

Corporate Governance

Sun Frontier Fudousan Co., Ltd.

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Sun Frontier Fudousan Co., Ltd.

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<https://www.sunfrt.co.jp/>

The status of the Company's corporate governance is as follows.

I. Basic Views on Corporate Governance and Other Basic Information, including Capital Structure, Corporate Profile, etc.

1. Basic Views

The Group's basic policy is that all officers and employees should always do "the right thing as a human being" based on high ethical standards in their work. Based on this, we believe it is important for management to contribute to society through business activities and to pursue profit fairly, and to build strong trust with stakeholders like shareholders, customers, employees, business partners, the environment, and local communities by continuously increasing corporate value over the long term.

The company strengthens its corporate governance by

- (1) Improving transparency and ensuring fairness.
- (2) Making quick decisions and executing business swiftly.
- (3) Being thoroughly accountable.
- (4) Disclosing information in a timely and appropriate manner.
- (5) Enhancing compliance awareness.

At the 23rd Annual General Meeting of Shareholders Meeting held on June 21, 2022, The Company received approval to change its Articles of Incorporation and moved from having an Audit & Supervisory Board to having an Audit & Supervisory Committee. By adopting this corporate governance system, Audit & Supervisory Committee members, who are in charge of auditing and supervising the directors' duties, will become members of the Board of Directors. This will strengthen the Board's supervisory function and further improve corporate governance. In addition, by allowing the Board of Directors to delegate many business decisions to directors, we aim to speed up decision making. At the same time, we aim to achieve sustainable growth and increase corporate value over the medium to long term by focusing on important management decisions, such as management plans, made by the Board of Directors.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

Supplementary Principle 4-3 (ii) and Supplementary Principle 4-3 (iii)

Roles and Responsibilities of Board of Directors (3)

Since appointing and dismissing the Representative Director is the most important strategic decision, the Board of Directors chooses someone with an excellent personality, good insight, respect from others, and a lot of experience. They do this after considering the objectivity, timeliness, and transparency of the appointment procedures and having sufficient discussions within the Board of Directors.

Supplementary Principle 4-10 (i)

Voluntary Nomination and Compensation Committee

As a voluntary advisory body to the Board of Directors, the Company has created a Nomination and Compensation Committee to improve the objectivity and transparency of the procedures for appointing, dismissing, and compensating officers. This committee consists of Chairman Representative Director, President & CEO, and two or more Outside Directors. For details, please refer to “II 1. Organizational Composition and Operation [Voluntary Committee]” in this report. In the future, we will consider having Outside Directors make up the majority of the committee members.

[Disclosure Based on the Principles of the Corporate Governance Code] (Updated)

Principle 1-4 Cross-shareholdings

As a basic policy, the Group does not hold cross-shareholdings unless they are very important.

A holding is considered very important if it is judged to help maintain and improve the Company's corporate value.

If the Group holds cross-shareholdings, it will use its voting rights after carefully considering the votes in favor and the votes against. It will check if the issuing company has a good governance system and makes decisions that will increase corporate value in the medium to long term, all from the perspective of improving the Group's corporate value.

If the Group decides it cannot approve the proposal, it may consider the need to sell the shares.

Principle 1-7 Related Party Transactions

To protect shareholders' interests, the Group works to prevent its officers and employees from engaging in transactions that go against the interests of the Group and its shareholders.

The directors of the Company should not pursue their own interests or the interests of others over the Company's interests. Even if they do not mean to, supervisors must not engage in conflict-of-interest transactions or competitive transactions without the Board of Directors' approval. For transactions between related parties, the involved officers will not be counted in the quorum as they are specially interested parties when the Board of Directors makes the decision. The Company will check afterwards to ensure these transactions were done properly and report this to the Board of Directors. The Company also conducts quarterly investigations from all officers, including those of the Company and its subsidiaries, to check if there are any transactions between related parties.

Supplementary Principle 2-4 (i)

Ensuring Diversity in the Company, including the Promotion of Active Participation of Women

The Group assigns employees to managerial positions in accordance with its criteria for managerial appointments, based on their performance and aptitude, regardless of gender, nationality, or whether they were hired mid-career. To promote the advancement of women, the Company has set a target of achieving a female managerial ratio of 15% or more by fiscal 2035. As of April 1, 2025, women accounted for 9.2% of the Company's managers (section managers and above). For other diversity-related indicators, please refer to the “Sustainability” section of our corporate website, under ESG Data – Social (S): https://www.sunft.co.jp/sustainability/en/library/esg_social/

Our “Human Resource Development Policy” and “Internal Environment Development Policy” are also disclosed on our corporate website and can be found at the following URL:

https://www.sunft.co.jp/en/company/bring_comp/

Principle 2-6 Function as an asset owner of corporate pension

The Company does not have a corporate pension system. If the Company decides to adopt one, it will make efforts in personnel and management so that the pension system can work well as an asset owner.

This is because managing the pension fund will impact the stable asset growth of employees and the financial condition of the Company.

Principle 3-1 Enhancement of Information Disclosure

<Company objectives (Credo, mission, etc.) and management plans>

The Group's Company policy, Credo, mission and management plans are available on the Company's website.

- Sun Frontier Philosophy <https://www.sunfrt.co.jp/en/company/philosophy/>
- Long-Term Vision and Medium-term management plan https://www.sunfrt.co.jp/en/ir_info/ir_prospects/
- Sustainability <https://www.sunfrt.co.jp/en/sustainability/>

<Basic views and basic policy on Corporate Governance>

Please refer to “I 1. Basic Views” of this report for the Group's basic views on corporate governance.

<Policies and procedures in determining the remuneration of directors who are not Audit & Supervisory Committee members>

For directors who are not Audit & Supervisory Committee members, their pay and stock remuneration, which include a performance-linked part and a fixed part based on rank, are determined for internal directors. For outside directors, the appropriate fixed pay is set to ensure their independence. This is decided by the Board of Directors within the framework approved by the General Meeting of Shareholders. The Board made this decision after consulting the Nomination and Compensation Committee, which includes Chairman Representative Director, President & CEO, and two or more outside directors.

<Policies and Procedures for Nominating Candidates for Directors>

In selecting a director, the Group assumes the following requirements are met, in addition to satisfying the requirements in laws and regulations and the Articles of Incorporation, not having reasons for disqualification in the Regulations for Officers, and not being involved with anti-social forces now or in the past:

- (1) Empathy with the Company Policy, Management Principle, and Corporate Philosophy of the Group, and a desire to contribute to society's progress and development through the Group's business management.
- (2) Excellent personality, knowledge, and insight, with a high sense of law-abiding spirit and ethics.
- (3) Objective judgment capabilities, insight, and foresight.

In addition to the preceding paragraph, the Company requires the following qualifications in selecting outside directors.

- (1) Have a high level of insight, lots of practical experience, or have played a leading role in fields like corporate management, internal control, legal compliance, finance/accounting, legal profession, administration, crisis management, or education.
- (2) Can understand the Group as a whole, understand key issues and risks, and are expected to contribute to open, active, and constructive discussions on the Board of Directors.
- (3) Have no direct interests with the Representative Director and directors and are independent from the Company's general shareholders without risking conflicts of interest with them.

In addition, the Company has established the following requirements according to each position and role:

- (1) Outside directors should provide advice and support for the Company's sustainable growth and offer objective management supervision and judgment. They should do this from a practical viewpoint based on their extensive experience in corporate management and specialized fields.

- (2) Full-time directors should be familiar with the Group's industry trends, related regulations, and the Group's business model. They should have abundant practical experience in their respective specialized fields. They have organizational management capabilities from a company-wide perspective and are able to execute tasks effectively.
- (3) Outside directors who are Audit & Supervisory Committee members should be able to express their opinions on audits objectively from a neutral standpoint because they are appointed to enhance the neutrality and independence of the audit system across the company.
- (4) As full-time Audit & Supervisory Committee members, directors should be well-versed in the organization, business, and business processes of the Company. They should appropriately collect information from within the Company and be capable of conducting highly effective audits.

The Board of Directors discusses proposals to be submitted to the annual general meeting of shareholders based on the above requirements and appoints suitable candidates for directors.

Additionally, if individual directors no longer meet the requirements or are likely to fail to meet them, the Board of Directors will discuss this in light of the requirements and will not select them as candidates for reappointment at the end of their terms.

<Explanation of Individual Election and Nominations>

The reasons for choosing director candidates are disclosed in the notice for the annual general meeting of shareholders.

Supplementary Principle 3-1 (iii) Initiatives for Sustainability

The Group established the "Sustainability Committee" as an advisory body to the President & CEO. Its aim is to help create a sustainable society and increase corporate value over the medium to long term. This is done by promoting activities that solve social issues, based on our Management Principle and Corporate Philosophy. The Sustainability Committee meets four times a year regularly and as needed. To support our sustainability activities, we disclose information based on the TCFD (Task Force on Climate-related Financial Disclosures) recommendations. Please refer to "Sustainability" <https://www.sunfrt.co.jp/en/sustainability/> on the Company's website for information on the status of our sustainability activities.

Supplementary Principle 4-1 (i) Scope of delegation to management

To further strengthen the Board of Directors' supervisory function and speed up management decision-making, we changed to a Company with an Audit & Supervisory Board Committee in June 2022. Except for matters specified by laws and regulations to be decided only by the Board of Directors and important matters specified by the Board of Directors Regulations, the Board delegates important business execution decisions to directors. This allows the Board to focus on making key business policy decisions and supervising business execution.

Principle 4-9 Independence Standards for an Independent Outside Director

To ensure the independence of our independent outside directors in practice, our company has established criteria for determining the independence of outside directors. If an outside director is judged to meet none of the criteria for independence, we consider that the outside director has independence from our company and there is no risk of conflict of interest with our general shareholders. Regarding our "Independence Standards for an Independent Outside Director," it is disclosed on our company's website, so please refer to the following website.

https://www.sunfrt.co.jp/sustainability/en/governance/independence_criteria/

Supplementary Principle 4-11 (i)

Preconditions for ensuring the effectiveness of the Board of Directors and Audit & Supervisory Committee

When nominating candidates for directors, we widely select candidates from both inside and outside the company and determine candidates at the Board of Directors who have excellent character, insight, and high managerial abilities. In particular, for independent outside directors, we nominate individuals who have extensive experience and knowledge in their respective fields and can fulfill their roles and responsibilities from a professional and objective perspective, such as providing advice for enhancing long-term corporate value and supervising management.

For executive directors, we use selection criteria that include being well-versed in industry trends and related regulations surrounding the Company Group, understanding the business model of the Company Group, and having extensive practical experience in their respective areas of expertise.

Director's expertise and experience (skill matrix) are disclosed on the Company's website.

https://www.sunftr.co.jp/sustainability/en/governance/independence_criteria/

For policies and procedures regarding the election of directors, please refer to the above (Principle 3-1: Enhancement of Information Disclosure).

Supplementary Principle 4-11 (ii) Concurrent Positions of Directors

The status of concurrent positions of officers is disclosed in the notice of the Annual General Meeting of Shareholders.

Supplementary Principle 4-11 (iii) Board of Directors Effectiveness Evaluation

To enhance the function of the Board of Directors, our company regularly (once a year) conducts analysis and evaluation of the effectiveness of the Board of Directors. Specifically, we conduct surveys targeting directors and Audit & Supervisory Committee members on general matters related to the Board, including its composition, operation methods, deliberation status, and performance evaluations of directors and Audit & Supervisory Committee members. The evaluation of the analysis results is then conducted by the Board of Directors. To elicit frank opinions from the survey participants, the collection, aggregation, and analysis of survey results are outsourced to external organizations, and the surveys are conducted anonymously.

As a result of this year's survey, we have determined that the effectiveness of the Board of Directors is generally ensured.

While issues pointed out in the previous year—such as "succession planning for the CEO and other key executives" and "supervisory systems for promoting DX, including organizational development, talent development and retention, budget allocation, project management, and revision of personnel evaluation systems"—still require further improvement, signs of progress were observed compared to last year. Meanwhile, newly identified issues this year include "whether discussions on human capital are being conducted and whether the company's human capital strategy is aligned with its business strategy," and "cybersecurity risks and how the company addresses them." These indicate the growing importance of addressing mid- to long-term challenges and strengthening the company's response to emerging threats. Going forward, we will strive to improve corporate governance by addressing the issues identified in this evaluation, further promoting management aimed at enhancing sustainable corporate value.

Supplementary Principle 4-14 (ii) Director training policies

The Company has included in its Management Principle that it aims to "Co-create a sustainable society by contributing to the evolution and the development of human society with a spirit of co-creation." Based on this principle, the Company provides plenty of training opportunities for officers and

employees to acquire the knowledge necessary to fulfill their respective roles and responsibilities, and covers all associated costs. In addition, the Company also organizes seminars and officers' participation in external seminars, at the Company's expense, in response to individual requests.

Principle 5-1 Policy for Constructive Dialogue with Shareholders

The Group has the Corporate Planning Division as the department in charge of IR (Investor Relations). For shareholders and investors, the Company holds financial results briefings once every quarter and also holds small meetings.

The Company has established the following policy for constructive dialogue with shareholders to support sustainable growth and improve corporate value over the medium to long term.

- (1) We will disclose information to all stakeholders, including shareholders and investors, in a fair and timely manner, and emphasize direct communication by the Representative Director.
- (2) The Corporate Planning Division will serve as the IR contact point and promote coordination with related departments.
- (3) We will provide various means of dialogue, including financial results briefings, briefings for individual investors, field tours, and small meetings.
- (4) The Corporate Planning Department will report on the status of the dialogue to the Representative Director and, if necessary, to the Board of Directors.
- (5) The Company will establish rules to prevent insider trading and make them known to all employees.

Please note that the specific activities of our IR (Investor Relations) activities are disclosed in the quarterly financial results presentation materials. Please refer to them as well.

<https://www.sunft.co.jp/en/ir/>

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price]

Disclosure (Updated)	Disclosure of Initiatives (Updated)
Disclosure of Initiatives (Updated)	Yes
Date of Update (Updated)	May 9, 2025

Supplementary Explanation (Updated)

The Group has long pursued management practices with a strong awareness of capital costs and share price, positioning ROE (Return on Equity) as one of its key management indicators. Specifically, the Group recognizes its cost of equity to be in the range of 6.0–6.5% and has set a target ROE of “14% or higher,” steadily building a track record toward this goal.

To achieve this target, we have developed and implemented “ROE Improvement Drivers,” which visualize on-the-ground initiatives across our business operations, based on our Group's strengths—namely, our corporate philosophy and the Amoeba Management System.

Furthermore, starting from the fiscal year ending March 2026, we have adopted ROIC (Return on Invested Capital) as a new management indicator, thereby enhancing the visibility of our capital efficiency while maintaining a sound financial base. Going forward, we will continue to optimize our business portfolio by focusing on and investing in high-margin, high-turnover businesses.

Specifically, against a calculated WACC (Weighted Average Cost of Capital) of 4.8–5.2%, we have achieved an ROIC of approximately 8% and will continue striving to widen this spread by generating greater social and economic value.

Based on such planning and disclosure initiatives, we proactively engage in dialogue with investors and shareholders in the capital markets and will further strengthen these efforts moving forward. Under our “Long-Term Vision 2035,” the Group will continue to put its management philosophy into practice and enhance its corporate value sustainably through these medium to long term initiatives.

Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%
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[Status of Major Shareholders] (Updated)

Name/Company Name	Number of Shares Owned	Percentage (%)
HOUON Co., Ltd	18,507,500	37.99
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,602,500	9.45
Custody Bank of Japan, Ltd. (Trust Account)	2,578,100	5.29
Tomoaki Horiguch	2,478,396	5.10
STATE STREET BANK AND TRUST COMPANY 505001	615,537	1.26
THE BANK OF NEW YORK MELLON 140044	608,157	1.25
DFA INTL SMALL CAP VALUE PORTFOLIO	489,000	1.00
STATE STREET BANK AND TRUST COMPANY 505103	430,037	0.88
Keiko Horiguchi	416,500	0.86
Sun Frontier Employee Stock Ownership Plan	415,200	0.85

Controlling Shareholder (except for Parent Company)	---
Parent Company	None

Supplementary Explanation Updated

The status of major shareholders is as of March 31, 2025. In addition to the above, the Company holds 44,316 treasury shares.

3. Company Attributes

Listed Stock Market and Market Section	Tokyo Prime
Fiscal Year-End	March
Type of Business	Real Estate
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	more than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year (Updated)	From 100 billion yen to under 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	14 people
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors (Updated)	10 people
Status of appointing Outside Director	Appointed
Number of Outside Directors	4 people
Number of Outside Directors designated as independent officers	4 people

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company *										
		a	b	c	d	e	f	g	h	i	j	k
Keiichi Asai	From another company											
Kouichi Ishimizu	From another company								△			
Kazutaka Okubo	CPA								○			
Yukiko Edahiro	Lawyer											

* Categories for “Relationship with the Company”

* “○” when the director presently falls or has recently fallen under the category.

“△” when the director fell under the category in the past

* “●” when a close relative of the director presently falls or has recently fallen under the category.

“▲” when a close relative of the director fell under the category in the past.

- a. Executive of the listed company or its subsidiaries
- b. Non-executive director or executive director of a parent company of the listed company
- c. Executive of a fellow subsidiary company of the listed company
- d. A party whose major client or supplier is the listed company or an executive thereof.
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the listed company besides compensation as a director/Audit & Supervisory Board member.
- g. Major shareholder of the listed company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the listed company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the listed company outside directors/Audit & Supervisory Board member are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the listed company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Audit & Supervisory Committee member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Keiichi Asai		○	---	After joining Mitsubishi Corporation, Mr. Keiichi Asai has worked in various divisions of the oil business, including oil sales, supply and demand, and refining. He has been involved in international business in the energy sector for the most part, with assignments in the United States and India. He was appointed Vice President Director of Lithium Energy Japan Co., Ltd. in 2013 and President & CEO of KH Neochem Co., Ltd. in 2014, and engaged in corporate management in general, and has abundant knowledge and experience. From his wealth of knowledge and experience, the Company has determined that he can be expected to supervise the Company's management and appropriately perform his duties. In addition, there are no attributes that would raise questions about his independence from the Company. Therefore, the Company has judged that there is no risk of conflict of interest with general shareholders and has nominated him as an Independent Outside Director.

Kouichi Ishimizu		○	Mr. Koichi Ishimizu served as a Senior Managing Officer of Shimizu Corporation, a business partner of the Company, until March 2023. However, in light of the details of the transactions, the Company has determined that this does not affect its independence. The ratio of such transactions to the total amount of Group transactions in the most recent fiscal year is less than 2%.	Since joining Shimizu Corporation, Mr. Koichi Ishimizu has consistently been involved in construction sites. He oversaw building construction management, placing orders for construction work, and everything from the start of construction to completion. He also has experience in corporate management, having served as Managing Officer and Senior Managing Officer. The Company has determined that he can be expected to provide supervision and advice to the Group based on his abundant knowledge and experience in the field and management. In addition, there are no attributes that would raise questions about his independence from the Company. Therefore, the Company has judged that there is no risk of conflict of interest with general shareholders and has nominated him as an Independent Outside Director.
Kazutaka Okubo	○	○	Mr. Kazutaka Okubo serves as President & CEO of SS Dnaform, a business partner of the Company. However, in light of the details of the transactions, the Company has determined that this does not affect his independence. There were no such transactions in the most recent fiscal year.	Mr. Kazutaka Okubo has extensive knowledge and experience in a wide range of fields, including corporate compliance and corporate social responsibility, in addition to being familiar with corporate governance and finance from his auditing experience at a large-sized audit firm. The Company has determined that he can be expected to strengthen corporate governance and audit and supervise management toward the sustainable improvement of the Company's corporate value based on its abundant knowledge and experience. In addition, there are no attributes that would raise questions about his independence from the Company. Therefore, the Company has judged that there is no risk of conflict of interest with general shareholders and has nominated him as an Independent Outside Director who is an Audit and Supervisory Committee member.
Yukiko Edahiro	○	○	---	Ms. Yukiko Edahiro has specialized knowledge and extensive experience in corporate legal affairs as an attorney, mainly in the fields of real estate and inheritance-related matters. The Company has determined that she can be expected to utilize her expertise in strengthening the governance of the Group and auditing and supervising the execution of business. We also expect objective and expert advice in promoting the activities of diverse human resources, including women and foreign nationals. In addition, there are no attributes that would raise questions about her independence from the Company. Therefore, the Company has judged that there is no risk of conflict of interest with general shareholders and has nominated her as an Independent Outside Director who is an Audit and Supervisory Committee member.

Audit & Supervisory Committee

Composition of Members and Attributes of Chairperson

	All Committee members	Full-time member	Inside Director	Outside Directors	Chairperson
Audit & Supervisory Committee	3 people	1 person	1 person	2 people	Inside Director
Whether there is a director or an employee who is to assist the duties of the Audit & Supervisory Committee				Present	

Matters related to the independency of the director and employees from the director in which the execution of business is carried out.

If the Audit & Supervisory Committee asks for help from employees, employees will be assigned to help them. The assistant for the Audit & Supervisory Committee must have enough knowledge of accounting or law and will follow the instructions of the Audit & Supervisory Committee.

Coordination Situation of Audit & Supervisory Committee, Accounting Auditor and Internal Audit Divisions

The Internal Audit Office follows the Internal Audit Plan to check business operations, effectiveness, accuracy, and compliance. It regularly reports the audit results to President & CEO, the Audit & Supervisory Committee, and sometimes the Board of Directors. The Internal Audit Office also explains internal controls, evaluates them, and gives advice for business improvement and proper management. The Internal Audit Office, Audit & Supervisory Committee, and Accounting Auditor work closely together. The Audit & Supervisory Committee and Accounting Auditor have a system to understand the internal audit situation quickly and share information to coordinate their audits.

[Voluntary Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee's Name	All Committee members	Full-time members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Nomination and Compensation Committee	4 people	0 people	2 people	2 people	0 people	0 people	Inside Director
Committee Corresponding to Remuneration Committee	Nomination and Compensation Committee	4 people	0 people	2 people	2 people	0 people	0 people	Inside Director

Supplementary Explanation

To make the process of appointing and dismissing directors and setting their pay fairer and clearer, the Company has created a Nomination and Compensation Committee. This committee includes Chairman Representative Director, President & CEO, and two outside directors. It acts as an advisory group for the Board of Directors to ensure fairness and transparency.

The Nomination and Compensation Committee reviews and discusses the standards, procedures, and basic policies for appointing, dismissing, and paying officers. The Board of Directors then makes decisions on these matters, giving great importance to the committee's recommendations.

[Independent Directors]

Number of Independent Directors	4 people
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Matters relating to Independent Directors

All outside directors who meet the qualifications are designated as independent directors.

[Incentives]

Incentive Policies for Directors	Performance-linked remuneration system, stock options, others
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Supplementary Explanation

The Group gives executive officer awards to each director to increase their motivation and morale, linking the Group's business performance with the directors' profits.

Additionally, as part of the review of the officers' remuneration system, a new restricted stock remuneration system was approved at the 23rd Annual General Meeting of Shareholders on June 21, 2022. This new system replaces the old stock option system for directors (excluding outside directors) who are not Audit & Supervisory Committee members. It aims to share the benefits and risks of stock price changes with shareholders and to motivate directors to work towards higher stock prices and greater corporate value.

The total amount of cash remuneration for Restricted Stock will not exceed 36 million yen per year.

The total number of shares with transfer restrictions will not exceed 50,000 shares per year.

For details, please see the news release "Notice Concerning Introduction of Restricted Stock Remuneration System" dated May 13, 2022.

It is available on our website at News Release (https://www.sunftr.co.jp/en/pdf/20220513_7_en.pdf)

Recipients of Stock Options	Inside Directors
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Supplementary Explanation

Directors of the Company (excluding outside directors) are eligible.

As mentioned earlier, with approval at the 23rd Annual General Meeting of Shareholders on June 21, 2022, the Company has introduced a restricted stock remuneration plan to replace the stock option plan.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation (Updated)

The remuneration for Directors of Sun Frontier Fudousan Co., Ltd. in fiscal 2024 (from April 1, 2024 to March 31, 2025) was as follows.

• Six Directors other than Audit & Supervisory Committee members (excluding Outside Directors):

Total amount of remuneration, etc.: 267.4 million yen (including basic remuneration: 165.9 million yen, performance-linked remuneration: 70 million yen, remuneration of restricted stock: 31.5 million yen)

• One Audit & Supervisory Committee member Director (excluding Outside Directors)

Total amount of remuneration: 12 million yen (including basic remuneration: 12 million yen)

• Four Outside Officers

Total amount of remuneration: 28.4 million yen (including basic remuneration: 28.4 million yen)

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods (Updated)

1. The Company has established the following policies for determining the remuneration of Directors who are not Audit & Supervisory Committee members.

- (1) Fixed Remuneration: The amount will be at an appropriate level compared to other companies in the Japanese real estate industry, considering the duties and the Company's situation.
- (2) Performance-Linked Remuneration: This will be based on the achievement of consolidated performance targets, such as ordinary profit (loss), to reflect the improvement in performance.
- (3) Share-Based Compensation: The Company provides compensation related to restricted stock to directors who are not audit and supervisory committee members (excluding external directors) with the aim of sharing the benefits and risks of stock price fluctuations with our shareholders. This compensation also serves to enhance the directors' incentives to improve corporate performance and elevate their management awareness towards prioritizing shareholders.
- (4) Remuneration Ratio: For Directors who are not Audit & Supervisory Committee members (excluding Outside Directors), if the performance-linked remuneration target is 100% achieved, the ratio will be 60% fixed remuneration, 30% performance-linked remuneration, and 10% share-based compensation. Outside Directors will only receive fixed and performance-linked remuneration, but the same target will be used as a reference.
- (5) Delegation of Remuneration Decisions: The amount of fixed and performance-linked remuneration for each individual Director or the calculation methods for these amounts will be decided by the Board of Directors and delegated to Chairman Representative Director. To ensure objectivity and transparency, a Nomination and Compensation Committee, consisting of Chairman-Representative Director, President & CEO, and at least two Outside Directors, will review and deliberate on these matters. President & CEO will make decisions with maximum respect for the committee's deliberations.
- (6) Status of the Decision Policy for the Fiscal Year Under Review: The performance target for the fiscal year was 20,000 million yen in consolidated ordinary profit, with actual performance being 20,446 million yen. The Board of Directors, involving the Nomination and Compensation Committee, entrusted President & CEO to evaluate each Director's business. The Board received a report from the Nomination and Compensation Committee and confirmed that the individual

compensation decisions for Directors, including procedures and content, were consistent with the policy.

2. Matters concerning the remuneration of directors concerning the resolution of the General Meeting of Shareholders

Regarding the total amount of remuneration for directors who are not Audit & Supervisory Committee members, the following limits were approved at the 23rd Annual General Meeting of Shareholders held on June 21, 2022.

- (1) Remuneration Limit: Up to 360 million yen per year (including up to 36 million yen per year for outside directors).
- (2) Stock Remuneration: As a separate framework from the above, the Company has approval to provide stock remuneration as follows.
 - ✓ The total amount of cash remuneration for Restricted Shares shall not exceed 36 million yen per year.
 - ✓ The maximum number of Restricted Shares allotted each fiscal year shall be 50,000 shares.
 - ✓ At the end of the Annual General Meeting of Shareholders, the number of directors who are not Audit & Supervisory Committee members was 7, including 5 directors excluding outside directors.

At the 23rd Annual General Meeting of Shareholders held on June 21, 2022, it was approved that the total amount of remuneration for directors who are Audit & Supervisory Committee members should not exceed 36 million yen per year. At the end of this Annual General Meeting of Shareholders, the number of directors who are Audit & Supervisory Committee members was 3.

3. Matters concerning the determination of remuneration for each individual director who is not an Audit & Supervisory Committee member

Regarding the amount of remuneration for the Company's directors or the method of calculation, the Company has established a voluntary Nomination and Compensation Committee. This committee consists of two or more members from Chairman Representative Director, President & CEO, and Outside Directors to ensure the objectivity and transparency of the procedure. President & CEO has the authority to draft the calculation method and basic policy for directors' remuneration. The Nomination and Compensation Committee discusses this draft, including the composition of remuneration, its ratio, and the calculation method for setting indicators. The Board of Directors has the authority to decide on policies related to the determination of directors' remuneration or the calculation method. However, the Board of Directors will make these decisions with maximum consideration of the deliberations by the Nomination and Compensation Committee.

[Supporting System for Outside Directors]

Although we do not have full-time employees related to Outside Directors, the Corporate Planning Department provides support as necessary.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) (Updated)

We are a company with an Audit & Supervisory Committee. Our Board of Directors consists of 10 directors (including 4 outside directors) and an Audit & Supervisory Committee with 3 directors (including 2 outside directors).

For the appointment/dismissal of directors and their remuneration, the Company has established the Nomination and Compensation Committee. This committee includes Chairman Representative Director, President & CEO, and two independent outside directors. This ensures the objectivity and transparency of these procedures by consulting within the committee.

Regarding accounting audits, the Company has an audit agreement with BDO Sanyu. Accounting audits are conducted throughout the fiscal year, not just at year-end. The Company has a system to handle accounting issues appropriately and has enhanced audit effectiveness through close cooperation with the Audit & Supervisory Committee members and the Internal Audit Office. The current auditing organization is as follows.

- BDO Sanyu
Hitoshi Torii, Designated Partner and Engagement Partner
Tomoharu Takahashi, Designated Partner and Engagement Partner
- Assistant for Accounting Audit Services
7 CPAs and 3 other members

3. Reasons for Adoption of Current Corporate Governance System

To further enhance its corporate governance and increase its corporate value, the Company shifted to a corporate governance system with an Audit & Supervisory Committee in June 2022. By inviting more than one outside director and establishing a voluntary Nomination and Compensation Committee, we aim to strengthen the Board of Directors' supervisory functions and achieve fair and transparent management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary explanations
Early Notification of General Shareholder Meeting	In order for shareholders to fully consider and deepen their understanding of the proposals, we have sent them by three weeks prior to the annual general meeting of shareholders.
Exercise of Voting Rights by Electromagnetic Means	You can exercise your voting rights via the Internet.
Participation in the Electronic Voting Platform and other initiatives to improve the environment for institutional investors to exercise their voting rights	The Company participates in the Electronic Voting Platform.
Providing Convocation Notice in English (short form)	We have translated and prepared an English version.
Other	The Notice of the General Meeting of Shareholders (including English translation) is posted on the Company's website.

2. IR Activities

	Supplementary Explanations	Direct explanation from the Representative Director
Regular Investor Briefings for Individual Investors	The Company holds briefings for individual investors at least once a year to increase the number of shareholders who can support the Company over the long term.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	At least once every quarter, we hold company briefings for analysts and institutional investors.	Yes
Posting of IR Materials on Website	The IR materials used in the above-mentioned company briefing sessions are posted on the Company's website, and the scenes of the briefing sessions on the day can be viewed in an on-demand format.	
Establishment of Department and/or Manager in Charge of IR	The Company's IR Division is as follows. <ul style="list-style-type: none"> • Division in charge: Corporate Planning Division • Tel: 03-5521-1551 	

3. Measures to Ensure Due Respect for Stakeholders (Updated)

	Supplementary explanations
Provision to Respect Stakeholders' Perspectives under Internal Rules and Policies	<p>The Company has established its Policy and Approach to Stakeholder Engagement.</p> <p><Policy and Approach to Stakeholder Engagement> The Sun Frontier Group values dialogue and strong relationships with all stakeholders involved with our business, including employees and their families, customers, business partners, shareholders, investors, and local communities. We strive to evolve into a corporate group that continues to address social issues together with our stakeholders and take on the challenge of creating future value.</p> <p>For examples of our major activities and engagement practices with stakeholders, please refer to our Stakeholder Engagement page on the Sustainability section of our corporate website: https://www.sunfirt.co.jp/sustainability/en/social/stakeholder_engagement/</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>In line with our Management Philosophy and Corporate Mission, we have established the Sustainability Committee as an advisory body to the President and Representative Director. The Committee is tasked with further promoting our initiatives to solve social issues, contribute to the realization of a sustainable society, and enhance our corporate value over the medium to long term. We have formulated our Sustainability Vision as well as specific initiatives and KPIs aligned with each material issue (materiality) to drive sustainability-oriented management.</p> <p><Sustainability Vision> We cherish the spirit of altruism—our corporate credo—and are committed to contributing to the realization of a sustainable society through our business activities.</p> <p><Material Issues (Materiality)> Environmental Protection / Regional Revitalization / Human Resource Development For more information on our sustainability initiatives, please refer to our Sustainability site and Sustainability Report https://www.sunfirt.co.jp/sustainability/disc/sustainability_report_2024_en.pdf?view20250529</p>

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

In accordance with the Ordinance for Enforcement of the Companies Act of Japan and the Companies Act of Japan, the Company has adopted the "Internal Control System Basic Policy" in the Board of Directors as described below and is operating its system.

(1) Systems to Ensure That Directors and Employees Execute Their Duties in Compliance with Laws and Regulations and the Articles of Incorporation.

The Company recognizes its corporate social responsibility to ensure that all directors and employees act with fairness and high ethical standards, always complying with laws, regulations, and the Articles of Incorporation. The Company is working to strengthen its internal management system, raise compliance awareness, and establish a management system that will continue to be trusted by society. To be more specific, we have established the Internal Audit Office, which is under the direct control of President & CEO, to conduct regular internal audits of all departments and group companies. The internal audit checks the status and structure of business operations and verifies whether they are conducted properly according to laws, regulations, the Articles of Incorporation, and internal rules. The results are reported regularly to President & CEO and the Audit & Supervisory Committee, and as needed to the Board of Directors. Additionally, the Company has established a "Corporate Ethics Help Line" for the prevention and early detection of misconduct, control of reputational risk, and assurance of social trust. A thorough whistle-blowing system is in place to protect whistle-blowers. Furthermore, to improve compliance awareness, the Legal Affairs Department conducts various training and education programs. The Company and its group companies have no involvement with anti-social forces and respond firmly to any unreasonable demands.

(2) Systems for the Preservation and Management of Information Concerning the Execution of Duties by Directors

The Company properly records information concerning the execution of duties by directors, such as records concerning the decision-making at important meetings, including the Board of Directors meetings, and documents approved by each director based on the "Regulations on Authority of Duties." The Company also retains such information for a specified period of time based on laws and regulations and the "Document Handling Regulations," etc., and maintains a condition in which directors can inspect it as necessary. In addition, the General Manager of the Management Division is responsible for supervising the preservation and management of information.

(3) Regulations on Risk Management and Other Systems for Risk Management

To address all risks that could threaten the improvement of corporate value and sustainable development, the Company will prepare a risk management manual and other relevant documents. In the event of an unexpected situation, a response headquarters, led by President & CEO and including a team of outside experts such as corporate lawyers, will be established.

(4) Systems to Ensure Efficient Execution of Duties by Directors

The Board of Directors formulates medium-term management policies and single-year management plans as indicators to establish and implement the corporate vision for the Company as a whole. To realize these management policies and plans, the Board of Directors clarifies the executive authority of directors and their duties, thereby enhancing the efficiency of their work.

In addition, for matters where business execution decisions are delegated to President & CEO and other directors in charge, the Company makes necessary decisions based on the "Organization Rules" or the "Management Rules for Affiliated Companies," including group companies.

The Company will revise these rules as needed, considering changes in laws and regulations and aiming to improve the efficiency of duty execution.

(5) Systems to Ensure the Appropriateness of Business Operations in our Company as well as Corporate Group Consisting of Group Companies

To ensure the appropriate execution of business operations by group companies, The Corporate Planning Department manages group companies according to the “Regulations for Management of Affiliated Companies.” While respecting the autonomy of group companies, The Corporate Planning Department receives periodic reports on business operations, including the execution of directors' duties, and requires prior consultation or approval for important management matters.

The management plans of group companies are formulated under the Company's management, which provides timely and appropriate advice and guidance during the business period to improve operational efficiency. Additionally, the Company and group companies have established a Risk Management Committee, chaired by the President & CEO, with a designated risk management person in each department. Any management or business risks are reported to the Risk Management Committee, where risk information is analyzed, and countermeasures are considered to prevent or minimize damage.

The Company has a system where violations of laws or illegal acts at group companies are reported to internal reporting offices or outside directors who are Audit & Supervisory Committee members, as stipulated in the “Corporate Ethics Helpline Regulations.” This system aims to detect and resolve violations early.

The Internal Audit Office conducts internal audits of all group companies to ensure the effectiveness and appropriateness of systems, organizations, and rules, reporting the results to the Company's President & CEO and designated organizations such as the Audit & Supervisory Committee.

The Company's President & CEO prepares and reports financial statements according to fair and appropriate accounting standards to enhance the reliability of financial reporting and increase corporate value.

(6) Matters concerning Employees who assist the Audit & Supervisory Committee in their Duties

If the Audit & Supervisory Committee requests an employee to assist them in their duties, the Company appoints employees as assistants to the Audit & Supervisory Committee. These assistants are chosen from those who have sufficient knowledge of accounting or law and perform their duties according to the instructions of the Audit & Supervisory Committee.

(7) Independence of Employees from Directors

To ensure the independence of the Audit & Supervisory Committee's assistant as mentioned in the previous paragraph, the Company will report any personnel changes or assignments of the assistant to the Audit & Supervisory Committee in advance and obtain their consent.

(8) Matters concerning Assurance of Effectiveness of Instructions to the Employee who is designated to be the Audit & Supervisory Committee's assistant in (6)

The Audit & Supervisory Committee's assistants mentioned in (6) are ensured the opportunity to attend important Board of Directors meetings and other relevant meetings. They also accompany the Audit & Supervisory Committee to regularly exchange opinions with President & CEO and the Accounting Auditor. Directors and employees cooperate with the Audit & Supervisory Committee to create a smooth audit environment for the assistants.

(9) System for Reporting to the Company's Audit & Supervisory Committee by Directors and Employees of the Company and Group Companies and System for Reporting to other Audit & Supervisory Committees

All directors (excluding directors who are Audit & Supervisory Committee members) and General Managers of Departments of the Company shall report on the status of their duties in meetings attended by the Board of Directors and Audit & Supervisory Committee members. They are also allowed to attend any meetings within the Company if requested by the Audit & Supervisory Committee.

Directors (excluding directors who are Audit & Supervisory Committee members) and employees of the Company, as well as directors, auditors, and employees of group companies (referred to as “directors and employees of the Company and its group companies”), must immediately report to the Audit & Supervisory Committee if they discover any matter that may have a material impact on the Company's credit or business performance, or any significant violation of the Corporate Vision, Corporate Behavior Rules, etc.

Directors and employees of the Company and its group companies may report to the Internal Reporting Office as set forth in the “Corporate Ethics Help Line” at any time. They can also report voluntarily to the Company's Audit & Supervisory Committee members.

The Compliance Division of the Company encourages directors and employees to familiarize themselves with the reporting contacts and actively report through educational and training opportunities. The “Rules Concerning the Corporate Ethics Help Line” clearly state that directors and employees of the Company and its group companies will not face disadvantageous treatment in personnel evaluations or adverse actions such as disciplinary measures for using the Whistleblower Hotline. The Company also makes it known that no adverse actions will be taken against those who report to the Audit & Supervisory Committee.

(10) Matters concerning the Policy for the Disposition of Expenses or Liabilities Incurred in the Execution of Duties by Audit & Supervisory Committee members (limited to those related to the execution of Audit & Supervisory Committee duties)

When Audit & Supervisory Committee members request advance payment for expenses incurred in their duties, reimbursement of expenses paid, or payment of liabilities incurred, the Company promptly responds, unless it can be proven that these expenses did not arise from the execution of their duties or Audit & Supervisory Committee activities.

(11) Others, System to Ensure Effective Audits by the Audit & Supervisory Committee

President & CEO holds regular meetings with Audit & Supervisory Committee members for mutual communication.

In addition, according to the “Regulations for Internal Audit” and the “Internal Audit Implementation Guidelines,” the Internal Audit Office will closely communicate and coordinate with the Audit & Supervisory Committee and the outside auditors to ensure efficient and effective audits.

2. Basic Views on Eliminating Anti-Social Forces

(1) Establishment of Response Control Department and Person in Charge of Prevention of Unreasonable Demands

The Company has established a Person in Charge of Control and a Person in Charge of Response to handle anti-social forces. This system allows the Company to respond in an organized manner by contacting and consulting with the General Manager and the Response Manager, rather than taking personal action in the event of an unjust act or request.

(2) Cooperation with External Specialized Agencies

The Company has set up a system against anti-social forces in cooperation with local police stations and external experts like corporate lawyers. The Company is also a member of the Special Violence

Prevention Association under the Metropolitan Police Department (Tokubouren) and actively participates in activities to eliminate organized crime groups.

(3) Status of Aggregation and Management of Information on Anti-Social Forces

The Compliance Division gathers and manages information on anti-social forces to prevent damage by assessing the attributes of business partners.

(4) Preparation of Response Manuals

The Company has created the Anti-Social Forces Response Manual, which sets standards of conduct regarding anti-social forces. All officers and employees of the group can view the manual on the Company's LAN.

(5) Status of Implementation of Training Activities

In training by the Compliance Department, the Company ensures that officers and employees are thoroughly educated and informed.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

2. Other Matters Concerning the Corporate Governance System

Overview of Timely Disclosure System

The status of the Company's internal system for timely disclosure of corporate information is as follows.

1. Basic Stance on Timely Disclosure

From the perspective of corporate social responsibility and long-term enhancement of corporate value, the Company is committed to fulfilling its responsibilities to all stakeholders, including shareholders and investors.

We will disclose information in a timely, accurate, and fair manner. In addition to promptly disclosing information that falls under the "Securities Listing Regulations," as required by the Companies Act of Japan, the Financial Instruments and Exchange Act, various laws and regulations, and stock exchange rules, we will also actively disclose socially useful information about the Group.

2. Status of Internal System for Timely Disclosure

The Company has a system in place to centrally manage important corporate information, including information related to subsidiaries, under The Corporate Planning Department, which is responsible for timely disclosure of information.

The Corporate Planning Department determines whether the information qualifies as timely disclosure information according to TSE's Securities Listing Regulations. With approval from President & CEO (or, in their absence, other officers and employees designated as responsible for handling the Company's information), they decide on the content, timing, and method of disclosure. Based on this decision, the Representative Director or a delegate carries out the information disclosure, managed by The Corporate Planning Department. Information is made public by registering with TDnet and, if necessary, through press conferences and posting materials. All information registered in TDnet is also posted on the Company's website.

Additionally, the Company discloses information according to various laws, regulations, and internal rules such as the rules for preventing insider trading.

The system for collecting important corporate information for The Corporate Planning Department includes being aware of all proposals and reports to be presented to the Board of Directors and the Executive Officer Committee.

(1) Decision made

At the Company, important matters requiring decisions are made by the Board of Directors. Therefore, The Corporate Planning Department is fully aware of these decisions.

(2) Occurrence of Material Facts

When officers and employees of the Company learn that a material fact has occurred or is likely to occur, they must promptly notify The Corporate Planning Department of the details

(3) Financial Results

The accounting department prepares the financial statements and receives audits by the Accounting Auditor. Financial results, including the analysis of major items, are submitted to the Board of Directors. Audits by the Accounting Auditor are conducted throughout the fiscal year to reduce the impact at the end of the year. As a result, the Company strives to disclose information accurately and promptly.

(4) Information on subsidiaries

Officers and employees of the Company in charge of subsidiaries, as well as officers and employees of subsidiaries, are required to contact The Corporate Planning Department when they learn that a material fact has occurred or may have occurred at the subsidiary.

<System Image of the Company's Corporate Governance>

