.0%	98.0%	
	Reducing Environmental Impact in Real Estate Revitalization	Reduction of resource inputs/waste through real estate revitalization	Reduction rate of resource input/waste generation compared with building reconstruction	Reduction rate: 40.9%/49.3% (theoretical values)	—	—	—	
		Environmentally Conscious Buildings and Offices (Initiatives to Obtain Environmental Certifications)	Environmental certification acquisition rate for new office developments	100%	—	—	No newly completed buildings in FY2025	
Pollution Prevention and Water Resource Conservation	Safe and Secure Hotel Operations with Consideration for the Environment	Reduction of Plastic Waste in Hotel Operations	Initiatives to reduce plastic waste (number of hotels implementing such initiatives)	—	—	—	—	
		Thorough Water Hygiene Management in Hotel Operations	• Planned completion rate for facility inspections, including water leakage and water quality checks • Number of hotels equipped with water-saving facilities/fixtures	—	—	—	—	

Climate Change Initiatives

Disclosures Based on the TCFD Recommendations

To accurately assess how climate-related risks and opportunities may affect the Company's management, including its financial position and performance, we disclose information in accordance with the four core elements recommended by the TCFD: Governance, Strategy, Risk Management, and Metrics and Targets. We remain committed to continuously enhancing these disclosures.

Greenhouse Gas Emissions

(Unit: t-CO_2e)

Consolidated	FY2022	FY2023	FY2024	FY2025
Scope 1*1	3,238	3,392	3,642	3,854
Scope 2*2	7,634	7,281	7,608	8,286
Scope 3*3	—	—	210,557	219,274
Non-consolidated	**FY2022**	**FY2023**	**FY2024**	**FY2025**
Scope 1*1	0.0	0.0	0.0	0.0
Scope 2*2	213	88	162	198
Scope 3*3	153,108	148,641	168,918	162,742

*1 Emissions resulting from the use of gas and gasoline *2 Emissions resulting from electricity consumption *3 Other indirect emissions
- Calculation periods: FY2022 (April 2022 to March 2023), FY2023 (April 2023 to March 2024), FY2024 (April 2024 to March 2025), and FY2025 (April 2025 to March 2026)
- Scope of disclosure: Domestic and overseas consolidated subsidiaries
- Calculation method: Market-based method

There are two methods of calculation: the location-based method, which uses the average emissions factor for electricity supplied in Japan, and the market-based method, which uses the emissions factor of each electricity provider. The Company adopts the latter, market-based method.
Emission factors used for Scope 2: Electricity provider-specific emission factors based on actual results for FY2021, FY2022, FY2023, and FY2024
The scope of Scope 3 calculations has been expanded to cover the entire consolidated Group since FY2024. For FY2022 and FY2023, calculations covered the Replanning Business. For Category 1, calculations have been based on the recycled content method, also known as the cut-off method, since FY2024.

Greenhouse Gas Emissions Reduction Targets (Compared with 2022 Levels)

	2030	2050	FY2025 Results
Total Scope 1 and Scope 2 Emissions	22% reduction (annual reduction of 2.7%)	Carbon neutrality	2% reduction*

* Excluding increases attributable to additional locations resulting from M&A.

Status of ESG Ratings and Certifications by Third-Party Organizations

The Group endorses and participates in relevant initiatives as part of its efforts to make effective use of resources through its business activities and conserve natural capital and biodiversity. These proactive initiatives toward realizing a sustainable society have been highly evaluated by external rating organizations in Japan and overseas, and the Group has received various certifications.

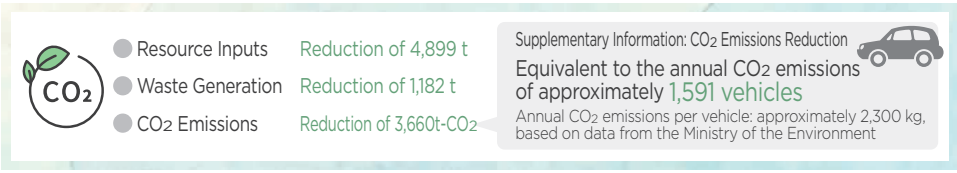
Environmental Protection Initiatives

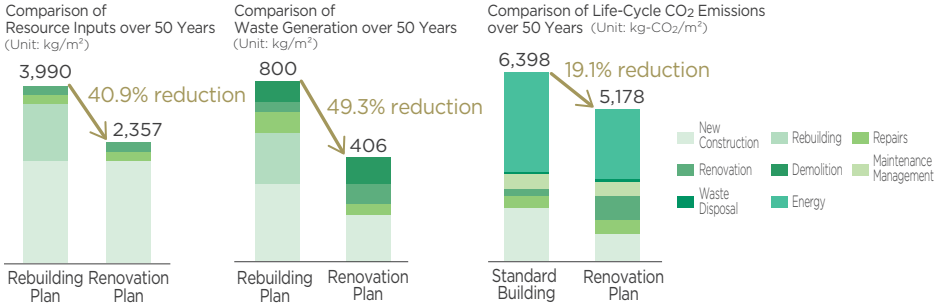
Real Estate Revitalization in Harmony with the Environment

In the Real Estate Revitalization Business, rather than simply demolishing and rebuilding aging buildings, we identify and unlock their potential, revitalizing them into highly profitable and functional buildings. In this way, we reduce the waste of fossil resources, enhance resource productivity, and promote the business in harmony with the environment. To measure the environmental contribution of our Real Estate Revitalization Business, we used the Architectural Institute of Japan's LCA Tool*1 to estimate resource inputs, waste generation, and reductions in life-cycle CO_2 emissions ($LCCO_2$)*2, assuming building operations over a 50-year period. The estimates were based on a hypothetical office building with an age and total floor area representative of the largest segment of properties handled by our Real Estate Revitalization Business.

*1 LCA Tool for Buildings, Version 5.0: An Assessment Tool for Global Warming, Resource Consumption, and Waste Reduction Measures
*2 Assessment of carbon dioxide (CO_2) emissions at all stages of a product's life cycle, including manufacturing, transportation, sale, use, disposal, and reuse

Compared with the Rebuilding Plan and a Standard Building





Assumptions and Basis for Calculation

A 30-year-old office building with a total floor area of approximately 3,000 m² in central Tokyo was selected as the model building. Its environmental contribution was estimated over a 50-year period, corresponding to the statutory useful life of a steel-reinforced concrete office building.

Rebuilding Plan: The building is rebuilt every 35 years.
Renovation Plan: The aging building is revitalized without demolition as a long-life building
Standard Building: An unrenovated 30-year-old building is assumed.

For details on disclosures based on the TCFD Recommendations

Examples of Environmental Protection Initiatives

Renovating aging properties into modern, high-performance buildings with reduced environmental impact, while pursuing greater comfort for people working today

In January 2026, the renovation plans for three of our Replanning properties were selected as model projects under the Model Research Project for Promoting Investment in Value-Enhancing Renovations of Small and Medium-Sized Buildings (Phase 2), for which the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) publicly solicited proposals. Here, we introduce the key aspects of our proposals that received recognition, as well as our ongoing efforts toward "sustainable real estate revitalization" for the future.





Assessing the actual condition of each property to achieve optimal renovations while ensuring safety

What were the initial challenges you faced in renovating the three selected properties, and how did you address them?

Heiraku All three properties were more than 30 years old and had compliance-related issues, such as the absence of certificates of inspection or discrepancies between the actual buildings and their drawings. Our first challenge, therefore, was to accurately assess the condition of each building and determine the extent to which its safety could be ensured.

When renovating existing buildings, it is important to distinguish between areas that need to be renovated and those that can continue to be utilized, so as to avoid unnecessary or excessive renovation. We began by conducting repeated on-site surveys and carefully examining each aspect of the buildings, thereby ensuring safety and reliability based on their actual conditions.

What are the distinctive features of each of the three properties?

Heiraku Biz Feel KANDA was originally a property where the owner resided in a maisonette occupying the top two floors. We renovated the property into an office building while retaining this portion. As there are many similar office buildings in the surrounding area, we believe that using this project as a pioneering model and applying the approach to other properties could contribute to revitalizing the local community through building revitalization.

Wakao Hommachi Highest Building is a symbolic project demonstrating that the approach to value enhancement and environmental impact reduction that we have cultivated through our work on small and medium-sized office buildings in central Tokyo has also been well received in Osaka. As laws, regulations, and operational practices differ in some respects between the Kanto and Kansai regions, we began by gaining a thorough understanding of the local regulatory framework and requirements.

Building on this understanding, we have proceeded with the renovation by leveraging the expertise we have accumulated to date, while also undertaking initiatives with a view to obtaining CASBEE and BELS certifications. By making the building's environmental performance and value more visible, we believe this will also provide an opportunity to demonstrate more broadly the added value of the property as a better-quality space.



Ogawa What is particularly noteworthy about THE PORTAL IWAMOTOCHO is that by renovating the first-floor parking area into office space, we achieved effective utilization of the building and enhanced its physical value. Furthermore, we converted the building's use while taking into account environmental performance and user comfort, striving to make its value more visible. We believe that value enhancement through such changes of use and spatial diversification leads not only to the supply of competitive office space, but also to the formation of a new business community rooted in the local area.

Enhancing Environmental Performance and Creating Wellness Value for Our Clients

What measures did you take to equip existing building structures with up-to-date environmental performance?

Ogawa Rather than making the acquisition of environmental certifications such as BELS and CASBEE an end in itself, we prioritized environmental considerations and user comfort. We upgraded air-conditioning and lighting systems to reduce unnecessary energy consumption and installed double-glazed windows to improve thermal insulation. These initiatives ultimately led to positive evaluations of the buildings' environmental performance.

In designing setup offices, what kinds of value in terms of services, products, and experiences do you seek to create through design and construction?

Wakao Our business is not about excessively upgrading everything to the latest specifications, but about providing added value that reflects the needs of the times. By designing spaces with the people who will actually work there in mind, we can provide offices in which a wide range of people can find value.

At the same time, needs regarding working styles and comfort continue to change over time. We therefore work closely with our Leasing, Property Management, and other internal departments to share information and incorporate direct feedback from our clients into office layouts and spatial design. In this way, we constantly strive to identify and respond to the evolving needs of the times.

Ogawa Our proprietary Sun Frontier Wellness Score also plays an important role. By making qualitative value, such as comfort and ease of working, more visible, we can use these insights to create more attractive spaces. The score not only serves as a benchmark for providing offices that clients will choose, but also enables us to quantitatively evaluate our initiatives. This allows us to continuously enhance value by implementing the PDCA cycle, which is another key feature of this initiative.

Developing People at the Worksite to Create New Value for the Future

Looking ahead, how would you like the Construction Department to evolve?

Wakao In October 2025, the Otake Kenso Group joined our Group, and we believe this will enable us to further strengthen our efforts to reduce environmental impact. By combining our capabilities with the Group's specialized expertise in window frames, we believe we can deliver even greater value that contributes to a more sustainable future.

In addition, to raise awareness of buildings designed to reduce environmental impact, we aim to obtain BELS certification for all of our projects. For example, it may be difficult for tenant companies to reduce their environmental impact entirely through their own efforts. By moving into one of our buildings, however, we hope to enable them to say, "We too are contributing to reducing environmental impact."

Ogawa For us, sustainable real estate revitalization means providing offices that have been upgraded with environmentally conscious equipment and facilities. By revitalizing aging buildings one by one and carrying that value forward, we believe we can increase the number of properties that do not need to be demolished simply because they have aged, thereby contributing to a more sustainable environment.

From the perspective of Human Resource Development, what message would you like to share with the next generation?

Heiraku I joined the Company as a new graduate in April 2025, and despite having only limited experience, I have already been given opportunities to work at many project sites. With the support of my senior colleagues, I can feel myself growing day by day.





At the Company, there is an environment in which even younger employees can take on challenges without hesitation, and the support I receive gives me a strong sense of fulfillment in my work. By working together to overcome problems and difficult challenges, we are also able to build relationships of trust.

I hope those who join us as new colleagues in the future will actively embrace challenges and enjoy the process of their own growth.

Wakao As Heiraku mentioned, the Company provides an environment in which younger employees are encouraged to take on challenges. Behind this is a deeply rooted culture in which senior colleagues support younger employees while helping them grow.

There is a saying in the construction industry that "the worksite is where the true essence of craftsmanship lies." The worksite is equally important when it comes to Human Resource Development. Even when you think you understand something from looking at drawings, you may experience something entirely different when you actually visit the worksite and experience it firsthand.

We ourselves have learned a great deal from our senior colleagues, and we want to pass those lessons on to the next generation. I encourage everyone to actively visit worksites, see things with their own eyes, experience them firsthand, and use those experiences as opportunities for growth.

The three properties selected for the Ministry of Land, Infrastructure, Transport and Tourism's model survey project differ in location, scale, and the challenges affecting each building. We carefully assessed the actual condition of each property and planned and implemented renovations that made effective use of existing assets while enhancing safety, environmental performance, and user comfort. Through these initiatives, we aim to unlock the potential of existing real estate and establish revitalization models that can be applied to other buildings.

For details of the value enhancement initiatives at each building, please refer to the materials published by the Ministry of Land, Infrastructure, Transport and Tourism. (Japanese Only)

Biz Feel KANDA

Transforming Legal Compliance and Wellness into New Value



Starting with a building that lacked a certificate of inspection, we conducted a legal compliance survey and implemented corrective measures to ensure safety and compliance. In addition to upgrading the air-conditioning, ventilation, and lighting systems and strengthening security, we converted the upper-floor maisonette into office space, creating a workplace that also promotes wellness

Built in 1988 | Chiyoda-ku, Tokyo | Total floor area: 628.06 m² | 7 floors above ground and 1 basement floor





Key Points Recognized

In addition to addressing an existing building without a certificate of inspection, the project visualized the relationship between wellness, employee retention, and productivity improvement. The narrative of enhancing asset value by ensuring legal compliance and upgrading building equipment was also highly regarded.

Hommachi Highest Building

Revitalizing an Aging Building by Enhancing Safety and Environmental Performance



In addition to conducting a legal compliance survey and corrective work, we secured the building's safety through exterior wall renovations. We also improved the efficiency of the air-conditioning, ventilation, and lighting systems, enhancing environmental performance and creating new value through Setup Offices.

Built in 1988 | Osaka City, Osaka Prefecture | Total floor area: 2,502.72 m² | 9 floors above ground and 1 basement floor



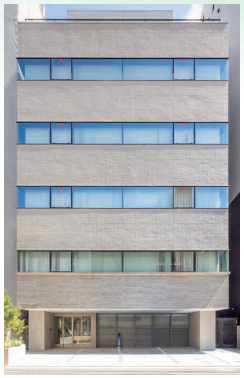


Key Points Recognized

The project addressed social issues affecting existing real estate stock through measures including safety improvements, equipment upgrades, and the provision of Setup Offices. Efforts to visualize environmental performance using CASBEE were also recognized.

THE PORTAL IWAMOTOCHO

Creating a New Office That Responds to Changing Workstyles



In addition to ensuring legal compliance, we created new workspace through a change of use and building expansion. By incorporating greenery both indoors and outdoors and adopting different layouts on each floor, we revitalized the property into an office that accommodates diverse workstyles.

Built in 1991 | Chiyoda-ku, Tokyo | Total floor area: 2,898.57 m² | 9 floors above ground and 1 basement floor





Key Points Recognized

In addition to equipment upgrades and legal compliance, the project was recognized as a highly versatile initiative applicable to small- and medium-sized buildings, including greenery and wellness features, biophilic design, and increased floor space through a change of use

Sun Frontier's Approach to Real Estate Revitalization Across All Three Properties

Placing the people who work there at the center, we make the most of existing value while enhancing safety, environmental performance, and comfort to revitalize properties into real estate that society needs





Materiality 2 Regional Revitalization

Our Aspiration

As a frontier in sustainable regional revitalization, we create sustainable growth for regional economies through our office, hotel, and tourism businesses.

We aim to realize a sustainable society together with local communities by helping bring vitality and activity to the areas surrounding the office buildings we provide through real estate revitalization and the hotels and tourism facilities we operate, while also working with users and local residents on disaster preparedness and mitigation

Material Issues, Specific Initiatives and KPIs

Social Issues to Be Addressed	Key Initiatives	Specific Initiatives	Indicators	KPIs / Targets	FY2023 Results	FY2024 Results	FY2025 Results	Related SDGs
Revitalization of Regional Economies	Creating Buildings, Offices, and Spaces That Foster Fulfilling Work and Creativity and Contribute to Economic Growth	Promoting Real Estate Revitalization with Consideration for Well-being	Percentage of Newly Supplied Replanning Properties That Exceed Internal Standards	FY2023: 30% FY2025: 50% FY2030: 70%	68.8%	76.0%	66.7%	8, 9
			Conduct tenant satisfaction survey (company-owned properties)	Every fiscal year	Completed	Completed	Completed	
Responding to Increasingly Severe Natural Disasters	Disaster Preparedness and Mitigation Through Community Collaboration	Provision of Setup Offices Equipped with Emergency Supplies or Dedicated Storage Space	Number of office sections equipped with disaster prevention equipment or designated installation space	20 sections in FY2024 50 sections in FY2027 75 sections in FY2030	9 sections	33 sections	20 sections	11
		Providing Information to Raise Tenants' Awareness of Disaster Preparedness	Percentage of Company-Owned Properties with Disaster Preparedness Information Posted on Dedicated Webpages	100%	100%	100%	100%	
Decline in Japan's Working-Age Population Due to the Falling Birthrate and Aging Population	Creating Buildings, Offices, and Spaces That Foster Fulfilling Work and Creativity and Contribute to Economic Growth	Expanding Conversions and Providing Assets That Address the Specific Challenges of Each Community	Providing Real Estate Products That Address the Falling Birthrate, Aging Population, and Other Regional Issues	–	–	–	–	8, 9
Decline of Regional Economies Due to Overconcentration in Major Cities/Depopulation in Regional Areas	Solving Regional Issues Through Community Revitalization	• Participation in Local Community Activities at Each Hotel • Regional Revitalization Initiatives Centered on Sado	Obtaining SDGs Partner Certifications Promoted by Local Governments and Participating in Community Activities	–	–	–	–	17

Creating Buildings, Offices, and Spaces That Foster Fulfilling Work and Creativity and Contribute to Economic Growth

Operation of the Sun Frontier Wellness Score (SWS), Our Internal Standard

"Offices that accelerate the growth of tenant companies" is the theme of the offices we provide. Through our Setup Offices, which feature sophisticated interiors in reception areas, meeting rooms, and workspaces before tenants move in, we support the growth of tenant companies, including startups, from the perspective of the office environment. Offices play an important role in improving productivity and employee motivation. We established the Sun Frontier Wellness Score (SWS) as an indicator for measuring office comfort and manage the percentage of newly supplied properties that meet the standard as a KPI.

Setup Offices That Accelerate Growth

A Setup Office is provided with interiors, meeting rooms, furniture, and other features already in place so that tenants can begin using the space immediately after moving in. By reducing the initial costs, time, and effort required for interior construction and furniture purchases, we provide an environment in which companies can focus on their core businesses. Since launching Setup Offices in 2013, we have pursued office creation from the tenant company's perspective. Today, in addition to meeting the diverse needs of startups and other growth companies, we have expanded our initiatives into STARTUP FRONTIER TOKYO, which supports startup growth. Under the vision of making Tokyo the world's most startup-friendly city, we facilitate corporate growth not only by providing offices, but also through events, networking opportunities, and business pitch programs.

Disaster Preparedness and Mitigation Through Community Collaboration

Provision of Setup Offices Equipped with Emergency Supplies and Dedicated Storage Space

Our Setup Offices incorporate emergency supplies and dedicated storage space in advance, enabling tenants to be prepared from the time they move in. This allows tenant companies to strengthen disaster preparedness while reducing the burden of initial implementation. We provided 20 such units in FY2025 and aim to equip 75 units by FY2030. By expanding office environments that heighten awareness of disaster preparedness through Setup Offices equipped with emergency supplies and storage space, we believe we can help ensure business continuity and provide peace of mind for employees.

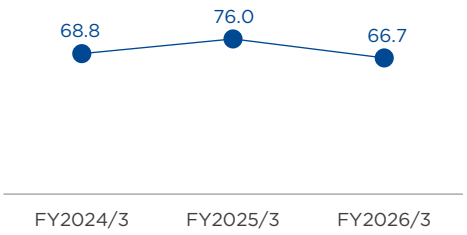
Regional Revitalization Initiatives Centered on Hotels

Community Participation Event at HOTEL AZUMA Tackles Winter Tourism Challenges Through Industry-Academia Collaboration

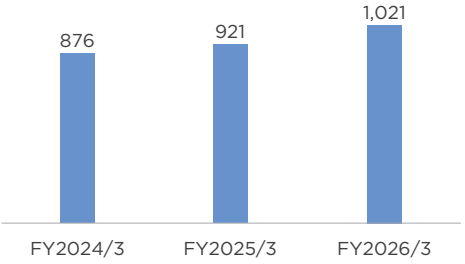
To promote regional revitalization, the Group held a community revitalization event at HOTEL AZUMA in Sado City, Niigata Prefecture, in collaboration with Sado General High School. To address regional challenges such as declining winter tourism demand and reduced hotel use by island residents, students took the initiative in planning a local products fair and events linked to the hotel's hot springs, leveraging the Group's network and facilities. The event created new flows of people into the community and generated warm interaction and vitality.



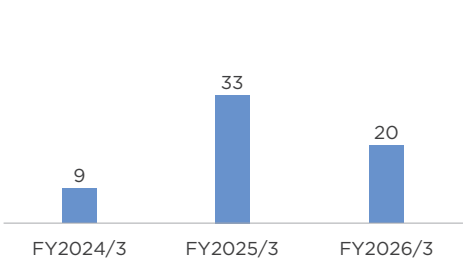
Ratio of Newly Supplied Replanning Properties Meeting SWS Standards (%)



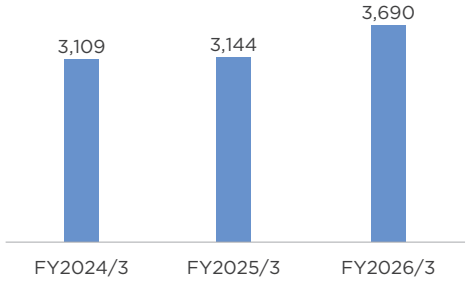
Cumulative Number of Setup Offices Supplied (units)



Number of Office Sections Equipped with Disaster Prevention Tools or Installation Spaces (units)



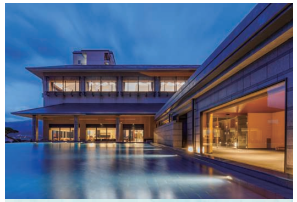
Trends in Number of Hotel Rooms (rooms)



Regional Revitalization Initiatives in Sado City, Niigata Prefecture

When regional communities thrive, Japan thrives. As the number of travelers drawn to Japan's world-class culture, history, natural beauty, cuisine, hot springs, and hospitality continues to grow rapidly, we are turning our attention to regional areas that embody these strengths and undertaking regional revitalization initiatives that make the most of each area's unique appeal.




HOTEL OOSADO



Sado Outdoor Base


TABINO HOTEL Live Sado


Sado Seaside Resort & Spa

01 2017.12 Began revitalization of the long-established Hotel Azuma, now HOTEL AZUMA

02 2018.7 Began operation of the business hotel TABINO HOTEL Sado

03 2018.7 Launched the Kigaru ni Rent-a-Car business

04 2018.8 Assumed management of taxi and bus company Okesa Kanko through M&A

05 2019.4 Launched the local travel agency Happy Sado Travel

06 2019.8 Opened Le Bleu Sado SAWANE, a traditional house accommodation

07 2020.4 Began manufacturing and selling Sado souvenirs


HOTEL AZUMA


TABINO HOTEL Sado


Le Bleu Sado SAWANE


Donden Kogen Lodge

08 2020.4 Appointed designated manager of the municipally owned Donden Kogen Lodge Nature Resort

09 2020.6 Opened the traditional-house restaurant Oryori Anaguchi

10 2021.4 Began revitalization of Hotel Oosado through M&A, now HOTEL OOSADO

11 2022.3 Opened Sado Outdoor Base

12 2023.6 Opened the serviced apartment TABINO HOTEL Live Sado

13 2024.5 Opened TABINO HOTEL Live II Sado

14 2025.9 Launched a Sado seafood processing business

15 2026.4 Began operating the municipally owned Sunrise Jogahama, (now Sado Seaside Resort & Spa)

16 2026.4 Began operation of TABINO HOTEL Sado Annex

Regional Revitalization Case Study

Advancing Regional Revitalization Beyond Real Estate, Beginning with the Belief That Our Clients' Success Builds the Community's Future

The Customer Success Office goes beyond conventional property management to support clients' success by working alongside both building owners and tenant companies. This section introduces the Office's efforts to revitalize sustainable regional economies, starting with the voices of our clients.



Keiichiro Nishimoto
Executive Officer; General Manager of Leasing Management Department, Entrusted Asset Management Division

Executive Officer; General Manager of Leasing Management Department, Entrusted Asset Management Division

Please explain the background and issues that led to the establishment of the Customer Success Office, as well as its principal activities.

A major turning point for our business was the rapid spread of remote work during the COVID-19 pandemic. At the time, approximately 20% of the roughly 4,000 tenant companies occupying properties under our management either moved out or reduced their office space. We felt both powerless and deeply concerned that we could do little more than observe these changes in workstyles. This led us to realize that if we could provide not only comfortable office space but also added value that supports business growth, tenants might find greater meaning in continuing to lease space from us.

By proactively supporting tenant companies' success, increasing their satisfaction, and encouraging them to become loyal supporters of Sun Frontier, we can help them remain in our properties for longer periods. This, in turn, contributes to stable long-term earnings for building owners and increased property value. To fulfill this important role, we established the Customer Success Office as a client-centered framework for supporting success. Its main activities include operating the Sun Frontier Owners Club, which provides a forum for building owners to exchange information, developing and operating the Sun Frontier My Page app for tenant companies, and planning and managing seminars for tenants.

Value Created Through Client Engagement

How have these initiatives changed your relationships with clients, and how do you believe they contribute to enhancing corporate value?

As the first step in enhancing the tenant experience, we launched the dedicated Sun Frontier My Page app in October 2025. Previously, our reliance on telephone and email meant that confirming conditions on site and arranging assistance from contractors took time. The app now enables accurate sharing of information through photographs and videos, facilitating two-way communication between tenant companies and the Company and dramatically accelerating our initial response to everyday issues. Going forward, we plan to create a system that enables information to be shared directly with building maintenance companies through the app, further speeding up our response.

In addition to building trust through prompt responses, we provide new added value that supports the growth of tenant companies. For example, while revitalized properties are being prepared for market, we offer Neighbor+, a free workspace where tenants can experience the latest office environment and provide candid feedback. More than 150 companies have already used the space. Increased contact with tenant companies has enabled us to identify the timing of their business growth and their needs at an earlier stage. We intend to apply the voices and insights gained through these daily interactions to new services and property development, connecting client dialogue to the next stage of value creation and extending that value to local communities. We have also begun offering tenant companies a broad range of services that leverage Group synergies, including preferential rates at hotels and rental conference rooms operated by the Group.

Greater tenant satisfaction fosters an attachment to the property and encourages long-term occupancy. By minimizing vacancy periods, this also improves the profitability of building operations for owners. Our initiative is not simply a customer service program, but a business model that enables building owners, tenant companies, and Sun Frontier to grow together.

Our Clients' Success Builds the Community's Future

How does supporting tenant companies contribute to revitalizing local communities and economies?

The Customer Success Office views regional revitalization as more than participation in specific local events. Our approach is based on the belief that supporting the growth of tenant companies ultimately contributes to the economic development of the entire community, including urban areas.

One specific initiative is our management seminar for tenant companies, now in its fifth edition. In planning the seminar, we considered which topic would benefit a broad range of companies rather than only a select few, and chose business continuity planning (BCP). Helping companies develop the ability to continue operating during unforeseen events such as cyberattacks and natural disasters protects their employees, families, and business partners. We believe that when many companies have strong business continuity capabilities, they help prevent the collapse of regional economies and serve as a bulwark for sustaining society.

These activities have also created new value by connecting clients with one another. Both the speaker at the seminar and the company that provided emergency supplies are tenants in properties managed by Sun Frontier. We believe that enabling tenant companies to connect through our platform and support one another's business growth represents a distinctive form of regional revitalization that only we can provide.

Turning Client Feedback into Future Value Creation

Finally, please tell us what the Customer Success Office aims to achieve

The Customer Success Office is grounded in principles long valued by our founder and current Chairman, Tomoaki Horiguchi: solving clients' problems from the client's perspective and embracing the spirit of Altruism expressed in the belief, "We believe in helping others, as many as we can, throughout our lives." In addition to the Owners Club for building owners launched in 2023, the establishment of an organization sincerely committed to solving tenant companies' challenges has further clarified our future growth strategy. We will continue connecting the voices gathered through daily client interactions to new value creation, contributing to the growth of tenant companies, increased asset value for owners, and the sustainable development of local communities.

Our mission is to go beyond the role of a property management company and become a true partner that supports our clients' business growth and moves forward together with them. We will continue maximizing the experience of everyone who uses our properties and providing opportunities for companies to connect and support one another. We believe that the resulting chain of client co-creation will become a driving force behind the sustainable development of local communities. Through support that extends beyond the boundaries of real estate, we will vigorously create the "Brilliant Future" to which we aspire.



Management Seminar for Tenant Companies



Members of the Customer Success Office



Materiality 3 Human Resource Development

Our Aspiration

As a frontier in philosophy-driven management, we seek to spread the concept of Altruism, which is essential to realizing a sustainable society.

Since its founding, the Group has consistently practiced philosophy-driven management with Altruism as its Credo. Based on human resource development grounded in the ethics and norms most important to us as human beings, including integrity and compassion, we seek to create a workplace that offers fulfilling work, creativity, and opportunities for growth.

Material Issues, Specific Initiatives and KPIs

Social Issues to Be Addressed	Key Initiatives	Specific Initiatives	Indicators	KPIs / Targets	FY2023 Results	FY2024 Results	FY2025 Results	Related SDGs
Decline in the Working-Age Population Due to the Falling Birthrate and Aging Population, and Elimination of the Gender Gap	Respecting and Leveraging Diversity	Developing Workplace Environments Suited to Employees' Life Stages and Providing Flexible Training Opportunities	Percentage of Women in Management Positions (Sun Frontier Fudousan)	FY2035: 15% or more	10.3%	9.2%	9.6%	
		Enhancing Systems That Respect Diversity	Consideration of Various New Systems	–	–	–	–	5
		Obtaining Third-Party Certifications Assessing Corporate Diversity	Initiatives to Obtain Third-Party Certifications	–	–	–	–	
	Create workplaces with job satisfaction, creativity, and growth opportunities	Establishment of Next-Generation Leader Development Programs and Support for External Training	Training Hours as a Percentage of Prescribed Working Hours (Sun Frontier Fudousan)	12% or more	12.1%	12.0%	11.7%	4
		Use of DX, Business Process Improvement, and Enhancement of Individual Capabilities	Ordinary Profit per Working Hour per Full-Time Employee (Sun Frontier Fudousan)	Increase Year on Year	13,232 yen (91.9% year on year)	17,949 yen (135.6% year on year)	17,647 yen (98.3% year on year)	8
		Hold seminars to promote employees' physical and mental health and create an environment in which each employee can work in good health, both physically and mentally	Seminars Led by Occupational Physicians and Other Specialists	At least twice a year	–	–	Three times	8
		Improvement of the Office Environment	Promotion of Health and Productivity Management					

Human Capital Management at Sun Frontier

Human Resource Strategy

The Group regards people as the source of corporate value creation. Based on the spirit of Altruism, we value working together with our colleagues to contribute to the evolution and development of human society and create social value. All employees share these values, ways of thinking, and approaches to daily conduct as our Philosophy, and putting the Philosophy into practice is reflected in the added value we provide to clients. Based on our Long-Term Vision and Medium-Term Management Plan, we promote diversification linked to our core businesses through manufacturing from the client's perspective and heart-warming services, while focusing on expanding our business domains and geographic reach.

Basic Policy on Human Resource Strategy

Under the value of Altruism, we will build a human resource foundation of people who pioneer new fields with a frontier spirit and contribute to the evolution and development of human society, thereby achieving sustainable growth.

❶ Secure diverse talent through recruitment and development
❷ Embed the Philosophy throughout the organization
❸ Develop people with a management mindset

Human Resource Development Policy

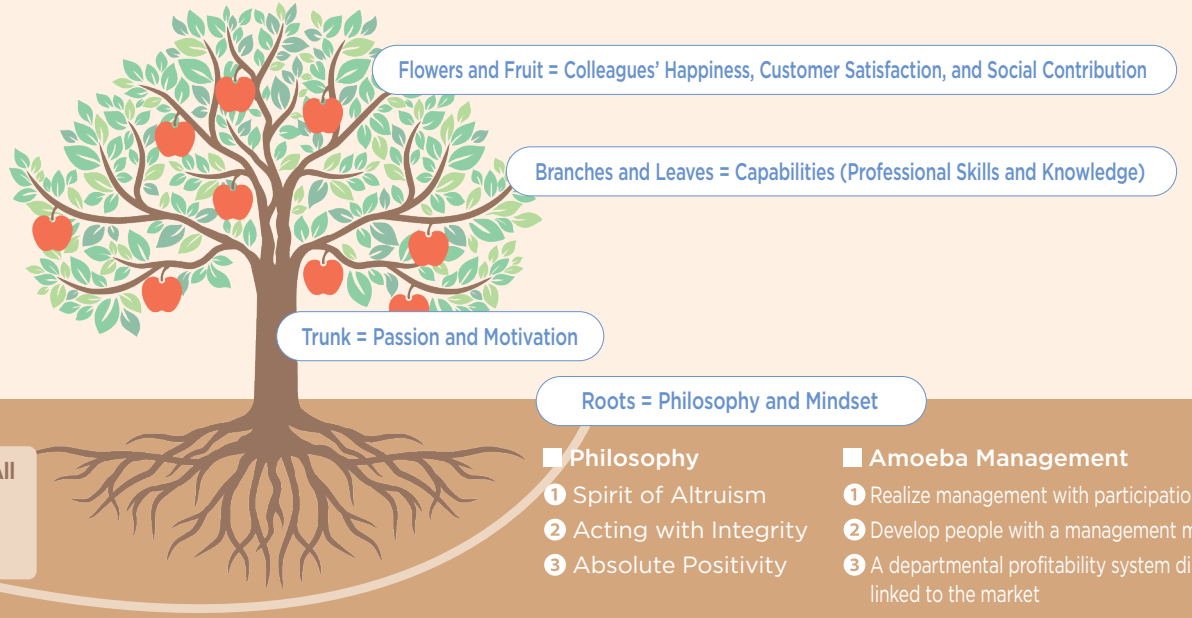
Together with colleagues who share the value of Altruism, we develop people who can pioneer new fields with a frontier spirit toward the realization of a sustainable society.



People Who Combine the Spirit of Altruism with a Frontier Spirit

Corporate Culture and Approach to Developing Self-Directed Talent

Together with colleagues who share the value of our Credo, Altruism, we develop people who can pioneer new fields with a frontier spirit toward the realization of a sustainable and prosperous society.



Respecting and Leveraging Diversity

As-is

Under the value of our Credo, Altruism, we are working to create an organization in which diverse talent can thrive by promoting women's advancement, recruiting non-Japanese employees, and employing persons with disabilities. At the same time, we have not yet reached the stage where diverse talent can fully demonstrate its capabilities and apply its perspectives and experience to organizational value creation. Improving diversity in management and executive positions remains a particular challenge

To-be

We will realize an organization in which colleagues with diverse values and experience respect and inspire one another, leverage their individual strengths, and create new value. Diverse talent sharing the value of Altruism will become a driving force for new value creation and support sustainable growth.

D&I Initiatives

As part of our D&I initiatives, we have set a target of increasing the percentage of women in management positions to at least 15% by FY2035. The current percentage is 9.6%. However, women account for a high 41.2% of candidates for future management positions, helping us expand the pool of prospective women managers. We will continue building an organization in which all employees can thrive. Following the appointment of one woman Outside Director, we also aim to appoint a woman Director from within the Company in the future.

Gender Composition by Position (Persons)

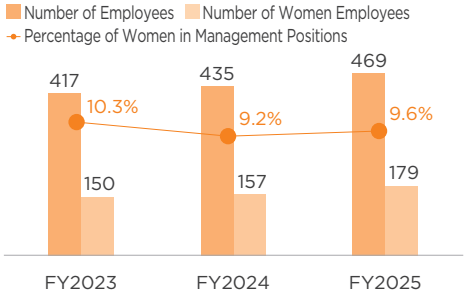
Position	Deputy Branch Manager	Branch Manager	Section Chief	Assistant Manager	Manager	Head of Office	Vice General Manager	Deputy General Manager	General Manager	Deputy Division Director	Division Director	Total
Men	3	9	30	25	21	2	30	7	21	3	4	**155**
Women	4	1	32	14	7	0	0	0	2	0	0	**60**

Initiatives to Create an Environment Where Employees Can Demonstrate Their Capabilities

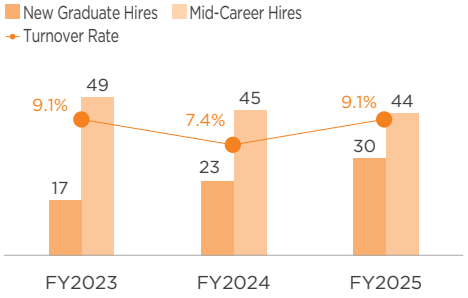
In FY2025, the utilization rate of childcare leave and other childcare-related leave was 100% for women and 72.7% for men.* Currently, 30 employees raising children of elementary school age or younger use the reduced working hours system. These measures have contributed to higher return-to-work and retention rates and longer average years of service.

* The figure includes other leave taken for childcare purposes.

Number of Employees and Percentage of Women in Management



Recruitment and Turnover Rate



* Management percentages are as of April 1.

Empowering Diverse Talent

Promoting the Participation of Persons with Disabilities

In FY2025, persons with disabilities accounted for 2.26% of the Company's workforce, with average service of 10 years and one month. They have contributed over many years in both administrative and sales departments.

Senior Talent

The Company extends employment through a reemployment system for employees who wish to continue working after the mandatory retirement age. We currently have 13 employees aged 65 or older, who contribute to business development by applying their extensive experience and knowledge.

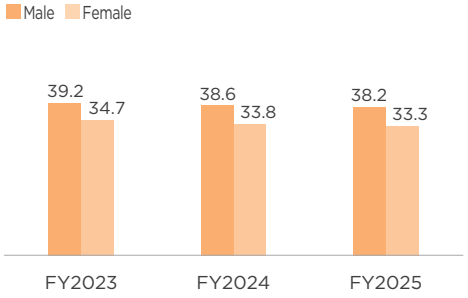
Promoting the Participation of Non-Japanese Employees

Non-Japanese employees account for 9.4% of the Sun Frontier Group's workforce in Japan, compared with 7.3% in the previous year. In the Hotel Business in particular, we also accept technical intern trainees, and diverse talent is contributing on the front lines.

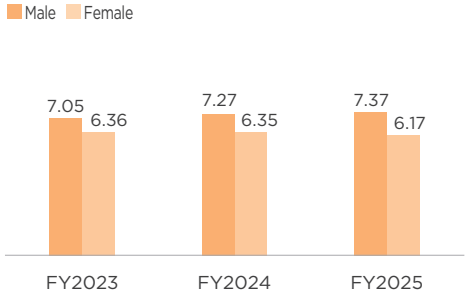
Recruitment and Talent Acquisition

To realize our Management Philosophy, the Group seeks curious, self-directed, and diverse talent who embody the spirit of Altruism and a frontier spirit. We actively recruit both new graduates and experienced professionals to build a team of highly capable individuals. During the selection process, candidates deepen their understanding of our culture and values through office visits and interaction with employees, while multiple interviews enable us to assess their character and aptitude from various perspectives. In this way, we conduct recruitment that respects diversity and makes the most of each individual's characteristics.

Average Age (Years)



Average Years of Service



Creating a Workplace with Fulfilling Work, Creativity, and Opportunities for Growth

Investment in Human Resource Development and Growth

The Group positions Human Resource Development as a key initiative supporting sustainable growth. We have set a KPI of ensuring that training hours account for at least 12% of prescribed working hours and are enhancing a diverse range of training programs that respond to changes in the business environment, including Philosophy training, next-generation leader development, DX, and the advancement of women. We also continue to create opportunities for growth by providing an annual self-development subsidy of 100,000 yen among other measures, to support each employee's self-directed learning. We are steadily expanding our investment in our people, and training-related expenses are also increasing. For trends in training-related expenses, see page 53.

Initiatives to Use DX, Improve Business Processes, and Enhance Individual Capabilities

New Employee Training

We believe that integrity and courtesy are the foundations of being a business professional. In addition to acquiring basic etiquette such as telephone manners and business rules, employees aim to grow as individuals and become compelling talent. To develop the ability to contribute to society through their own efforts, they learn not only basic business skills but also the mindset required as individuals and business professionals.

Basic Business Training

Once a month, we conduct Basic Business Training in which employees learn about global economic trends and domestic market conditions by interpreting a range of overseas and Japanese economic indicators, with a focus on finance and real estate. We also administer a weekly Nikkei test to encourage employees to remain attentive to rapidly changing economic conditions in their daily work.

Practical Real Estate Training

We provide level-specific practical training to enhance real estate skills and specialized knowledge. Training delivered by internal and external instructors at levels suited to employees' practical capabilities broadens their perspectives and scope of work and provides applicable knowledge that can be used for insights and activities in the field.

Amoeba Management Training

Under Amoeba Management, the Company is divided into small independently profitable teams that manage their own operations under their leaders. Each leader must be able to translate top management's intentions and Company targets into the management of their team and put them into practice. This core training program seeks to raise profitability awareness through participation by all employees and develop future leaders who will assume responsibility for management.

Human Resource Development Programs and Career Development

Our Human Resource Development is grounded in embedding the Philosophy and fosters a culture in which employees learn independently and inspire one another in pursuit of contributions to clients and society. We have designed a level-specific training framework from new employees through managers, supporting growth in line with each person's career while actively encouraging self-development. We develop people who continually acquire new knowledge and skills and remain useful to society.



Characteristics of Each Training Category

1. Human Skills & Philosophy	Essential foundational skills for all levels that support the development of other capabilities
2. Technical Skills (Specialized Expertise)	Early careers focus on professional expertise; at higher levels, these skills are developed alongside leadership capabilities
3. Leadership Skills	Importance increases with career progression and is particularly reinforced at management level and above
4. Other Expertise and Skills (Advanced Specialization)	Additional skill areas supporting individual career development and greater expertise
5. Relationship Between Career Stages and Skills Development	Horizontal axis (Career Stages): New Employee → Employee → Senior Staff → Section Chief → Assistant Manager → Manager → Deputy General Manager → General Manager → Executive Officer Vertical axis (Development Areas): Lower level: Human Skills and Philosophy (Required at All Career Stages) Middle level: Technical Skills (Professional Expertise) and Leadership Skills (Increasingly Emphasized for Management Positions) Upper level: Other Expertise and Advanced Skills (Enhancement of Individual and Specialized Capabilities)

This framework enables employees to progressively develop fundamental capabilities, professional expertise, organizational leadership, and advanced specialization, simultaneously supporting individual growth and higher corporate value.

Creating Workplaces with Job Satisfaction, Creativity, and Growth Opportunities

As-is

Believing that people are the source of corporate value creation, we continue to invest actively in Human Resource Development. At the same time, as our business domains and Group scale expand, continuously developing the next generation of leaders while both sharing the Philosophy and enhancing expertise has become a challenge.

To-be

We will further evolve as an organization where people grow by thinking, learning, and taking on challenges on their own initiative and by connecting those experiences to their next stage of growth. With the Philosophy at our core, we will combine expertise with new capabilities, including digital skills, and increase the number of people who embrace new value creation with a management mindset.

Policy on Developing the Internal Environment

We will create a workplace environment that offers fulfilling work, creativity, and opportunities for growth. We will realize a co-creative organization in which all employees set their own goals, work enthusiastically toward them, trust one another, and continue taking on the challenge of creating new value



Fulfilling Work

A culture that supports challenge and growth and recognizes colleagues who take on challenges



Creativity

A culture that envisions the future and seeks to create new value



Opportunities for Growth

A culture that stimulates the desire to learn and pursue ambitious goals

Approach to Evaluation and Compensation

Basic Policy

Employee treatment and compensation are determined based on a comprehensive evaluation that considers both the practice of the Philosophy and business performance.

The Company places importance not only on short-term individual performance, but also on the daily practice of the Philosophy, personal growth based on the Guiding Principles, and the creation of added value through collaboration with colleagues. Employee evaluations are conducted using performance appraisal forms covering eight items related to the Guiding Principles and six items related to capabilities, together with management by objectives (MBO). Evaluations are determined on a three-level scale and through feedback interviews. Through ongoing dialogue and regular interviews, we assess not only results, but also the processes followed and the expectations and roles assigned to each employee.

Our compensation system is centered on fixed compensation determined with reference to objective market benchmarks. It is designed to support employees' material and spiritual well-being over the medium to long term by enabling them to take on challenges and pursue growth with confidence. We have also introduced restricted stock compensation (RS), primarily for senior management, to provide incentives for enhancing corporate value.

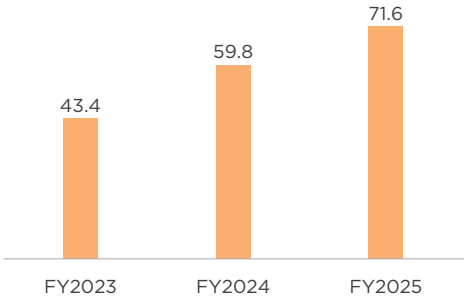
Through these measures, we will promote employees' self-directed growth and enhance the organization's capacity to create value.

Gender Pay Gap

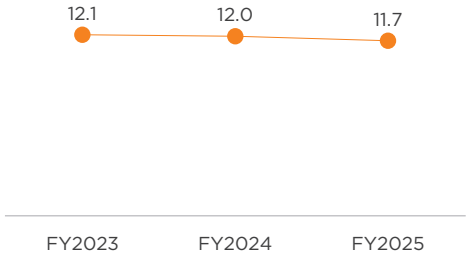
For the fiscal year ended March 2026, the Company's gender pay gap for all employees on a non-consolidated basis was 77.2%.* We recognize that this difference mainly reflects differences in the percentage of management positions and occupational composition. We promote an environment in which every individual can demonstrate their capabilities and grow regardless of gender, and we are working to build an organization where diverse talent can thrive by developing and appointing women to management positions and supporting career development.

* The gender pay gap shows women's wages as a percentage of men's wages, with men's wages set at 100.

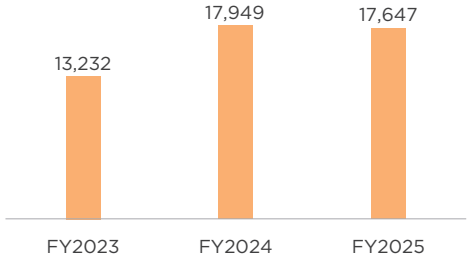
Training-Related Expenses (Millions of yen)



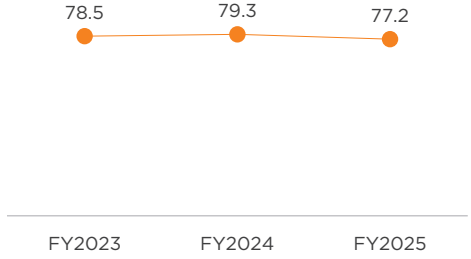
Training Hours as a Percentage of Prescribed Working Hours (%)



Ordinary Profit per Working Hour (Yen)



Gender Pay Gap (%)



Health and Productivity Management

As-is

We regard the physical and mental health of every employee as an important factor supporting the practice of Altruism and the provision of value to clients. At the same time, as our business expands and workstyles diversify, we must create an environment in which employees can remain connected and engaged while working energetically.

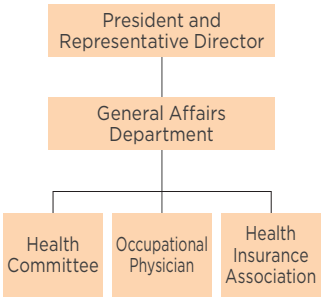
To-be

Starting with physical and mental health, we promote Health and Productivity Management that enhances fulfilling work and motivation for self-improvement and enables each person to fully demonstrate their capabilities. While valuing connections among colleagues, we will create a workplace where employees support one another, approach their work positively, demonstrate their abilities with confidence, and continue embracing challenges.

Health and Productivity Management Declaration

Sun Frontier Fudousan will protect all employees, pursue their material and spiritual well-being, and work to maintain and improve their health.

The President and Representative Director serves as the chief officer responsible for promoting Health and Productivity Management. Led by the General Affairs Department, we collaborate with the Health Committee, occupational physicians, and the health insurance association. The Health Committee meets monthly under the chairmanship of the General Manager of the General Affairs Department and comprises personnel responsible for labor affairs, employees with health and safety experience, and an occupational physician. It discusses measures to maintain and improve employee health and create a comfortable workplace environment. The General Affairs Department and health insurance association will continue to exchange information regularly and discuss relevant measures.



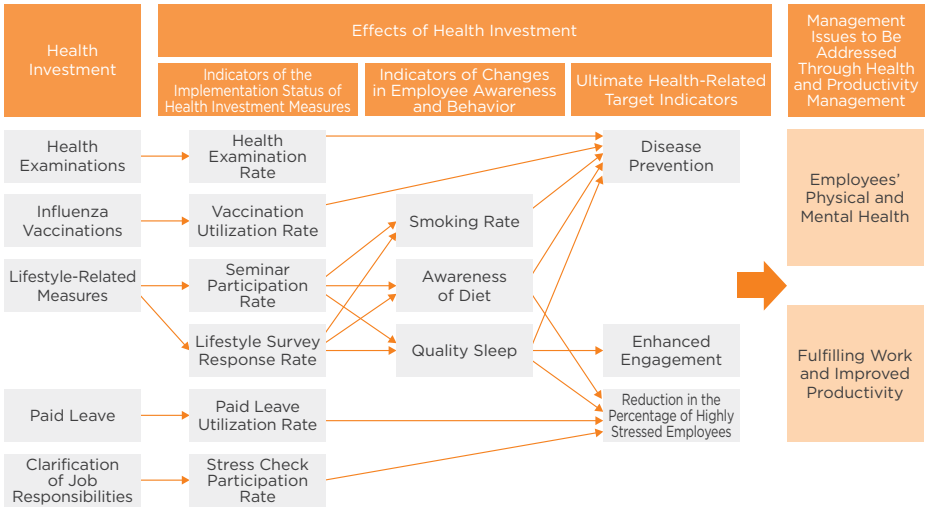
Results and Targets for Initiatives to Address Health Issues

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026 Target
Periodic Health Examination Rate (%)	98.9	99.1	99.7	98.0	98.0	100.0
Paid Leave Utilization Rate (%)	66.5	64.2	68.4	66.8	74.3	—
Stress Check Participation Rate (%)	100.0	100.0	100.0	100.0	100.0	100.0
Absenteeism (Days)	—	—	—	2.7	—	—
Presenteeism (%)	—	—	—	76.0	—	—

Management Issues to Be Addressed Through Health and Productivity Management

- Maintain and improve employees' physical and mental health
- Enable employees to experience greater fulfillment and improve productivity by maintaining physical and mental health

Physical and mental health is the foundation for fulfilling work and motivation for self-improvement. To maintain and improve employee health, we focus on disease prevention, reducing the risk of mental health issues, and enhancing engagement, while creating an environment in which individuals can demonstrate their capabilities to the fullest.



Health Promotion Initiatives

Each year, we hold a sports camp, or Company-wide athletic meet, one of our signature internal events. Approximately 450 employees participate in competitions including soccer, basketball, relay races, and tug-of-war. At the awards ceremony afterward, colleagues recognize one another's efforts and share a fulfilling day together, both physically and mentally.



Human Resource Development Initiatives

Deepening Human Resource Development Based on the Philosophy of Altruism:

Steady, Persistent Efforts Pave the Way for the Next Stage of Growth

Since its founding, the Sun Frontier Group has embraced "Altruism" as its Credo and practiced philosophy-based management, viewing people as its greatest form of capital. How has Human Resource Development, passed down unwaveringly even as the times have changed, energized employees on the front lines and led to the creation of added value for clients and the sustainable enhancement of corporate value? We discuss where we stand today in human capital management and our outlook for the future.



The Philosophy of Altruism and Education of the Heart: A Corporate Culture That Deepens Across Generations

Since its founding, the Company has placed great importance on Human Resource Development. How have the foundations of a company where people grow and its distinctive culture been cultivated?

Ehama One of the most distinctive features of our environment for developing people is that employees are given significant discretion and opportunities to take on important roles from an early stage in their careers. I myself joined the Company as a new graduate, and at an early stage, I was entrusted with responsibility for everything from planning to executing a new graduate recruitment project. I strongly believe that the accumulation of these practical experiences of "thinking and acting for oneself" provides powerful support for employees' steady growth.

Yokoi Having gained experience at another company before rejoining Sun Frontier as an alumnus, I have come to appreciate our distinctive strengths even more clearly. At Sun Frontier, we regard people as our greatest source of value and position Human Resource Development as one of our key materialities. This is deeply connected to the concept of "Altruism," our Credo.

At the heart of our approach is a thorough commitment to "education of the heart," through which employees not only acquire business skills but also cultivate their character by reflecting inwardly through our Management Philosophy and philosophy. Our distinctive initiatives, which we have continued over many years, include reading and discussing our Philosophy Handbook together, cleaning activities undertaken as an expression of gratitude to the local community, and compa gatherings where employees speak openly and candidly about the future.

Rather than merely "evolving" by changing their form with the times, these initiatives have undergone a process of "deepening," taking firmer root as everyone continues to share and reaffirm their essential significance and purpose. The personal growth of each and every employee forms the foundation for providing value to our clients and society.

Amoeba Management That Encourages Voluntary Challenges and Strengthens Frontline Capabilities

Against this foundation of Human Resource Development, how do you encourage employees to take initiative and unleash their "frontline capabilities," thereby linking their efforts to sustainable growth?

Ehama The mechanism that enables employees to put the spirit of "Altruism" into practice in their daily work and transform it into value is Amoeba Management. Even younger employees are frequently given opportunities to serve as leaders and take responsibility for managing the profitability of their respective units.

Rather than simply carrying out assigned tasks, employees discuss and act with a strong sense of ownership, asking themselves, "What challenges are our clients facing?" and "How can we create added value for society?" This cycle stimulates ingenuity and innovation on the front lines and ultimately serves as the driving force behind our business model, one of our core strengths: solving our clients' challenges and providing high added value.

Yokoi Our training framework begins not with learning about real estate, but with clarifying fundamental questions of purpose and meaning, such as "What do we live for?" and "Why do we work?"

Based on the belief that "integrity and courtesy are the fundamentals of being a businessperson," we have cultivated a culture in which employees value the actual place, actual things, and actual facts, while deepening mutual understanding through direct, face-to-face communication.

The "branches and leaves" of knowledge and skills are supported by the "trunk" of our employees' passion. Most important of all is cultivating deep "roots" in the form of our philosophy, which supports that trunk. This approach develops people who can autonomously take on challenges even in a rapidly changing market environment, thereby contributing to the Company's sustainable growth.

A Foundation for Long-Term Careers: Health and Productivity Management and Enhanced Engagement

Please tell us about the current state of your health and productivity management and employee engagement initiatives, which enable employees to work with confidence over the long term and perform to their full potential.

Yokoi The physical and mental well-being of our employees, who are the source of our corporate value, is our most important foundation. We have steadily worked to create a comfortable working environment that values connections among colleagues through initiatives such as our "Sports Camp," a major Company-wide athletic event, golf competitions held twice a year, and club activities centered primarily on sports.

While obtaining certification as a "Health and Productivity Management Outstanding Organization" has never been an objective in itself, these efforts have ultimately been



recognized by external organizations, resulting in certification for multiple consecutive years.

At the same time, we have continued to foster an organizational culture in which diverse human resources can leverage their individual strengths and thrive. We are also promoting an environment that enables each employee to independently build their career and continue to grow.

Ehama The results of these initiatives are also clearly reflected in our employee engagement survey. In particular, the score for the statement, "This is a workplace where we understand one another," was significantly higher than both the industry average and the national average.

A workplace environment with a high degree of psychological safety brings out employees' sense of fulfillment at work and creativity, serving as a driving force for the creation of new value through collaboration across departmental boundaries. We see this as evidence that, beyond simply putting systems in place, our culture of "Altruism," in which people care for one another, is being put into practice every day across our workplaces.

A Chain of Altruism Opens the Way to the Next Phase of Growth and Maximizes Corporate Value

How will you further develop the strengths cultivated through the practice of our philosophy and translate them into future growth?

Yokoi The "strong sense of unity" and "strength of character" fostered through the deep-rooted penetration of our philosophy, something that cannot be replicated overnight, constitute an overwhelming competitive advantage for the Company.

However, rather than being satisfied with the status quo, we will also accelerate "data-driven management" to dramatically enhance productivity. Specifically, we are developing an integrated database for property and client information and introducing a customer relationship management (CRM) system.

Under our behavioral guideline of "Working for Our Colleagues," we have traditionally shared knowledge through close communication. As the Company grows in scale, however, we need a foundation that systematizes information that was previously dependent on individuals and enables it to be utilized as knowledge shared across the entire Group.

Data integration will allow teams to accurately understand circumstances and provide advice at the appropriate time, further stimulating communication among employees. We believe that facilitating the smooth sharing of information will not merely improve operational efficiency, but will also directly contribute to the advancement of Human Resource Development.

Ehama Our philosophy is the foundation of the Company, and the fact that we share the same values is the source of our strength. By continuing to communicate these values clearly and consistently, we will further strengthen our organizational foundation, enabling highly engaged colleagues to take initiative and continually challenge themselves by launching new businesses and projects. We want to remain a strong organization where people continue to grow.

Yokoi Our Real Estate Revitalization Business and our regional revitalization initiatives undertaken in collaboration with local communities are born from our employees' heartfelt desire to "contribute to society and help others."



We will further "deepen" the strong roots of our long-standing "education of the heart" while combining them with digital technologies, thereby strengthening the mechanisms that enable diverse human resources to continue generating innovation.

I am convinced that the steady accumulation of these efforts will earn the empathy and trust of our stakeholders, lead to the sustainable enhancement of corporate value, and ultimately enable us to realize our Long-Term Vision: "Fill the World with Smiles and Excitement."



Approach to Stakeholder Engagement

Further details on stakeholder engagement are available on our website.

The Sun Frontier Group values dialogue with all stakeholders connected with the Group, including employees and their families, clients, business partners, shareholders and investors, and local communities. We seek to build positive relationships with them, address social issues together, and evolve into a corporate group that continues taking on the challenge of creating future value

	Examples of Activities	Employees and Their Families
 Examples of Activities	• Internal events • Training based on the Human Resource Development Policy • Promotion of Health and Productivity Management • Club activities • Intranet • Employee engagement surveys • Whistleblowing system, etc.	To promote health and mutual understanding through interaction across departments and job functions, we encourage a variety of club activities, including baseball, soccer, tennis, golf, triathlon, basketball, and cultural clubs. These interactions foster solidarity and help create a comfortable workplace.
 Clients	• Daily sales activities • Sun Frontier Owners Club • Building Owners Appreciation Evening • Golf tournaments for building owners • Tenant satisfaction surveys • Tenant My Page • Exhibitions and events • Website and social media, etc.	We conduct an annual survey of tenant companies to assess their satisfaction. We share client feedback and market trends internally and work to improve satisfaction. The wide range of feedback received through the survey is also used to continuously improve and maintain the quality of our products and services.
 Business Partners	• Daily procurement activities • Partner Companies Association (Kyoeikai) • SunSun networking association • Declaration of Partnership Building, etc.	To build new partnerships by promoting collaboration and mutual prosperity with suppliers and other businesses engaged in value creation, we have declared our commitment to coexistence and mutual prosperity throughout the supply chain, new collaboration beyond differences in company size or affiliation, and compliance with the Promotion Standards.
 Shareholders and Investors	• Briefings for securities analysts and investors • Individual meetings with securities analysts and investors in Japan and overseas • General Meeting of Shareholders and shareholder meetings • Website (IR and sustainability), etc.	We actively engage in dialogue with investors and analysts, with the President presenting at financial results briefings and briefings for individual investors. Members of management, as well as the IR department, also participate actively in individual meetings. Valuable feedback obtained through dialogue is reported to the Board of Directors and used in initiatives to further enhance corporate value.
 Local Communities	• SDGs initiatives • Participation in local social contribution activities • Agreements on cooperation in disaster preparedness activities, etc.	As the number of international visitors drawn to Japan's renowned culture, history, natural beauty, cuisine, hot springs, and hospitality increases rapidly, we are focusing on regional areas that embody these attractions and undertaking regional revitalization initiatives centered on each area's distinctive appeal and characteristics. In Sado City, Niigata Prefecture, we are advancing regional revitalization through tourism, which is also creating local employment.

Sun Frontier Group Human Rights Policy

Establishment of the Human Rights Policy

Since its founding, the Group has practiced philosophy-driven management with Altruism as its Credo, pursuing the material and spiritual well-being of all employees and the realization of a sustainable society. Respect for human rights is essential if we are to bring smiles to all stakeholders who support our business. As a concrete action toward this goal, we have established a new Human Rights Policy.

Human Rights Matters the Group Considers Important

1 Basic Approach to Human Rights	2 Scope of Application	3 Respect for Human Rights	4 Governance	5 Human Rights Due Diligence
6 Prohibition of Discrimination and Harassment	7 Remediation and Relief	8 Education and Training	9 Information Disclosure	10 Dialogue and Consultation with Stakeholders

- Consideration for safety, security, and health in building and community development
- Realization of a sustainable society through specific initiatives focused on environmental protection
- Prohibition of discrimination, harassment, and other unfair treatment in the workplace
- Protection of the privacy of clients, officers and employees, and other relevant parties
- Respect for diversity among officers and employees, enhancement of engagement, and provision of a workplace environment with a high degree of psychological safety
- Appropriate compliance with labor laws and regulations and promotion of employees' physical and mental well-being
- Ensuring a safe and comfortable working environment for officers and employees and our partner companies
- Building a sustainable supply chain and conducting fair transactions based on partnerships with our partner companies
- Appropriate communication and sincere engagement with our stakeholders.

Respect for Employee Rights and Prevention of Excessive Work.

We regard creating a workplace where diverse talent can demonstrate its capabilities with confidence as an important issue. We continuously improve the working environment through monthly monitoring to prevent excessive work and by establishing appropriate labor-management relations and consultation systems based on ILO standards. We also promote the identification and management of risks through human rights due diligence and work to build a sound organizational foundation that respects human rights.

For details of the Human Rights Policy

Sun Frontier Group Supply Chain Management

Approach to Supply Chain Management

At the Sun Frontier Group (hereinafter referred to as "our Group"), we promote Sustainability Management under our Sustainability Vision: "We value the spirit of altruism, which is our credo, and contribute to the realization of a sustainable society through our business activities."

We are also taking on various new challenges to achieve 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."

Approach to Procurement

Toward realizing a sustainable society and creating future value, we promote socially responsible procurement throughout the supply chain. Based on five pillars, legal compliance, fair transactions, respect for human rights, reduction of environmental impact, and partnership building, we seek mutual prosperity with business partners and contribute to the evolution and development of society.

Kyoeikai (Partner Companies Association)

Together with partner companies, we have organized the Kyoeikai to strengthen collaboration. Through regular meetings and the sharing of our Philosophy, we seek to deepen understanding of our principles and jointly become a truly professional team that maximizes the added value of real estate from the client's perspective, thereby enhancing Tokyo's appeal and contributing to the development of society.



Safety and Health Throughout the Supply Chain

The Group regards the safety and health of all parties involved as its highest responsibility and has established a safety management system in collaboration with partner companies throughout every stage of its operations. Through thorough risk management, we promote a safe working environment and sustainable value creation.

Ensuring Fairness

We establish standards covering occupational safety, fair wages, anti-corruption, and other matters when selecting and managing partner companies, placing importance on human rights and the working environment throughout the supply chain. We ensure effectiveness through questionnaire-based assessments, training support, and requests for corrective measures in response to risks, thereby realizing fair and sustainable real estate operations.

For more information on supply chain management

Roundtable Discussion between an Institutional Investor and Outside Directors

The Quality of Growth and Governance Required Now to Create Future Value

With the launch of the Medium-Term Management Plan 2028 in FY2025 and the commencement of our capital and business alliance with ITOCHU Corporation in April this year, the Group has entered a new phase of growth. What strengths should we further refine, and what challenges should we address to sustainably enhance corporate value? We invited Katsuhiko Takegawa, representing a major Japanese institutional investor, to join Outside Directors Keiichi Asai and Kazutaka Okubo for a candid discussion from the perspectives of the capital markets and management oversight.



Katsuhiko Takegawa
Institutional Investor

Senior Analyst at Sumitomo Mitsui Trust Asset Management Co., Ltd. He joined the institution now known as Sumitomo Mitsui Trust Bank in 1992, served as a portfolio manager for pension assets from 1996, and has worked as a securities analyst since 2003. He currently also serves as Deputy Chair of the Construction, Housing and Real Estate Working Group of the Disclosure Study Group at the Securities Analysts Association of Japan.



Keiichi Asai
Outside Director

After joining Mitsubishi Corporation, he held numerous positions, including overseas assignments, mainly in the energy business. He subsequently served as Executive Vice President and Director of Lithium Energy Japan Corporation before becoming President and Representative Director of KH Neochem Co., Ltd. in 2014. After stepping down from that company in 2019, he was appointed an Outside Director of the Company in June 2022.



Kazutaka Okubo
Outside Director and Audit & Supervisory Committee Member

A certified public accountant and certified fraud examiner specializing in corporate compliance and CSR. He became Senior Managing Executive Board Member of Ernst & Young ShinNihon LLC in 2016. After leaving the firm in 2019, he established Okubo Associates Co., Ltd. He was appointed an Outside Director of the Company in June 2019 and has served as an Outside Director and Audit & Supervisory Committee Member since June 2024.

A Foundation for Sustainable Growth Supported by Our Distinctive Value-Creation Capabilities

Takegawa Having observed the real estate sector for many years, I believe the Company stands apart from a simple asset-turnover business. The leveraged turnover model that once swept the industry, in which companies acquired properties and quickly realized gains on sale, collapsed during the global financial crisis. I witnessed many companies become unable to recover after funding dried up and unrealized losses accumulated. The reason your Company has continued to grow despite that wave of consolidation is that it has consistently chosen to create value through its own capabilities rather than relying solely on rising markets and the simple formula of buying low and selling high. For each building, you have asked how it should be transformed to attract tenants and what use would best meet local demand, then applied your expertise property by property. That is the essence of your competitiveness. I see three principal strengths: the discerning acquisition capabilities to identify potential in aging buildings overlooked by major companies; the planning capabilities to read the characteristics of each location and remodel properties for their optimal use; and the depth of a client base in which relationships of trust with owners and tenants continue after a sale and lead to the next opportunity.

At a time when rising interest rates are increasing financing and construction costs and the industry is being tested on its ability to create added value, this may be precisely the environment in which your business model once again demonstrates its true worth.

Asai I believe your observations accurately capture the Company's distinctive characteristics. As reflected in our high ROE and ordinary profit margin, we have established a unique position in profitable market segments. By developing deep expertise in selected markets, including the revitalization of small and medium-sized buildings in central Tokyo and hotel operations, we can be described as a boutique real estate company that enhances corporate value.

In revitalizing small and medium-sized offices, for example, we have leveraged our locally rooted tenant placement capabilities to increase property value. In the Hotel Business, internalizing functions from development through operation has strengthened the foundation for accumulating operating earnings. We have cultivated recurring-revenue businesses that provide stable earnings while also

operating transaction-based businesses that are more susceptible to market conditions. I believe this dual structure supports our growth.

Okubo I believe these business strengths are supported by our people and organizational culture. Even now that the Group has grown to nearly 2,000 people, our ability to move businesses forward as one team across departmental boundaries remains a major characteristic.

Management meetings are not merely forums for reporting; they function as venues where people on the front lines share issues and deepen discussions on business execution. The practice of Amoeba Management is also steadily developing the next generation of talent. This organizational strength is an intangible asset that cannot be replicated overnight. Having observed the Company's progress for nearly 20 years, I believe its current growth is not temporary,



but the result of the business and human resource foundations built while overcoming numerous difficult circumstances.

Addressing Multifaceted Risks to Enhance the Quality of Growth

Takegawa The issue going forward is how to translate the Company's strengths into sustainable growth. Operating profit has grown at a compound annual rate of approximately 26% over the past five years and approximately 13% over the past ten years. The targets in the Medium-Term Management Plan, an ordinary profit margin of 20% and ROE of at least 14%, are well within reach. Investors, however, look at more than a high growth rate. They also consider how its repeatability will be ensured. Given the significant fluctuations in profit during the global financial crisis and the COVID-19 pandemic, the market values the Company's strong growth but remains cautious about stability.

Asai Risk factors affecting earnings stability include rising interest rates, changes in office demand resulting from evolving workstyles, adjustments in real estate prices, and the impact of fluctuations in inbound demand on the Hotel Business.

Okubo I am particularly focused on whether the appeal supporting the central Tokyo office market can be maintained. As remote work becomes established and communication methods diversify, the functions and value expected of offices are changing. If central Tokyo becomes less attractive as a place where companies and people gather and generate close communication, the Real Estate Revitalization Business will also be affected. Management must respond swiftly to changes in the competitive environment and make decisions based on the balance of supply and demand.

Asai In addition, the effects of international developments and geopolitical risks on tourism demand and the business environment cannot be ignored. The Board of Directors discusses these risks while sharing an understanding based on multifaceted data and individual scenarios. The quality of dialogue between the executive and supervisory sides has steadily improved. In formulating the Medium-Term Management Plan, we have continued to examine from the shareholders' perspective whether the growth targets involve risk-taking appropriate to the Company's scale and financial capacity.

Okubo Preparing for risk requires viewing the business portfolio across multiple time horizons. Even if the domestic office business slows, growth in overseas and hotel businesses could complement it and maintain the depth of earnings across the portfolio. Combining businesses with different time horizons also helps build the next pillars of growth. In particular, I believe the Hotel Business has medium- to long-term growth potential by capturing expanding tourism demand.

Naturally, expansion into new areas involves trial and error. What matters is to view the costs accompanying such challenges not as losses, but as investments in cultivating future sources of earnings.

Takegawa I agree. Enhancing corporate value requires investment in the future as well as shareholder returns. The ability to determine where capital should be allocated and how it can be monetized, while maintaining investment discipline, will be tested more than ever.

Asai Judging from its ROE and PBR, the Company has earned a solid valuation within the real estate industry, although I believe there remains room to enhance corporate value. Going forward, the key to further raising the market valuation will be to balance growth and stability by capturing earnings opportunities in transaction-based businesses while expanding recurring earnings from the Hotel Business, property management, and other areas.

Enhancing the Repeatability of Growth Through an Alliance with a Long-Term Partner

Takegawa From the perspective of reducing volatility and pursuing stable growth, the capital and business alliance with ITOCHU Corporation represents a major turning point. I sense a common philosophy underlying the businesses of ITOCHU, which develops businesses from consumer touchpoints under its sampo-yoshi principle of benefits to the seller, buyer, and society, and your Company, which has cultivated long-term relationships with owners and tenants.

Okubo We are currently advancing toward the realization of Long-Term Vision 2035, and I view this alliance within that long-term roadmap. My understanding is that ITOCHU respects the values and individuality of its partner companies while seeking to understand the essence of their businesses from a long-term perspective. It could become an invaluable partner as the Company charts the next ten years and beyond.

Asai The Board of Directors held extensive discussions regarding the alliance with ITOCHU Corporation. We provided the necessary advice while examining both the value of the Company from the trading company's perspective and the value of the trading company from the Company's perspective.

Gaining a shareholder that shares a long-term perspective also has considerable significance for management in terms of the shareholder composition. Stable shareholders are indispensable to continuing management decisions with a long-term commitment. In addition to business synergies, this alliance was a decision intended to stabilize the shareholder composition and support management focused on long-term corporate value enhancement.

Okubo At the same time, concluding a capital and business alliance is not an end in itself. What matters is the kind of businesses we build on that foundation.

Takegawa As an investor, I expect the involvement of trading company capital to enhance credibility and expand the possibility of undertaking larger projects in addition to small and medium-sized transactions. I will be watching for tangible synergies, including joint development, joint ventures, overseas investment, and more diverse exit strategies utilizing a global network.

Asai Building a win-win alliance first requires a strong relationship of trust, beginning with top management. The next key is not to stop at investment, but to continue cultivating the projects undertaken and enhancing their value.

The alliance also provides a rare opportunity for the organization to absorb ITOCHU's investment criteria and business



management expertise. I believe its true significance is to give every employee an opportunity to consider how to further develop the Company's strengths and supplement its weaker areas.

Takegawa By partnering with an organization that shares its values and demonstrating a concrete path to higher growth and repeatable earnings, the Company should be able to change the market's perception from a highly volatile company to one combining growth potential with stability.

Okubo The Board of Directors will support the process of combining lessons learned at the operational level through the alliance with the Company's strengths to raise the quality of growth to a new level.

Transforming the Strengths of Founder-Led Management into Sustainable Governance

Takegawa I also expect governance to evolve further with the addition of external capital. The Company already has many strengths that deserve recognition, including financial discipline without excessive reliance on leverage, agility in changing its approach as the environment evolves, a record of stable dividends, and a business strategy not swayed by short-term profit. All provide considerable reassurance to long-term investors and represent strengths supported by the founder's management judgment.

In the next phase of growth, however, succession planning and greater visibility into decision-making processes will become increasingly important. The market is watching whether the strengths of founder-led management can be elevated into an organizational form that is reproducible.

Okubo Strong leadership is a source of corporate value, but its strengths become sustainable only when the governance supporting it functions effectively. The role of outside directors is neither to apply a formal brake nor simply to endorse management decisions. We must build relationships of trust with the front lines, identify early signs of risk, and engage in candid dialogue with the executive side. I believe that is the role expected of us, and I will continue fulfilling that responsibility as an Audit & Supervisory Committee Member.

Takegawa How investments and their results are explained is also important. I expect the Company to enhance disclosure of its policy for utilizing external capital and the process for verifying outcomes.

Asai At present, I emphasize three questions when making investment decisions. First, does the investment leverage the strengths of the recurring-revenue businesses the Company seeks to expand? Second, is it in an area where the expertise accumulated to date can be applied? Third, is there a functioning mechanism through which the organization learns from past failures and shares the lessons? The Board will continue asking these questions as a framework for balancing the willingness to take on challenges with disciplined growth.

Takegawa That is precisely the substance of the discussion and verification I would like the Company to communicate to investors. Disclosure of capital allocation to each business area, the relevant decision criteria, and reviews of outcomes would provide information for assessing the credibility of the growth strategy.



Asai In addition to investment criteria, sustainability is another area where both substantive initiatives and the disclosures supporting them are required.

Okubo We should deepen discussions of our materialities, including Environmental Protection, Regional Revitalization, and Human Resource Development, by focusing on their connection to our core businesses.

Asai For example, precisely because global trends concerning themes such as decarbonization are fluctuating, the Company should clearly express its commitment to steady medium- to long-term progress aligned with its businesses, even where short-term implementation is difficult.

Okubo I expect the Company to strengthen both its Human Resource Development initiatives and related communications. To further evolve Amoeba Management, one of our strengths, we need to develop people throughout the organization who can manage businesses with awareness of shareholder value and the share price. At a time when advances in generative AI and other technologies are bringing major changes to workstyles and client touchpoints, how we develop people and adapt as an organization will become an increasingly important topic for dialogue with stakeholders.

Takegawa Today's discussion made it clear that both Outside Directors view management from a long-term perspective. The Board also benefits from diverse perspectives based on their respective expertise and has a foundation for constructive exchanges of views. The fact that dialogue is substantive rather than merely formal provides important evidence for external stakeholders assessing the Company's governance.

Supporting Further Growth and Advancing Governance

Okubo Japan still has considerable room for growth, and the real estate industry offers numerous growth opportunities. By continuing to refine a business foundation resilient to changes in the market environment, supported by our strengths in people and organizational culture, I believe the Company can move onto a new growth trajectory. As an Outside Director, I intend to engage directly in achieving a more mature style of management appropriate for a listed company.

Asai Following the capital and business alliance with ITOCHU Corporation, the Company is entering a phase in which it will pursue greater value creation while being held to a higher standard of governance. It is therefore essential not only to discuss investment decisions and Human Resource Development at Board meetings, but also to continue following up on subsequent progress. We will steadily advance toward Long-Term Vision 2035 by raising management transparency, firmly protecting minority shareholder interests, and taking the risks that should be taken. As an Outside Director, I will support the Company on that journey.

Takegawa Investors seek enhanced corporate value as reflected in PBR and the share price. Achieving this requires not only higher ROE but also a higher PER. PER reflects the premium the market assigns to a company's future potential and brand strength, in other words, its attractiveness. To further increase that premium, it is important for the Company to continue clearly communicating its growth strategy, investment discipline, and governance evolution, and to demonstrate management that is keenly aware of the stock market and corporate value. Today's discussion reaffirmed my conviction that the Company has the ability to do so. I look forward to continuing to follow its progress.



Management Structure (As of June 23, 2026)

For more information on the management structure

		Directors					Outside Directors				
											
Name		Tomoaki Horiguchi	Seiichi Saito	Kentaro Kawanishi	Takeshi Hirahara	Keitaro Otomichi	Keiichi Asai	Hideaki Okamoto	Kouichi Ishimizu	Kazutaka Okubo	Yukiko Edahiro
Title		Chairman Representative Director	President & CEO	Director	Director	Director	Outside Director	Outside Director	Outside Director and Audit & Supervisory Committee Member	Outside Director and Audit & Supervisory Committee Member	Outside Director and Audit & Supervisory Committee Member
Years of Service		27 years	20 years	1 year	Newly appointed	Newly appointed	4 years	Newly appointed	Newly appointed	2 years	2 years
Board of Directors Meetings Attended/Held		18 /19	19 / 19	15 / 15	— / —	— / —	19 / 19	— / —	19 / 19	19 / 19	19 / 19
Key Areas of Expertise and Experience Expected (Principal Areas)	Corporate Management	●	●			●	●	●	●		
	Real Estate	●	●	●		●		●	●		
	Accounting, Finance and Corporate Finance		●		●					●	
	Legal Affairs, Compliance and Risk Management				●					●	●
	Human Resources, Labor Relations and Human Resource Development	●				●					●
	CSR, ESG and Sustainability			●						●	
	M&A	●			●		●				
	International Business		●		●		●	●			
Committee and Executive Positions	Board of Directors	○	◎	○	○	○	○	○	○	○	○
	Audit & Supervisory Committee								◎	○	○
	Nomination and Compensation Committee	○	◎				○			○	○

Executive Officers

President and Executive Officer	Seiichi Saito
Senior Executive Officer	Kentaro Kawanishi Takeshi Hirahara Keitaro Otomichi Yasushi Yamada Kenji Honda Shuhei Oda
Executive Officers	Kenji Wakao Hiroyuki Takekawa Keiichiro Nishimoto Tetsuya Arai Hiroyuki Kobayashi Akihiro Inada Yasushi Sera

Group Executive Officer

President Representative Director Sun Frontier Hotel Management Inc.	Kazuyuki Yanagimura

* "Compliance" and "Sustainability" are abbreviated in the table.
◎ indicates the Chair.

Approach to the Skills Required of Directors

Skill Category	Rationale for Selection
Corporate Management	Selected because people with broad corporate management expertise, including the formulation and execution of management strategies, are essential to achieving the Group's sustainable growth and enhancing corporate value.
Real Estate	Selected because real estate expertise is essential for clarifying business direction, improving the quality of decision-making, and viewing the business from a broad perspective at the Company, whose core business is real estate revitalization and utilization.
Accounting, Finance and Corporate Finance	Selected because people with accounting and finance expertise who can assess the appropriateness of financial strategies are essential to ensuring financial soundness and transparency and implementing timely and appropriate capital policies.
Legal Affairs, Compliance and Risk Management	Selected because perspectives that support sound corporate management are required to maintain public trust through thorough legal compliance and corporate ethics and to appropriately assess and manage business risks.

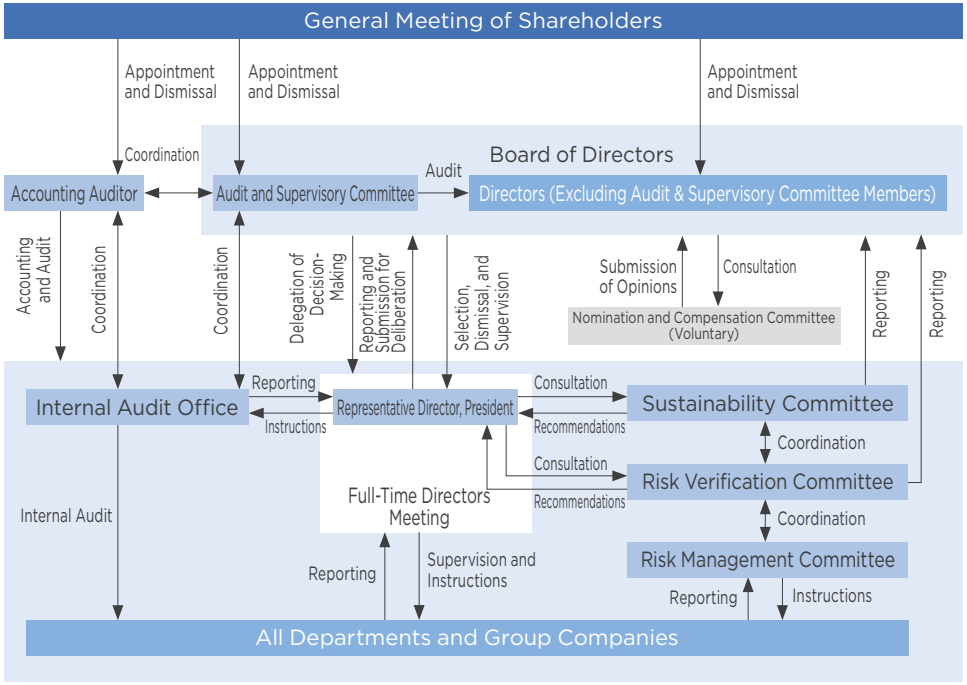
Skill Category	Rationale for Selection
Human Resources, Labor Relations and Human Resource Development	Selected because expertise in human resource strategy is necessary to make optimal use of human capital, promote a fulfilling workplace, develop people, and enhance organizational vitality.
CSR, ESG and Sustainability	Selected because deep sustainability expertise is necessary to fulfill our social responsibilities, coexist with local communities and the environment, and achieve long-term value creation.
M&A	Selected because practical M&A experience, a strategic perspective, and sound judgment that contributes to enhancing corporate value are necessary to optimize the business portfolio and execute growth strategies.
International Business	Selected because people with an international perspective and cross-cultural understanding are necessary to advance business globally, and accurately identifying trends in overseas markets is essential.

Corporate Governance — Building a Robust Management Foundation

The Group's basic policy is for all officers and employees to apply "what is right as a human being" as the standard for judgment in performing their duties.
We recognize that management's mission is to enhance corporate value over the long term and on a continuing basis and to build trust with stakeholders.

Corporate Governance Structure

From the perspectives of corporate social responsibility and enhancing corporate value over the medium to long term, the Company discloses information to all stakeholders, including shareholders and investors, in a timely, accurate, and fair manner. We comply with the Companies Act, the Financial Instruments and Exchange Act, other applicable laws and regulations, and stock exchange rules; promptly disclose information subject to the Securities Listing Regulations; and proactively disclose other socially useful information concerning the Group.



Management Bodies

	Composition	Role	Meetings Held in FY2025
Board of Directors	10 members 5 internal officers 5 outside officers Chair: President	Focuses on deciding important matters concerning basic management policies and supervising the execution of business.	19 times
Audit and Supervisory Committee	3 members 3 outside officers Chair: Independent Outside Officer	Audits and supervises the execution of duties by Directors, strengthens the supervisory function of the Board of Directors, and enhances corporate governance.	13 times
Nomination and Compensation Committee	5 members 2 internal officers 3 outside officers Chair: Internal Officer	As a voluntary advisory body to the Board of Directors, the Committee examines and deliberates standards, processes, and basic evaluation policies to improve the objectivity and transparency of procedures for appointing and dismissing officers and determining officer compensation.	3 times
Sustainability Committee	25 members 2 internal officers 5 outside officers 18 committee members Chair: Internal Officer	As an advisory body to the President and Representative Director, the Committee promotes sustainability activities, including climate change measures. In coordination with the Risk Verification Committee and Risk Management Committee, it consolidates climate-related and other risks and opportunities identified by business divisions and Group companies, considers response measures, and reports regularly to the Board of Directors.	4 times

Internal Control

In accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act, the Board of Directors has resolved the Basic Policy on the Development of Internal Control Systems, and the Company has established and operates systems based on this policy.

For more information on the internal control system

For more information on corporate governance

Corporate Governance —Board of Directors

Composition of the Board of Directors

The Board of Directors comprises ten Directors, including five Outside Directors. It resolves matters stipulated by laws and regulations and the Articles of Incorporation, makes management decisions, and supervises the execution of duties. The Board meets once a month and holds extraordinary meetings as necessary. It decides matters prescribed by law and the Board of Directors Regulations, including important matters concerning management, and supervises Directors and Executive Officers through regular reports on the status of their duties.

Capabilities Required of Directors

When selecting any Director, the Group requires that candidates satisfy statutory and Articles of Incorporation requirements, do not fall under any grounds for disqualification stipulated in the Officer Regulations, have no current or past involvement with antisocial forces, and meet the following requirements.

(1) Empathy with the Group's Philosophy and a commitment to contributing to the progress and development of society through the management of the Group's businesses
(2) Outstanding character, knowledge, and insight, together with a strong commitment to legal compliance and high ethical standards
(3) Objective judgment, insight, and foresight

In addition to the foregoing, Outside Director candidates are particularly required to meet the following requirements.

(1) A high level of insight, extensive practical experience, or leadership experience in corporate management, internal control, legal compliance, finance and accounting, financial services, law, public administration, crisis management, education, or another relevant field
(2) The ability to understand the Group from a broad perspective and identify essential issues and risks, with an expectation of contributing to candid, active, and constructive deliberations at Board meetings and other forums
(3) Independence, with no direct interest in relation to the Representative Directors or other Directors and no risk of conflicts of interest with the Company's general shareholders

The following additional requirements are established according to each Director's position and role.

(1) The ability to provide objective management oversight and judgment, as well as advice and support for the Company's sustainable growth, from a practical perspective based on extensive experience in corporate management or a specialized field
(2) Full-Time Directors must be well versed in industry trends, relevant regulations, and the Group's business model; possess extensive practical experience in their respective areas of expertise; and be able to execute duties with organizational management capabilities and a company-wide perspective
(3) Outside Directors who are Audit & Supervisory Committee Members must be able to express objective audit opinions from a neutral standpoint, as they are appointed to further enhance the neutrality and independence of the audit system
(4) Full-Time Directors who are Audit & Supervisory Committee Members must be familiar with the Group's organization, businesses, and operational processes and be capable of conducting highly effective audits after appropriately gathering internal information

Director Training Policy

Our Management Philosophy includes contributing to the evolution and development of human society with a spirit of coexistence and realizing a sustainable society. Accordingly, the Company provides officers and employees with extensive training opportunities to acquire the knowledge required to fulfill their roles and responsibilities and bears the related costs. At the request of individual officers, the Company also arranges seminars and covers participation in external seminars as appropriate.

Independence Criteria for Outside Directors

To ensure the practical independence of Independent Outside Directors, the Company has established independence criteria for Outside Directors. If an Outside Director is determined not to fall under any of the specified categories, the Company judges that the person is independent from the Company and poses no risk of a conflict of interest with general shareholders. Even if a person falls under one of the categories, the Company may determine that the person is independent in substance, provided that the reasons are explained and disclosed at the time of appointment.

Evaluation of the Effectiveness of the Board of Directors

The Company evaluates the effectiveness of the Board of Directors to improve its functions. All officers are surveyed regarding the Board's composition, operation, and other matters, and the Board assesses the analysis results. To elicit candid opinions and ensure objectivity, the Company uses an anonymous questionnaire administered by an external organization, thereby strengthening governance.

Evaluation Results

Based on the FY2025 evaluation, the Company determined that the effectiveness of the Board of Directors was ensured overall. At the same time, the following issues were identified. We will address these issues to further improve the Board's functions and sustainably enhance corporate value.

Board Operations	: Provide materials at more appropriate times, refine agenda setting, and further stimulate discussion
Management Strategy and Oversight	: Strengthen oversight of the follow-up framework for the Medium-Term Management Plan, responses to DX, and alignment between human resource and management strategies
Risk Management	: Strengthen the cybersecurity oversight framework
Nomination and Governance	: Strengthen the Board of Directors' involvement in succession planning

Corporate Governance — Officer Compensation

Director Compensation

Compensation for Directors, excluding Outside Directors, consists of the following three components. In light of their role in supervising management from an independent and objective standpoint, Outside Directors receive fixed compensation only.

Fixed Compensation (Monetary Compensation)

Amounts are determined at an appropriate and competitive level based on a comprehensive consideration of each Director's responsibilities and the Company's management conditions, as well as comparisons with compensation at other companies in the real estate industry.

Performance-Linked Compensation (Monetary Compensation)

To provide an incentive reflecting improvements in annual performance, consolidated ordinary profit for the relevant fiscal year is used as the indicator, and the amount paid is determined based on achievement against the target.

Restricted Stock Compensation (Non-Monetary Compensation)

Granted by resolution of the Board of Directors to provide incentives for the sustainable enhancement of corporate value over the medium to long term and to further promote value sharing with shareholders.

Compensation Composition

To link improvements in the Group's performance with the interests of Directors and thereby increase motivation and morale toward improved performance, the Company pays officer bonuses to Directors. As part of a review of the officer compensation system, the Company has also introduced a restricted stock compensation plan for Directors who are not Audit & Supervisory Committee Members, excluding Outside Directors, so that they share the benefits and risks of share price fluctuations with shareholders and become even more motivated to contribute to higher share prices and enhanced corporate value.



Total Director Compensation, etc. (FY2025 Results)

Officer Category	Total Compensation, etc. (Millions of yen)	Total by Type of Compensation, etc. (Millions of yen)			Number of Eligible Officers
		Basic Compensation	Performance-Linked Compensation	Restricted Stock Compensation	
Directors (Excluding Audit & Supervisory Committee Members) (Of Whom, Outside Directors)	271.8 (15.4)	165.6 (15.4)	80.0 (—)	26.3 (—)	9 (2)
Directors Audit & Supervisory Committee Members (Of Whom, Outside Directors)	25.9 (13.9)	25.9 (13.9)	(—) (—)	(—) (—)	3 (2)

Matters Concerning Resolutions of the General Meeting of Shareholders on Director Compensation, etc.

1. At the 23rd Annual General Meeting of Shareholders held on June 21, 2022, it was resolved that monetary compensation for Directors who are not Audit & Supervisory Committee Members, comprising fixed and performance-linked compensation, would be limited to 360 million yen per year, including up to 36 million yen for Outside Directors and excluding employee salaries for Directors concurrently serving as employees. At the time of the resolution, there were eight such Directors, including two Outside Directors. Separately, the same meeting resolved that restricted stock compensation for Directors who are not Audit & Supervisory Committee Members, excluding Outside Directors, would be limited to 36 million yen per year. At the time of that resolution, there were six eligible Directors.
2. At the 23rd Annual General Meeting of Shareholders held on June 21, 2022, it was resolved that monetary compensation for Directors who are Audit & Supervisory Committee Members, consisting solely of fixed compensation and including Outside Directors, would be limited to 36 million yen per year. At the conclusion of the meeting, there were three Audit & Supervisory Committee Members, including two Outside Directors.

Compensation-Determination Process and Governance (Ensuring Objectivity and Transparency)

Determination of individual fixed and performance-linked compensation is delegated to the President and Representative Director by resolution of the Board of Directors. To enhance the objectivity and transparency of the process, however, the Company has established a voluntary Nomination and Compensation Committee comprising the Chairman and Representative Director, the President and Representative Director, and at least two Outside Directors. The Committee deliberates compensation amounts, composition, indicators, and other matters from multiple perspectives, and the President makes decisions with the utmost respect for those deliberations.

Operation During the Fiscal Year

For the fiscal year, consolidated ordinary profit, the indicator for performance-linked compensation, was 23,298 million yen against a target of 22,500 million yen. Determination of individual compensation was delegated to the President and Representative Director with the involvement of the Nomination and Compensation Committee. After receiving the Committee's report, the Board of Directors determined that the procedures and substance were appropriate and consistent with the policy.

Risk Management

Basic Approach to Risk Management

To address all risks that could threaten enhanced corporate value and sustainable development, the Company works to build an organizational crisis management framework by preparing risk management manuals and establishing an emergency response headquarters led by the President and Representative Director in the event of an unforeseen incident.

We have also established a Risk Management Committee chaired by the President and Representative Director and appointed risk management officers in each department. When a potential management or business risk is identified, it is reported to the Committee, which analyzes the risk information and considers response measures to prevent losses to the Company and Group companies or minimize damage if the risk materializes.

Risk Management Structure

Each division manages its own risks, while Directors, division heads, and office heads maintain a cross-functional understanding of important management matters. These are reported and discussed at weekly department head meetings. In an emergency, the Company can promptly convene an extraordinary Board meeting and take action. To strengthen risk management, we enhance internal audits and education and training for officers and employees on relevant laws and regulations and conduct awareness-raising activities to ensure thorough understanding.

Risk Verification Committee

The Company has established the Risk Verification Committee as an advisory body to the President and Representative Director. Chaired by the Division Director of the Administration Division, its principal members are the General Managers of the General Affairs and Legal Departments and the Head of the Internal Audit Office. It meets quarterly and as necessary. The Committee reviews risks reported by the monthly Risk Management Committee and comprehensively manages the formulation of risk management policies, measures, and annual plans.

Risk Management Committee

The Company has established the Risk Management Committee, chaired by the President and Representative Director, as an advisory body to the President and Representative Director. Its principal members are the heads of each sales division and department heads in the Administration Division, and it meets monthly. The Committee discusses comprehensive risk management and responses in each department and considers measures to prevent potential risks and raise awareness.

Principal Risks Identified

Principal Risk	Contents
Competition and Loss of Competitive Advantage	Risk that competitiveness may decline if the Group is unable to maintain the collective strength and advantages created through the organic integration of its businesses, including replanning, leasing, brokerage, and hotels.
Market and Financial Fluctuations Affecting the Replanning Business	Risk of a slowdown in real estate transactions, declines in inventory valuations, and delayed sales due to financial market disruption, as well as effects on results from fluctuations in the timing and value of large transactions.
Deterioration in Financing Conditions	Risk that financial market disruption, including a credit contraction, may impede debt financing required for business development.
Extended Hotel Development Periods and Economic Fluctuations	Risk that hotel projects developed from land acquisition may require a long period to completion, creating periods without earnings and greater exposure to economic fluctuations.
Demand Fluctuations in Hotel Operations	Risk of lower room rates and occupancy due to economic downturns, weaker consumption, oversupply, infectious diseases, exchange-rate fluctuations, and geopolitical factors, including territorial issues and anti-Japanese sentiment.
Country Risk	Risks in overseas businesses arising from exchange-rate trends, differences in culture and business practices, political instability including conflict and terrorism, labor disputes, changes in laws, regulations and tax systems, and prolonged investment recovery periods.
Natural Disasters, Terrorism, and Other Events	Risk of significant impairment to the value of owned or managed real estate due to earthquakes, floods, other natural disasters, war, terrorism, fire, or similar events.
Litigation and Claims	Risk of lawsuits or claims by business partners, clients, or others in connection with real estate sales, leasing, management, and other transactions.
Delayed Response to Climate Change and Environmental Issues	Risk of reputational decline due to delays in offering products with lower environmental impact or taking action toward a decarbonized society.
Supply Chain Disruption	Risk of longer project periods and higher costs due to shortages of materials and fixtures, delivery delays, and price increases.
Rising Market Interest Rates	Risk of higher financing costs, lower property-sale earnings due to weaker purchasing appetite and higher required yields, and declines in asset values.
Exchange-Rate Fluctuations	Risk of impacts on overseas procurement costs and translated financial results, knock-on effects on construction and energy costs, and lower rental income due to deterioration in tenant performance.
Decline in Inventory Valuations	Risk of valuation losses due to declines in net realizable value caused by delays in preparing properties for sale, worsening market conditions, or rising interest rates.
Impairment Losses on Non-Current Assets	Risk of impairment losses on non-current assets in the Hotel Business and other businesses due to lower future cash flows resulting from changing market conditions or reduced occupancy.
Changes in Laws, Regulations, and Accounting Standards	Risk of restrictions on business activities or increased costs due to revocation of licenses under the Real Estate Brokerage Act or other laws, amendment or introduction of related laws and regulations, or changes in accounting standards or real estate taxation.
Leakage of Personal Information	Risk of damage to corporate credibility due to external leakage of client information, including personal information of owners, tenants, and hotel guests.

Compliance

Basic Approach to Compliance

We recognize that it is our social responsibility as a company for all Directors and employees to embody a commitment to legal compliance and perform their duties fairly and with high ethical standards. We strengthen internal management systems, raise compliance awareness, and work to establish a management framework that will continue to earn society's trust. The Internal Audit Office reports directly to the President and Representative Director and regularly audits all departments and Group companies. Internal audits assess operational conditions and systems and objectively examine whether all operations comply with laws, the Articles of Incorporation, and internal regulations and whether the Company's systems, organization, and regulations are appropriate. Audit results are reported regularly to the President and Representative Director and the Audit & Supervisory Committee, and to the Board of Directors as necessary.

Whistleblowing System

To prevent and detect at an early stage incidents arising from legal violations or misconduct, improve the responsiveness of self-correction processes, control reputational risk, and secure public trust, the Company has established a Corporate Ethics Helpline with multiple reporting channels and thorough protection for whistleblowers.

Officers and employees of the Company and Group companies may report to the internal channels prescribed in the Corporate Ethics Helpline Regulations and may also report directly to the Company's Audit & Supervisory Committee Members.

The Regulations explicitly provide that no officer or employee will be disadvantaged in personnel evaluations or subjected to disciplinary or other unfavorable treatment for making a report, and the Company ensures awareness that no person will be disadvantaged for reporting to the Audit & Supervisory Committee.

Reports, Consultations, and Violations Identified

	FY2021	FY2022	FY2023	FY2024	FY2025
Helpline Reports and Consultations	0	0	3	4	4
Corruption and Bribery Violations Identified	0	0	0	0	0
Antitrust and Anti-Competitive Conduct Violations Identified	0	0	0	0	0
Other Compliance Violations Identified	0	0	0	0	0

Initiatives to Embed Compliance Awareness

The Group uses "what is right as a human being" as the standard for daily decisions and conduct. Underlying this standard is the Sun Frontier Philosophy, including our Credo of Altruism. Every employee values considering what is good for society and what constitutes universal integrity, and acting sincerely.

To embed these values in individual conduct, our daily corporate activities include reading the Philosophy Handbook together and opportunities to learn, discuss, and practice the Philosophy. At the weekly Company-wide morning assembly held every Monday, which is also attended by Group company employees, we regularly conduct risk and compliance training to enhance specific knowledge and awareness.

In this way, we develop each person's awareness and conduct through both a firm standard of "what is right as a human being" and compliance knowledge. These daily efforts support a sound and sincere corporate culture that puts this principle into practice.

Risk and Compliance Training

	FY2021	FY2022	FY2023	FY2024	FY2025
Number of Sessions	12	13	12	13	11
Total Participants	3,487	4,270	4,141	4,832	4,506

Anti-Bribery and Corruption Guidelines

The Group values transparency and fairness in corporate activities and has established clear guidelines for preventing bribery and corruption. We ensure that every officer and employee complies with laws and social norms and refrains from inappropriate benefits or entertainment. We also promote corporate ethics by building sound and sincere relationships with business partners and other related parties. Through these efforts, we aim to remain a company trusted by society.

For more information on the Anti-Bribery and Corruption Guidelines