

# Sustainability Report 2024

Sun Frontier Sustainability Report

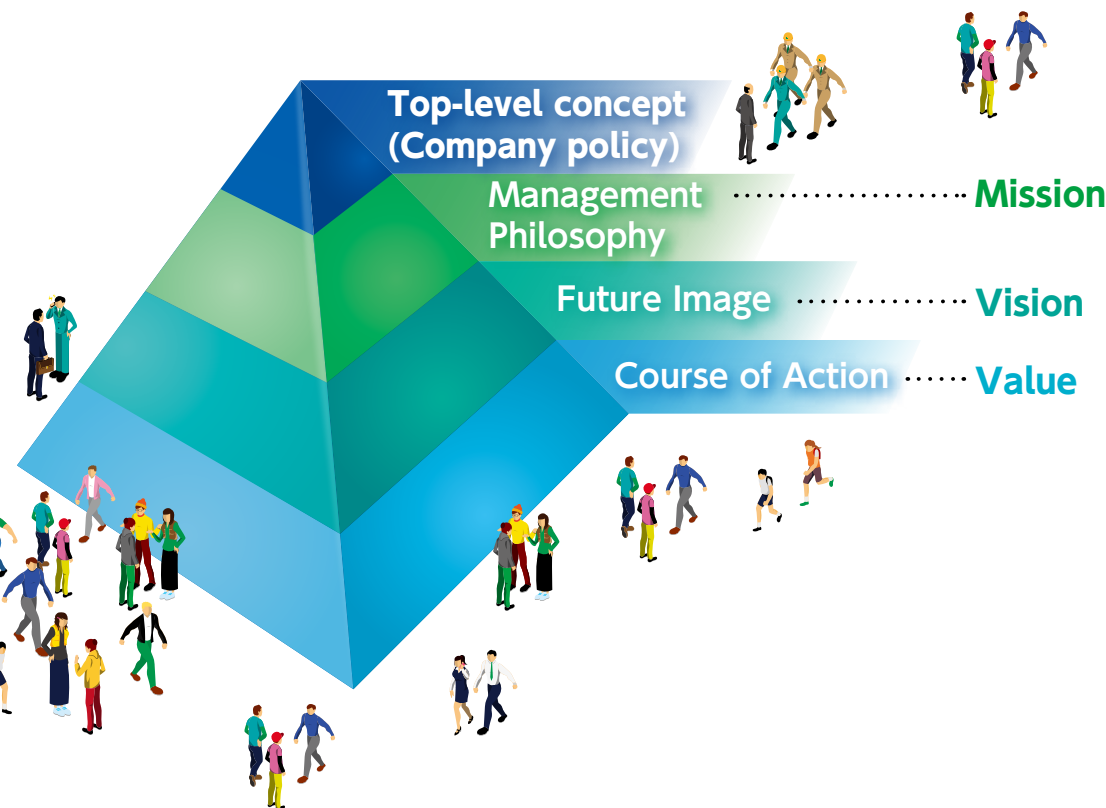


# Sun Frontier Philosophy

Top-level concept (Company policy)(Credo)

## “COMPASSION”

We believe in helping others, as many as we can, throughout our lives.



Our mission is to look after every employee and pursue the happiness of both mind and matter. At the same time, to cocreate a rich and sustainable society by contributing to the evolution and the development of the human society.

Our vision is to become the most appreciated visionary company that fully utilizes limited resources and continues the challenges to create new values.

1. Work For Your colleagues
2. Do The Right Thing
3. Absolute Proactiveness
4. Do it immediately, do it definitely, do it until success
5. Stay Humble, Thankful, And Respectful
6. Always Work Creatively
7. Be GENBA-Centric
8. Be Open-Minded Cheerful and Wonderful

[For more information, please visit our website▶](#)

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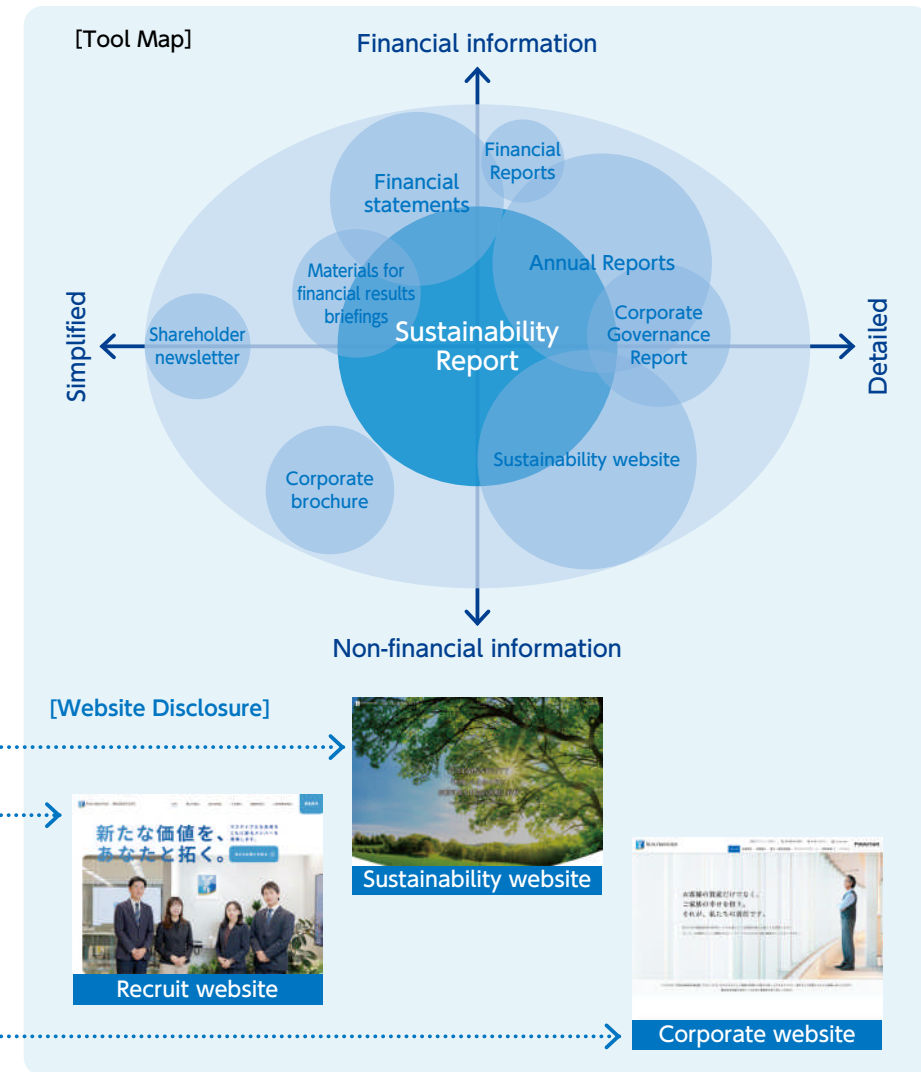
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[Period Covered] Fiscal 2023 (April 2023 to March 2024). Note that the report includes some information that is outside the period covered.

[Reference Guidelines] Integrated Reporting Framework (International Integrated Reporting Council: IIRC) / Guidance for Collaborative Value Creation (Ministry of Economy, Trade and Industry) / Global Reporting Initiative GRI Global Standards for Sustainability Reporting / ISO 26000 / Environmental Reporting Guidelines (Ministry of the Environment) / Task Force on Climate-related Financial Disclosures (TCFD)

# Continuing to Challenge New Value Creation History of the Sun Frontier Group

We are growing by changing, challenging and creating new values with the Sun Frontier spirit.

## Overseas Business

2015 Established SUN FRONTIER VIETNAM CO., LTD. in Vietnam

2017 Established Sun Frontier Sado Co., Ltd. and started to work on Regional Revitalization Business

## Hotel and Tourism Business

2015 Established Sun Frontier Hotel Management Inc. and started Hotel Operation Business

Establishment

## Central Tokyo Office Building Business

1999 Started Sales Brokerage and Leasing Brokerage Businesses of commercial real estate

2009 10th Founding Anniversary

2019  
20th Founding Anniversary

2024  
25th Founding Anniversary

## Real Estate Revitalization Business

2001 Started Replanning (Real Estate Revitalization and Utilization) Business

2013 Began providing setup offices

2018 Started providing small-lot real estate products

2005 Established SF Building Support Inc. and started the Rent Guarantee Business

2012 Started Building Maintenance Business

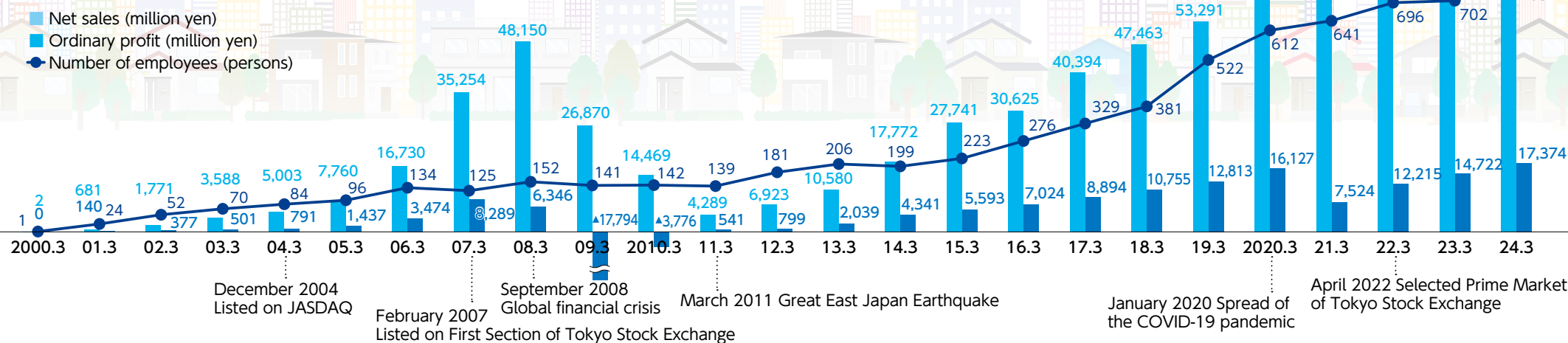
2015 Started Rental Space Business in front of Tokyo Station

2019 Spun off Conference Room Rental Business and established Sun Frontier Space Management Co., Ltd.

## Real Estate Service Business

2000 Started Property Management Business

## [Business Performance Trends and Major Events Impacting Our Business Environment]





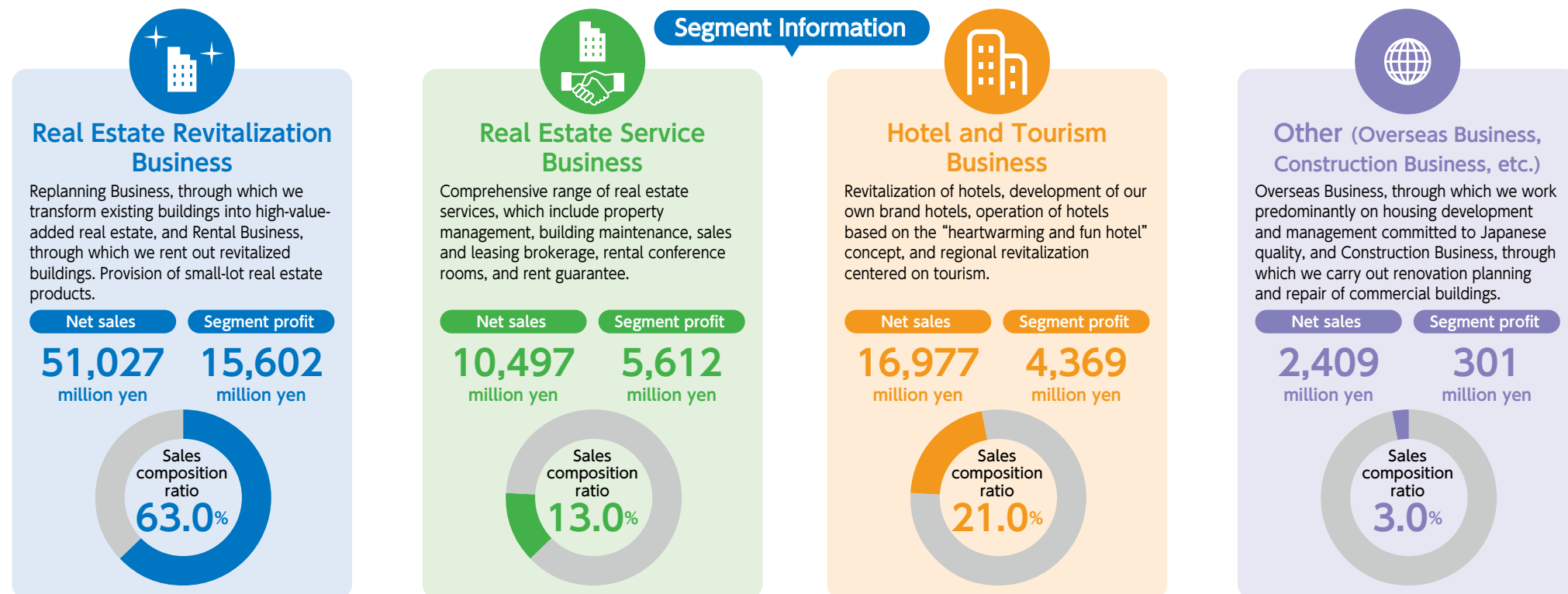
# The Sun Frontier of Today

With a focus on the revitalization of office buildings in central Tokyo, we provide a diverse range of one stop services related to real estate, including sales and leasing brokerage, management, maintenance, rent guarantee, and the operation of rental conference rooms. Moreover, using our know-how in real estate utilization, we are also engaged in the Hotel and Tourism Business, Overseas Business, and Construction Business.

## Business Performance Summary



## Segment Information



(Results for FY2024/3)

Based on our philosophy, we work to solve issues from the viewpoint of customers, providing chain compounded and high-value-added products and services.

With the value of altruism which is our corporate motto, while setting Office Building Business at the core, an area in which we can have the most impact, we are boldly engaged in the Hotel and Tourism Business, Overseas Business, and Construction Business.

Never satisfied with the current situation, we actively promote change, constantly evolving and developing our businesses to create a business that can contribute to greater happiness and prosperity among our customers' lives and society.

Moreover, by aligning the values of all employees and making every effort to solve our customers' issues, our strengths lie in the creation of chain compounded and high-value-added products and services.

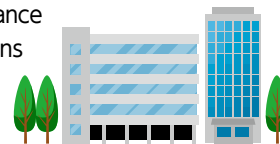
## Office Building Business

### Real Estate Revitalization Business

- Replanning
- Rental buildings
- Real estate securitization

### Real Estate Service Business

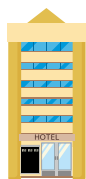
- Sales brokerage and leasing brokerage
- Property management and building maintenance
- Construction planning and interior renovations
- Assets consulting
- Rent guarantee
- Rental conference rooms and rental offices



We purchase small and medium sized office buildings in central Tokyo those which have declined in profitability because they tend to have vacancies, or those which are aging. We then undertake repairs that transform the buildings into high-value-added real estate, selling the buildings to investors and wealthy individuals after recruiting tenant companies. This is our core business. Using the knowledge and know-how we have accumulated over many years, we conduct renovations of exteriors, interiors, equipment, and various other details to pursue the creation of comfortable spaces. In doing so, we revitalize them into highly profitable buildings.

## Hotel and Tourism Business

- Hotel ownership and operation
- Hotel development, revitalization, and sales
- Regional revitalization and tourism business



By building hotels on land purchased from landowners, or renovating hotels purchased from owners, we are promoting the effective use of real estate that will lead to regional revitalization. In both cases, we take charge of hotel operation. Moreover, we propose an approach that we build hotels on owner's land and form long-term building lease agreements to delegate operation of the hotel without selling the asset (hotel) and acquire stable rental income. In hotel operations, with a thorough focus on the viewpoint of customers, we make small improvements on a daily basis to provide services that constantly exceeds customers' expectations.

## Overseas Development Business Construction Business

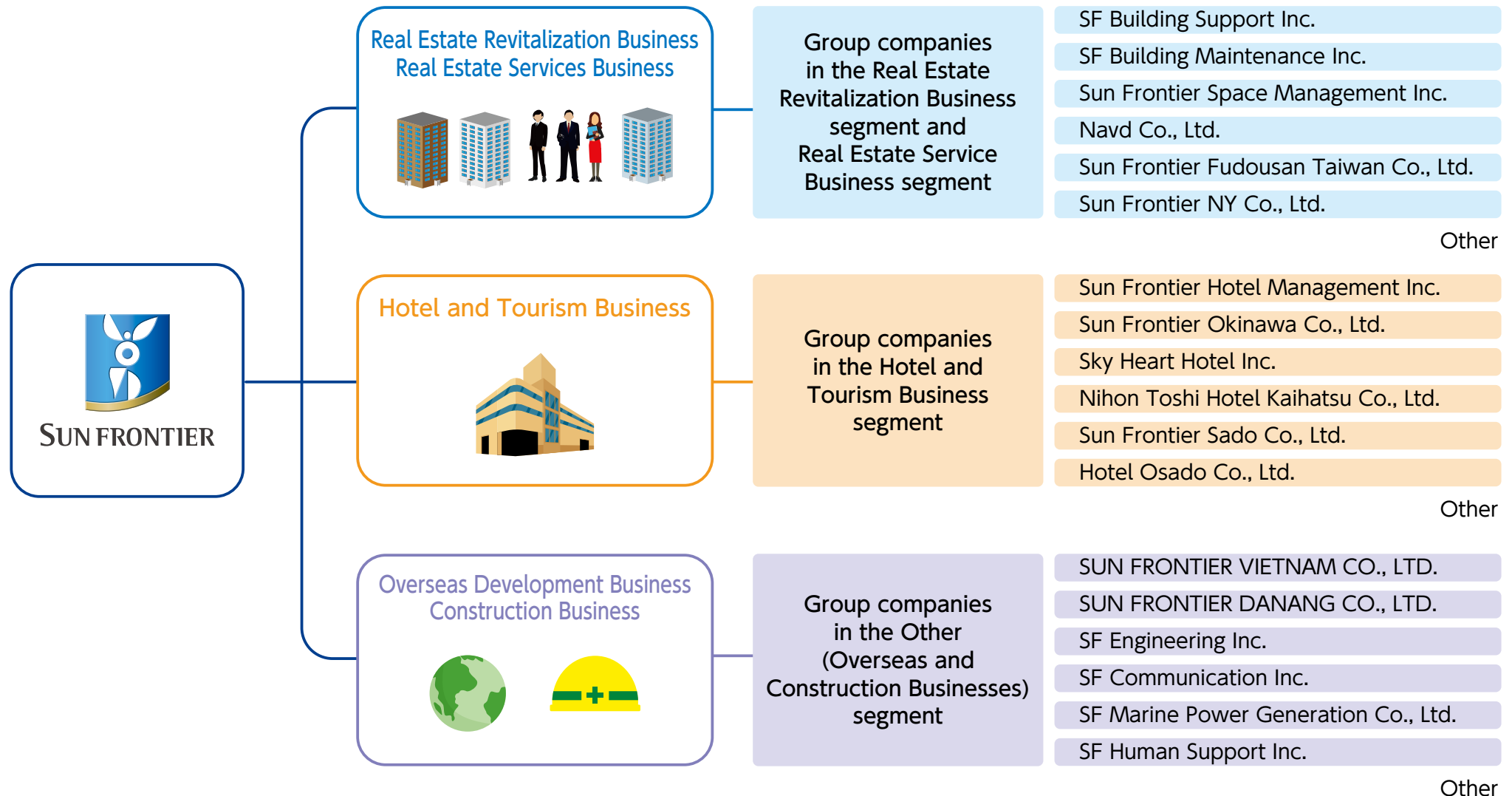
- Condominium development, management, and brokerage in Vietnam
- Renovation Planning and Construction Projects for Commercial Buildings



To contribute to the further development of Vietnamese society, we are promoting a business that supplies high-quality Japanese-standard housing to the local people who are becoming more affluent with economic growth. In 2015, we established a local subsidiary in Da Nang, central Vietnam, which was selected as the host city for APEC 2017, and we are promoting overseas business. In the construction business, we leverage our track record and know-how in real estate revitalization to focus on renovation planning for building spaces, exteriors, and entrances, as well as interior construction for offices and residences, and office communication network construction.

# Composition of the Sun Frontier Group

The Sun Frontier Group comprises a total of 28 companies: 16 in Japan and 12 overseas.



(Results for FY2024/3)

# At a Glance

FY2023 Result

The number of entrusted buildings in Property Management Business

**493** buildings

We are working to increase the number of entrusted buildings through a strategy focused on central Tokyo. We aim to increase the number of entrusted buildings to 500 in the fiscal year 2024.



Ratio of female managers

**10.3%**

As of April 2024, of the 97 managers (section managers and above), 10 are women. Our aim is to increase this percentage to 12% or more by April 2025.

The number of investors in small-lot real estate products

**470** persons

Our products that help to solve regional issues such as licensed nursery schools, medical and educational malls, and other real estate properties, have garnered wide support from our customers, and the number of investors is increasing year on year.

Cumulative total CO<sub>2</sub> emissions offset

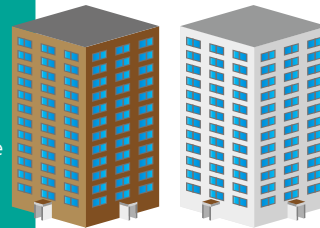
**307** t-CO<sub>2</sub>e

Using biomass-derived J-Credits, we have offset 100% of CO<sub>2</sub> generated from the real estate revitalization construction.

The number of real estate revitalizations

**483** buildings

Based on our corporate philosophy of reducing the waste of resources, we have revitalized 460 buildings through the Real Estate Revitalization Business since its launch in 2001.



Rental conference room operating area

**6,500** tsubo

With the opening of new rooms and the expansion of our existing rooms, the total area of the Conference Room Rental Business we operate has increased by approximately 30% compared to the previous year. (Sun Frontier Space Management)

CO<sub>2</sub> emissions (Scope 1, 2, and 3)

**148,421.7** t-CO<sub>2</sub>e

The total emissions of Scope 1, 2, and 3 within Sun Frontier Fudousan were approximately 150,000 t-CO<sub>2</sub>e on non-consolidated basis.



The number of rent guarantee contracts (cumulative)

**3,856** cases

With an increase in customer issues relating to vacancies and tenant withdrawals, the number of properties entrusted to the Group is increasing. (SF Building Support)

Equity ratio

**48.0%**

While appropriately maintaining our financial stability, we are aiming for management with high capital efficiency. We have therefore prioritized three management indicators: ROE, ordinary profit margin, and equity ratio.

The number of hotel rooms operated

**3,109** rooms



We operate "heartwarming and fun hotels": 29 hotels comprising 3,109 rooms nationwide. (Sun Frontier Hotel Management, Sun Frontier Sado, Sky Heart Hotel, Nihon Toshi Hotel Kaihatsu Co., Ltd.)

Total number of setup offices supplied and managed

**876** rooms

(The number of rooms under continuous management)

Setup offices reduce both burden and expenses for tenant companies. We boast the highest share of the market within the 23 wards of Tokyo.



# Value Creation

The Sun Frontier Group is centered on creating new added value for customers and society, and we continue to challenge the creation of future value by responding to various needs and problems with “customer-oriented manufacturing” and “heartwarming and fun services” that exceed expectations.

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# Top Message

Marking a quarter of a century of history, the 25th anniversary of the Company's founding, we will elevate our growth phase toward new goals

Seiichi Saito President & CEO

## Q Please give us your thoughts on the 25th anniversary of the Company's foundation.

In April 2024, we were able to celebrate the 25th anniversary of our founding. This is the fruit of the support of all stakeholders, and I would like to express my deep appreciation and gratitude once again. Looking back, we have experienced several crises such as the financial crisis and the pandemic of COVID-19, but I think that the collective efforts of all employees in these difficult times have contributed to today's growth.

The Company's growth continues to be supported by the twin pillars of its Philosophy and Amoeba Management. With our Company Policy as our top-level concept, we believe in implementing consistent management based on the philosophy of our Company Philosophy (Mission), Future Image (Vision), and Course of Action (Value). We share these values with all our employees, and working with these values as our standard of judgment leads to "serving clients," and as a result, "the number of clients' smiles and the extent of their joy" are our "sales." The extent of clients' satisfaction and excitement through the creation of new value is linked to our profit.

Although this year marks the 25th anniversary of the Company, translated to a person's life, we are still in the young adult stage. With that youthful spirit in mind, I would like to use the quarter-century as a turning point and look ahead to the next 50 or 100 years to drive our business forward.

## Q Please tell us about the current status of medium-term management plan operations (from the fiscal year ended March 31, 2019 to the fiscal year ending March 31, 2025).

In the previous fiscal year (ended March 31, 2024), the penultimate year of the Current Plan, with the end of the COVID-19 pandemic the return to offices and the recovery of the flow of people progressed further. In addition, signs of a virtuous cycle of price and wage increases have begun to appear, indicating that inflation expectations for the Japanese economy have improved, and that social and economic activities have either fully recovered or are moving toward a higher level. Anticipating such an environment from an early stage, we positioned the previous fiscal year as the year when "the era



# Top Message

of overcoming COVID-19 will shift to overcoming deflation” and have continued to step on the accelerator of our management. As a result, we were able to steadily secure year-on-year increases in sales and profit in the Real Estate Revitalization Business, our core business, while achieving significant growth in the Hotel Operation Business and the Rental Conference Room Business. As a result of these efforts, we were able to achieve record results in each profit for the previous fiscal year and end the year with the achievement of the Current Plan’s targets in sight.

## Q. What do you think about the purchasing situation, which can be said to be the core of operations?

In the office rental market throughout the pandemic of COVID-19, the price of office buildings was on an upward trend due to the progress of the large-scale monetary easing, while rents were falling due to the rise in vacancy rates. The situation was distorted, so from 2020 to 2022 in the pandemic of COVID-19, we tried to select purchases carefully. At the end of 2022, when the office rental market began to show signs of bottoming out, we accelerated purchases again, and as a result, the amount of purchases in the previous fiscal year reached a record high. We believe that our front-line employees, who have the same decision-making skills as the members of the Investment Committee, have increased their ability to select properties and have been able to engage in appropriate negotiations on the front line and this has also contributed to the speed-up of purchasing and the record-high purchase amount.

In the previous fiscal year, it was extremely important not only to steadily implement our business model, such as strengthening the Real Estate Service division and integrating manufacturing and services, but also to see how far we could move forward with purchasing buildings that can be sold. At the same time, it was a critical juncture in whether we could achieve our targets for the fiscal year ending March, 31 2025 (the current fiscal year), the final year of the Current Plan. In this sense, we were able to build a solid foundation for achieving our goals in the previous fiscal year. In the future, we intend to make purchased properties into products with a high level of added value and make further efforts to achieve our goals.

## Q. You announced a long-term vision and the next medium-term management plan before the end of the Current Plan. Please explain your aims and the main content of each.

In the Group, we were able to pave the way to a certain extent for the achievement of the Current Plan targets, but I felt that this was precisely the time that we needed to

### Three Core Management Values at Sun Frontier Fudousan Group



Since our foundation, our company has always believed in our corporate motto “altruism.” In the first place, work for your fellows closest to you, and then when working for our customers, we will try to come together to make the contribution 10 times more powerful. We will help realize a richer society by offering compounded and greater happiness to our customers.

We promote full participation management in which everyone works with a sense of being the management by enhancing the profit awareness of each member of staff, by constructing and spreading the small-group profitability system (Amoeba Management).

We always think from the viewpoint of our customers in order to change ourselves, challenge, create, and move forward. Under our motto “business is about benefiting others,” we will create a chain compounded and high added value on the basis of cooperation among all divisions.

\* Amoeba management is the registered trademark of KYOCERA Corporation.

create a long-term, shared vision that would continue uninterrupted. We also judged that the prompt clarification of strategies and measures based on consistent objectives would lead to enhanced dialogue with capital markets. Based on this way of thinking, at the time of the announcement of our financial results for the fiscal year ended March 31, 2024, we announced the Long-Term Vision 2035 and the next medium-term management plan (from the fiscal year ending March 31, 2026 to the fiscal year ending March 31, 2028), which was backcast.

The Long-Term Vision 2035 “Using Limited Resources to Fill the World with Smiles and Excitement! Becoming a Corporate Group that Continuously Strives to Create Future Value” was formulated as the ideal image of the Company 10 years later, after numerous discussions centered on Directors, including Outside Officers, Executive Officers, and executives in charge of each division. “Making the most of our limited resources” refers to our philosophy as represented by the revitalization of existing office buildings, which is our core business. “World” refers to our vision of global development over the next 10 years. As I mentioned at the beginning of my message, we want to be of service to as many clients as possible, and we have incorporated this idea into “Fill with smiles and excitement!” and “Create future value.” In addition, for the fiscal year ending March 31, 2035, we established the quantitative target of 300 billion yen in net sales and 60 billion yen in ordinary profit so that we can pursue this vision as a concrete goal rather than as a mere phrase. Considering the current scale of the Group, it may be a challenging goal. However, it is only when we have high

# Top Message

goals that we can overcome them to achieve employee growth, and from that, the circle of the Company Policy “altruism” will expand, and better cooperative relationships will be born between employees, divisions, and with all stakeholders.

In terms of business, real estate is a truly diverse market, and there are many areas that we have yet to address. As for the office building market, the small and medium-sized office buildings of central Tokyo have been the focus until now. However, we can expect further growth in the Office Building Business as the market expands by gradually changing the angle and perspective of our approach. We also have a long-term vision to expand our business in the Hotel and Tourism Business, where inbound demand is expected to grow, and to develop new businesses.

## Q . Next, please tell us the main points of the next medium-term management plan.

In the next medium-term management plan, the basic policy is to “promote diversification of core business cooperation through manufacturing and heart-warming services from clients’ point of view and address social issues.” By the fiscal year ending March 31, 2028, the final year of the plan, we aim to achieve targets of 135 billion yen in net sales, 27 billion yen in ordinary profit, 20% in ordinary profit margin, ROE of 10% or higher, and 45% in equity ratio.

In order to achieve our long-term vision for 2035, we first considered what we should do during the first three years, and this was reflected in our basic policy.

For “manufacturing and heart-warming services from clients’ point of view,” it would be easier to use the Hotel Operation Business as an example. Of course, when you buy a hotel, you must improve the hardware, but to create “value,” it is essential to plan from “clients’ point of view.” In terms of management, “heart-warming services and operations by the staff” are important, and this leads to repeat visits and referrals. In order for the clients to feel warm, each and every one of the hotel staff must have a warm heart. To achieve this, it is important to have “cooperation and solidarity with all of our colleagues.” I gave the example of the Hotel Operation Business, but this is a key factor that applies to all of the Group’s businesses as well, so we have incorporated manufacturing and heart-warming services from clients’ point of view into the policies of our next medium-term management plan.

Next, in terms of “diversification of core business cooperation,” the Real Estate Revitalization Business makes up a large volume of the Group’s net sales, but surrounding it there are many Real Estate Service Businesses, such as real estate management, renovation, and leasing, that have highly liquidity and aim to add value as high-quality assets. We aim to accelerate growth by diversifying our business real estate utilization through a combination of development, services, and operations. As



for residential condominiums, which we plan to enter on a full-scale basis as one of our priority markets in the next medium-term management plan, we believe that the development of peripheral service operations will also be a key factor. We are also considering M&A to further strengthen our position in the residential housing market.

As we complete our Current Plan in the current fiscal year and embark on the next medium-term management plan starting from the next fiscal year, we will aim for highly capital-efficient management by continuing high sales profitability and growth potential, maintaining financial discipline, and investing more actively in our businesses.

## Q . What is your view on sustainability?

This is my broad view, but the most important aspect of sustainability is “doing good for the world.” I believe that this is the essence of our Company Philosophy: “Protect all employees, pursue physical and mental well-being, and at the same time contribute to the advancement and development of human society with a spirit of co-creation and realize a sustainable society.” Many people have come here as employees to support the Group’s Company Philosophy. As the responsibility of top management, we want to create a path that leads to a happy and affluent life with enthusiasm, motivation, and job satisfaction for all employees. In the future, we will continue to engage in socially significant businesses that enable our employees to feel a sense of happiness, while always asking the question, “Does it help society and people?”

I would like to thank all of our stakeholders for their expectations and support for the Sun Frontier Group’s future endeavors.

# Realizing Management that Considers the Cost of Capital and Stock Price

Since its foundation, the Sun Frontier Group has pursued its the Company Philosophy of “protecting all employees, pursuing both physical and mental well-being, and at the same time contributing to the advancement and development of human society with a spirit of co-creation and realizing a sustainable society” under the Company Policy guided by its core principle of ‘altruism.’ In order to achieve our medium-term management plan targets, we have set targets for ordinary profit margin, ROE, and other metrics. and are promoting management practices that emphasize returns on equity that exceed the cost of capital.

## Understanding the current situation .....

With the exception of the fiscal year ended March 31, 2021, when profit temporarily declined due to the pandemic of COVID-19, the Group has achieved ROE that exceeds shareholders' equity costs and created corporate value. The current delay in our recovery to a PBR of 1 or higher after the pandemic of COVID-19 suggests to shareholders and investors that there is room for improvement in terms of the Group's growth potential and sustainable improvement in ROE.

Items	FY20/3	FY21/3	FY22/3	FY23/3	FY24/3
ROE (%)	17.7	6.5	10.8	15.3	13.9
Cost of Equity* (%)	7.3	7.3	7.3	7.4	7.4
Net asset per share**(yen)	1,326.93	1,368.14	1,463.74	1,663.33	1,864.36
Year-end Stock price (Close)(yen)	820	967	1,050	1,281	1,961
PBR(times)	0.62	0.71	0.72	0.77	1.05

\* Cost of Equity is calculated by Capital Asset Model. \*\* Net assets per share at the end of the year.

## Policies and targets .....

We promote sustainability management with the vision of “value the heart of altruism and contribute to the realization of a sustainable society through our corporate activities.” By focusing on addressing key social issues centered on our three important issues (materiality) we focus on, “environmental protection,” “regional revitalization,” and “human resource development,” and by aiming for sustainable growth of our businesses, we will enhance profitability and capital efficiency, maintain financial soundness, continuously improve ROE and PBR, and increase corporate value.

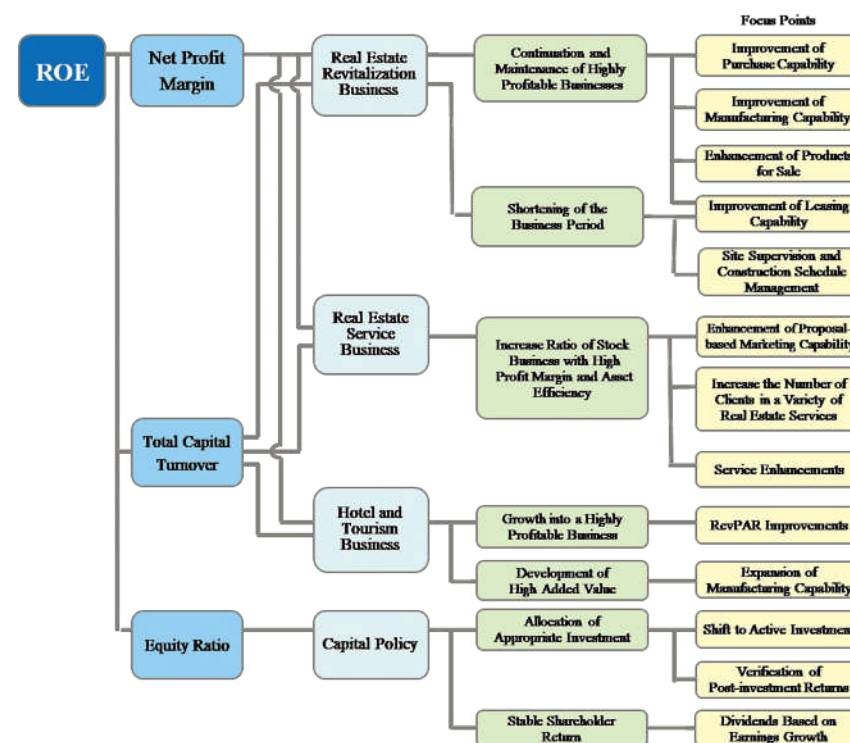
$$\text{ROE} = \begin{array}{c} \text{Profitability} \\ \text{① Net profit margin} \end{array} \times \begin{array}{c} \text{Capital Efficiency} \\ \text{② Asset turnover ratio} \end{array} \times \begin{array}{c} \text{Financial Soundness} \\ \text{③ Financial Leverage} \end{array}$$

### ■ Initiatives for improving ROE

① Net profit margin:	Evolving the highly profitable Office Building Business, enhance the added value of the Hotel Business, and improve profitability
② Asset turnover ratio:	Contribute to efficiency by strengthening cooperation between business divisions, focusing on business periods, and raising the feasibility of plans
③ Financial leverage:	Aim to maintain a balanced equity ratio to foster business growth while upholding financial stability.

## Drivers of ROE improvement .....

The main ROE improvement measures are summarized as “drivers of ROE improvement.” The most essential elements in conducting these measures and enhancing their effectiveness are our strengths: Philosophy and Amoeba Management. By instilling our philosophy and Amoeba Management, we will increase employee engagement and advance our business through a fully participatory management approach.



\* Amoeba management is the registered trademark of KYOCERA Corporation.

# Growth Strategies

The Sun Frontier Group has formulated its long-term vision 2035 and the next medium-term management plan, strengthening business development, promoting an aggressive M&A strategy, accelerating the growth of the hotel and tourism business, and promoting cooperation and diversification within core business, aiming for sustainable growth through strategies such as realizing data-driven management.

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# Medium-Term Management Plan Review : FY March 2019 - March 2025

## [Basic Policy]

Providing “places where people gather and communicate with each other, and create social development and happiness for people”

## [Growth Strategies]

### Office

Deepen and expand the Office Business

### Hotel

Create service that goes beyond satisfaction and excitement with a sharp concept

### Overseas

Expand housing-related business in Vietnam

### M&A

Invest in peripheral businesses to expand the current business and in start-ups in growth fields

## [Key Points]

ESG

Digital

Cash flow

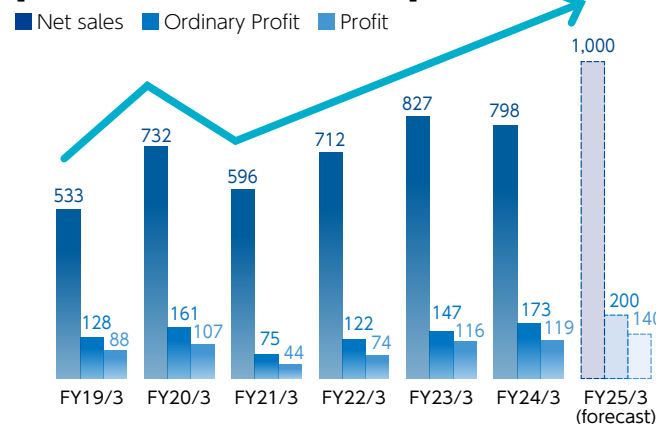
Marketing

## [Numerical Targets]

	FY2025/3 Targets
Net sales	100.0 billion yen
Ordinary profit	20.0 billion yen
Profit	14.0 billion yen
Ordinary profit margin	20.0%
Equity ratio	50% level
ROE	10% or more

## Review of the Fiscal Year Ended March 2024

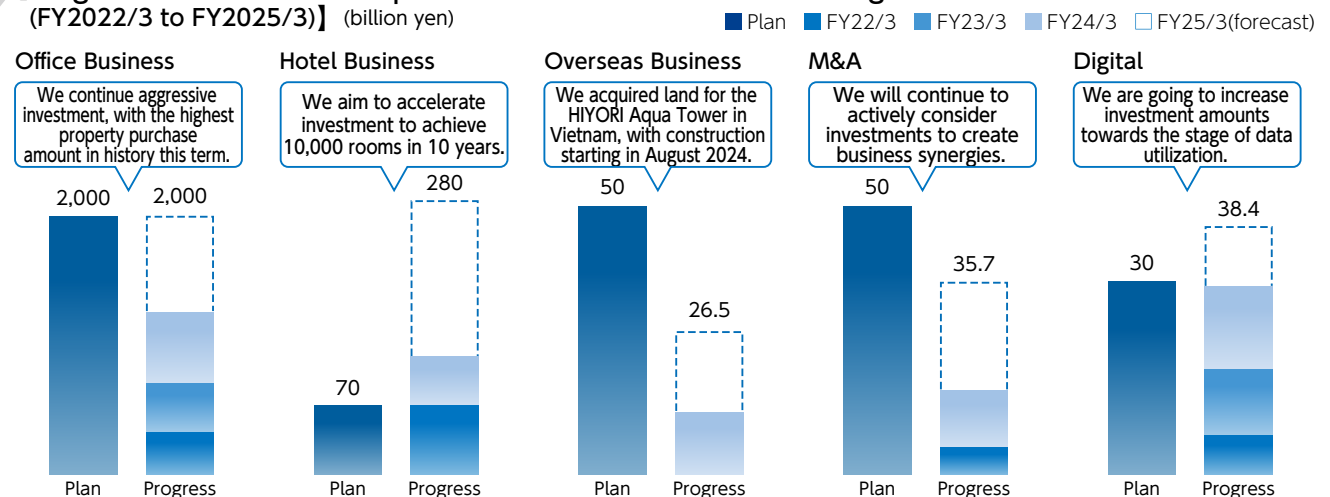
### [Business Performance Trends] (billion yen)



### [Key Measures in the Medium-Term Management Plan]

- Enhance Corporate value by strengthening ESG perspectives and implementing corporate philosophy
- The Digitalization Promotion Office has been established to promote innovation through digitalization
- Focusing on cash flow and realizing capital allocation to enhance corporate value

### [Progress of the investment plan under the Medium-Term Management Plan (FY2022/3 to FY2025/3)] (billion yen)



The plan is the total investment amount from FY2022/3 to FY2025/3. The investment amount for Office, Hotel, and Overseas Business are the total of purchases and construction. The one for M&A is the equity amount. The other one for digital DX is the total of system installation cost and running cost.

# Next Medium-Term Management Plan: FY March 2026 - March 2028

Before completing the current medium-term management plan, which ends in March 2025, we have formulated the next medium-term management plan. By clearly defining future measures as early as possible and unifying the group's intentions, we will work towards sustainable growth to realize our management philosophy.

## Basic Policy

**“Work to resolve social issues by promoting cooperation and diversification within core business, providing manufacturing through clients’ point of view and heartwarming services.”**

Strengthen the human resource base, expand business areas, and contribute to solving social issues by increasing opportunities to serve clients through the diversification of flow-type businesses and stable growth of stock-type businesses.



## 【Quantative Target】

- ▶ Continue high profitability and growth even after achieving the current medium-term plan.
- ▶ Aim for highly efficient management by investing more aggressively in businesses while maintaining financial discipline.

FY2028/3 Plan		
Profit Plan	Net sales	135 billion yen
	Ordinary profit	27 billion yen
Management indicator	Ordinary profit margin	20%
	ROE	10% or more
	Equity ratio	Around 45%

## Growth Strategies

In the three focused markets of “office,” “hotel,” and “residential,” we will evolve our business model by combining renovation, new construction, development projects, and service and operation businesses. We will leverage the real estate utilization technology and expertise cultivated there to promote diversification into related fields, expand business areas and regions, and further accelerate growth.

Three markets to focus	Business model	Business domain	Area		Our goal
Office	Development	Renovation	Tokyo		Contribute to the realization of a sustainable society by utilizing real estate in resource recycling methods.
		New construction	Tokyo	Osaka, Nagoya	
	Services	Real Estate Services	Tokyo		Resolve our clients' concerns from their perspective, for their smile and excitement.
	Operation	Rental conference rooms	Tokyo	Osaka, Nagoya	
Hotel	Development	New construction	Nationwide		Expand heartwarming and fun hotels nationwide to grow with local communities.
		Renovation			
	Operation	Hotel operation			
Residential	Development	New construction	Vietnam	Tokyo	Provide high quality residential environment full of safety, security and comfort to contribute to the development of nations.
		Renovation	New York		
	Services	Real Estate Services	Vietnam New York		

□ Business domain expansion    □ Area expansion



# Roadmap and Key Measures for Long-Term Vision 2035

## Road Map for the Long-term vision

We will continue to maintain high profitability and growth, while paying attention to financial discipline, and actively invest in businesses to develop highly capital-efficient operations

### Extant Medium-term Management Plan FY2019/3 to FY2025/3

Providing “a place where people gather and communicate with each other, and create social development and happiness for people”

Net sales	100 billion yen	ROE	10% or more
Ordinary profit	20 billion yen	Equity ratio	Around 50%
Ordinary profit margin	20%		

### Next Medium-term Management Plan FY2026/3 to FY2028/3

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

Net sales	135 billion yen	ROE	10% or more
Ordinary profit	27 billion yen	Equity ratio	Around 45%
Ordinary profit margin	20%		

### Long-term vision 2035

“Utilize limited resources to fill the world with smiles and excitement!  
Becoming a corporate group that continuing to challenge and create future value.”

Net sales	300 billion yen
Ordinary profit	60 billion yen

## Key Initiatives in the Next Midium-Term Management Plan

### ① Strengthening human resource base

- Strengthen recruitment and training to enhance human recourse
- Cultivating human resources as leaders through education and expanding organizations through amoeba division.
- Further evolve into a corporate group that attracts human resource with diversity and our values of altruism regardless of age, sex, or nationality

### ② Manufacturing through clients’ point of view and heartwarming service

#### Manufacturing through clients’ point of view

- To develop new buildings, hotels, apartments in New York City, and condominiums in Viet Nam through utilizing the creativity cultivated by clients’ point of view in Office Replanning and further strengthen.
- Strengthening base of Construction Business through M&A.

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

- Working closely with building owners to improve long-term problemsolving ability.
- Improving ability of responding to needs of tenants and service users with care and warmth.
- Educate and create an organizational culture to provide heart-warming and enjoyable services that impress hotel guests.

### ③ Cooperation and diversification within core business

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

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

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

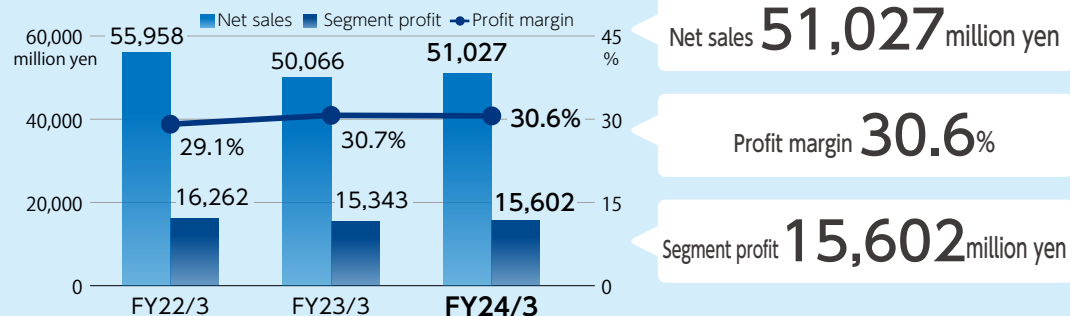
- Provide further variegate service for real estate to solve clients’ problems.
- Increase branches in Tokyo, focus on sub-leases entrusted, and increase entrusted buildings for Property Management.
- Increase operating area in Rental Conference Room Business
- Increase rooms of hotel operation (including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

# Summary of Real Estate Revitalization Business



set-up office : THE GATE GOTANDA EAST

## 【Business Performance Trends】



## Business description

We acquire office buildings that are around 30 years old, restore their compliance with laws, and renovate various facilities such as exterior walls, elevators, air conditioning, plumbing, and electrical systems to transform them into modern buildings with high design quality that meet the needs of tenants. We combine expertise from our leasing brokerage, property management, and construction divisions to create vibrant buildings that attract people, thereby making a small contribution to the local community.

## Opportunities & Risks

### Opportunities

- Increase in aging office buildings mainly in central Tokyo
- We are developing new low-rise commercial facilities in highly vibrant areas.
- We are also expanding our high-quality Japanese-standard renovation expertise to New York.
- Additionally, we are embarking on new construction projects for high-risk buildings such as those with outdated earthquake resistance.

### Risks

- Global economic stagnation due to the outbreak of financial crises and the spread of COVID-19
- Decrease in demand for office buildings due to population decline and the spread of remote work

## Key Strategies

1. Commit to high added value utilization of real estate and work on medium- to long-term ownership, low-rise store development, and new buildings
2. Utilize our design capabilities and space utilization technology, as well as our ability to attract tenants as our strength to increase the added value of office buildings
3. Utilize new fields such as digital technology, clean energy and art to strengthen office peripheral businesses
4. Provide “offices that accelerate tenant growth” that anticipate changing and diversifying needs

# Real Estate Revitalization Business: Building Business



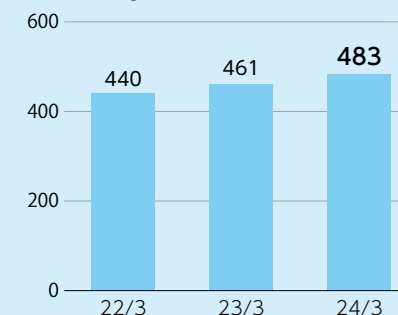
We aim to grow in new fields by pursuing “innovative, creative manufacturing” beyond the boundaries of replanning.

**Shuhei Oda**

Senior Executive Officer, Deputy Division Director of Asset Management Division, Head of Building Business Department and General Manager of Project Planning and Development

[Number of real estate revitalizations (cumulative)]

(Unit: Buildings)



Income-Generating Apartment Building in New York

## Business environment

Up to now, we have expanded into new areas within the Replanning Business, such as new buildings and Apartment Replanning in New York. The Building Business Department was established in April 2024 as an organization that encompasses the Replanning Business and develops new businesses to strengthen its position as a pillar of operations. We are a latecomer in new constructions and the New York apartment market is a new area for us to explore. Although this is an area where we have a lot of new experiences, we have utilized the methods developed in highly profitable businesses to maximize value by integrating solutions with strategic investments. We are also responsible for the management of the buildings after completion. This model is working to provide the owner with a sense of security in the handover.

## Development of business strategies

With respect to income-generating apartment buildings in New York, we consider it important to provide safe and secure Japanese quality that is both safe and secure in terms of both physical aspects and services. In some cases, there may be a risk of excessive specification investment, but we would like to contribute to the improvement of the living environment in the area where there are many rough apartments. We also believe that the continuation of these efforts will lead to the penetration of the Company's brand in the local market.

In contrast to the general trend for new construction to make maximum use of the site, we are particular about “comfortable scenery for the space and good ventilation with fresh air” as a point of differentiation. We believe that this commitment will enable us to attract tenants at above-market rents.

## Future business outlook

The Building Business will play an important part in achieving the goals of the Long-Term Vision 2035 and the next medium-term management plan. Although there are concerns about rising interest rates and rising construction costs, we aim to steadily expand the Building Business as a whole, including the new

construction and New York apartment businesses, while firmly managing risks, such as managing construction periods that are longer than those in the Replanning Business. I would also like to fully enjoy “manufacturing based on free ideas” that has not been realized in the Replanning Business until now.

### “FRONTIER PITCH TOKYO for Startups 2024”

Under the theme of “making Tokyo the most friendly city for start-up in the world,” we have prioritized supporting the growth of start-up companies as a key mission, and this contest will be hosted as part of this. The winning company is awarded six months of complimentary use of a setup office.





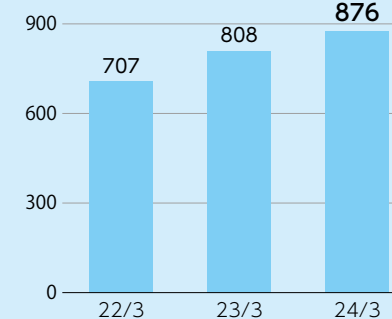
# Real Estate Revitalization Business: Replanning Business

As one of our core businesses, we have successfully balanced 'contributing to community development' with 'maintaining high profit margins' in our core business."

**Hiroyuki Kobayashi**

General Manager of Replanning Department,  
Asset Management Division  
Executive Officer

[Total number of set-up offices  
supplied and managed (cumulative)]  
(Unit: Lots)



Replanning property example

## Business environment

Although there is a risk of a rise in interest rates in the real estate market, we believe that the market itself is performing strongly. With real estate prices remaining high, the Tokyo office market, which is perceived to be more affordable than those in Europe and the United States, is extremely active in terms of investment from affluent individuals and institutional investors in Asia. Around 87% of the small- and medium-sized office buildings in central Tokyo, which the Company positions as the main area of the Replanning Business, are over 20 years old. While there are still many opportunities for the Company, it is expected that the number of properties that are more than 40-50 years old will increase in the future, and the number of properties that cannot be accommodated in Replanning will also increase. In this environment, in order to diversify the purchase of properties, we are proceeding with the replacement of project periods and asset types (balancing short-term, medium- to long-term, and new construction).

## Development of business strategies

We maintain a business profit margin of around 30% conducting business based on our belief in a "high profitability structure." This is supported by enhancing the value of procured projects, through an integrated system that covers everything from purchase, to manufacturing, management and operation. The aim is to raise the added value of purchased projects. We believe that appropriate rent setting will also lead to the enhancement of the attractiveness of the city and foster urban development.

In addition, our Office Leasing Department works closely with owners and tenants to close between 700 and 800 leasing contracts annually. Our leasing staff also participate as project members in the development process, allowing us to provide highly detailed services. This enables us to offer rents that are on par with those of new buildings and is a source of high added value.

## Future business outlook

The significance of our Real Estate Revitalization Business lies in "urban development." We will continue to pursue the Replanning Business, our core business, by providing office buildings that enhance the attractiveness of the city, considering everything from the selection of properties and consideration of their optimal use to manufacturing and

subsequent management and operation as an important mission.

In addition, in order to further strengthen this business development, we plan to advance the digital transformation (DX) of the big data accumulated from various transactions that we have accumulated so far, and to start manufacturing that makes use of databases.

## Our "set-up office" command over 50% market share in Tokyo's 23 wards

More than half of the tenant companies of the set-up office are less than 10 years old. The service has been well received for its ability to facilitate smooth office relocations smoother for rapidly growing startups, tailored to their specific growth stage. We are also expanding our services, including a monthly office furniture rental program.



# Real Estate Revitalization Business: Specified Joint Real Estate Ventures

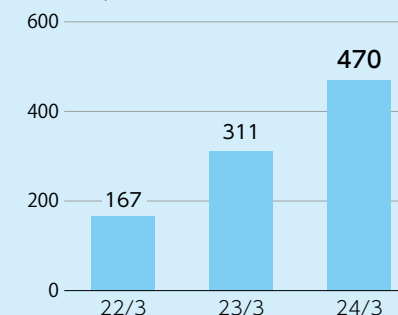


As developer, we see it as our duty to contribute to local community revitalization, and we are working to provide facilities that make life easier for local residents.

**Tetsuya Arai** Executive Officer and General Manager of the Consulting Department, Asset Management Division

[Small-lot Real Estate Products / Cumulative Number of Investors]

(Unit: People)



New Medical and Educational Mall in Ota-ku sold out in November 2022

## Business environment

As Japanese society as a whole has adopted a forward-looking approach to asset management, we are aware that the market for small-lot real estate transactions is also performing well. In the past, main customers were those in the mass segment with financial assets of less than 30 million yen. However, in the current deflationary economy, people are actively looking for investment destinations. We estimate that over 12 million households, from upper-mass segments with assets over 30 million yen to ultra-high-net-worth households with assets exceeding 500 million yen, could potentially become our customers.

Within Japan's total financial assets, estimated at around 1,000 trillion yen, real estate investment accounts for only a small portion. Real estate investment itself has only just begun in buildings and residential properties, and there remain numerous untapped assets, indicating significant growth potential in the market.

## Development of business strategies

In recent years, when investing in real estate, there are many clients that place importance on "how to return one's own assets to society and urban development for the future." In order to meet these needs, we are promoting the commercialization of licensed nursery schools and educational and medical malls. These are rare and high-demand properties in the small-lot ownership category, and the characteristics of our products have become known to clients, and we have been able to steadily increase the number of investors.

At present, there is not only a shift from investment in a single building to investment in small-lot products, but also a shift from small-lot product investment to investment in a single building. In response to these needs, we aim to develop 5-10 buildings annually, with plans to expand into Nagoya, Osaka, and other major cities in addition to Tokyo's 23 wards.

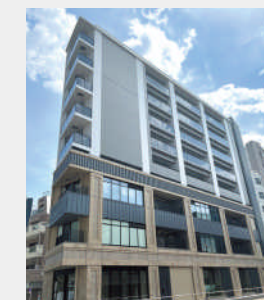
## Future business outlook

Through the pandemic of COVID-19, the spread of remote work and other changes in attitudes toward work took place. Working people also have more opportunities to spend time near their homes, and I feel that we are entering an era in which we are looking for a variety of facilities closer to home rather than to the workplace. In response to

these social changes, we will focus on the development of facilities that are useful to people's lives, such as licensed nursery schools, educational and medical malls, and commercial facilities. We believe that creating comfortable living environments is a social responsibility for developers, and we are committed to playing our part.

### Case study: "Compass Oyama, newly built licensed nursery school"

A new licensed nursery school will be established at Cross Oyama Residence West, located in a large-scale complex redevelopment area in Itabashi-ku, Tokyo. In support of Itabashi-ku, which is working to realize an educational environment city that is easy to raise children, we developed this product for families with children living in apartments.



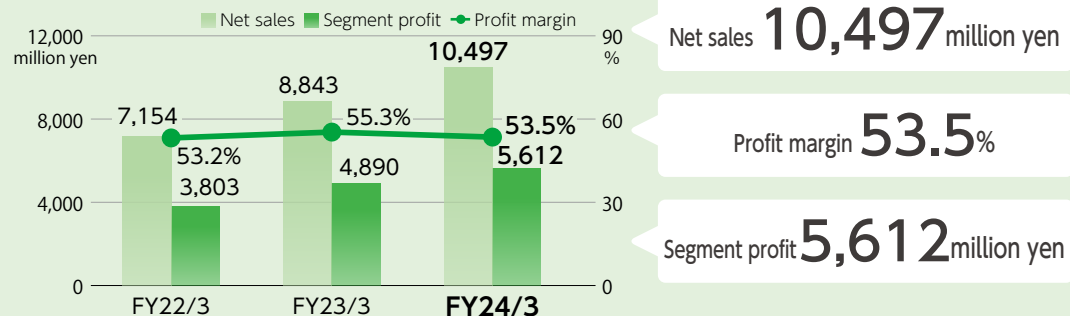
Cross Oyama Residence West appearance

# Summary of Real Estate Services Business



Conference Room "Vision Center Shinjuku Maynds Tower" Opened in November 2023

## 【Business Performance Trends】



## Business description

The Real Estate Service Business performs a wide variety of operations based on the motto of "solving customers' problems." Divisions specializing in sales and leasing brokerage, management, maintenance, rent guarantees, and rental conference rooms each leverage their expertise to develop their businesses, while closely coordinating and collaboratively meeting the needs of our customers. We strive to promptly solve issues, and contribute to the development of local communities.

## Opportunities & Risks

### Opportunities

- Manifesting synergies by smoothly maximizing the utilization of collaboration and linkage between businesses
- Maintaining an attitude of solving our customers' issues and expanding into new business domains to meet their needs

### Risks

- Sluggish Japanese economy and stagnant real estate market
- Sluggish office demand due to the decrease in the number of operating companies

## Key Strategies

1. Stable and profitable building management for building owners, high-quality services for tenants, and revitalization of the city through distribution and utilization of real estate
2. Maximizing the value of space and time in central Tokyo's real estate to contribute to the development of the city
3. Fair and equitable leasing market by eliminating "defects" of building owners and tenants through institutional guarantee
4. Contributing to the creation of a clean and secure urban environment with the technologies we have cultivated and high speed responding at the customers' point of view



# Real Estate Service Business: Property Management Business



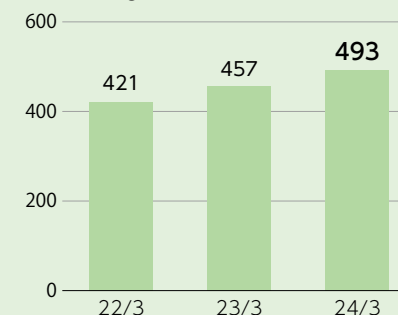
Contributing to the expansion of profit opportunities as a business hub founded on strong relationships of trust with stakeholders.

**Kentaro Kawanishi**

Senior Executive Officer, Deputy Division Director of Entrusted Asset Management Division, Head of Property Management Business, and General Manager of Real Estate Solutions

[Number of Buildings Managed under Property Management]

(Unit: Buildings)



Seminar for tenant companies

## Business environment

We are currently entrusted with the management of approximately 500 buildings, mainly small and medium-sized office buildings in central Tokyo. In addition to property management specializing in offices in central Tokyo offices, the business is also characterized by the development of services for a wide range of customers, including wealthy individuals, business companies, and institutional investors. Each service has a different management policy, but we respond to diversifying needs by drawing on our building management expertise. It is often said that "real estate value depends on its management," the Company has been working diligently to increase the value of entrusted properties with the aim of becoming a property management contractor with the largest number of managing buildings for office buildings in central Tokyo. As a result, we have increasing opportunities to receive direct requests from our repeat customers for special project, leading to today's business growth.

## Development of business strategies

When you say property management in general, I think you imagine the management and operation business of real estate. In the case of the Company's business model, the Property Management Business serves as a crucial hub among the various real estate services. Profit opportunities for the Leasing Brokerage Business and gains on the sale of value-added properties are earned from entrusted properties in the Property Management Business. As the core of cross-selling business, the business places the highest priority on building relationships of trust with building owners. We are committed to delivering stable, high-profit building management and well-being-oriented, high-value-added real estate to create a smile for owners and high satisfaction for tenants.

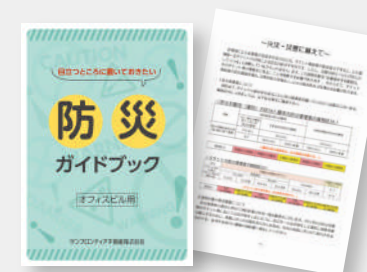
## Future business outlook

In the Property Management Business, we plan to manage 540 properties in the fiscal year ending March 2025, aiming to increase the number of managing buildings by around 10% each period. What is important in this growth process is a wide range of service lineups, high quality, and the development of human resources who support them. In this

division, where there are many opportunities to interact with owners, investors, and tenants, we have dedicated and highly skilled professionals who embody a spirit of altruism. We hope to produce many excellent property managers from an environment blessed with such human resources.

## Provision of disaster prevention information through a dedicated website

Amid growing concerns about the threat of natural disasters such as earthquakes and typhoons, an increasing number of tenant companies are carefully implementing BCP measures. In light of this situation, we have developed a disaster preparedness manual for office buildings and are sharing disaster-related information on a dedicated tenant website for tenants.



# Real Estate Service Business: Leasing Brokerage Business



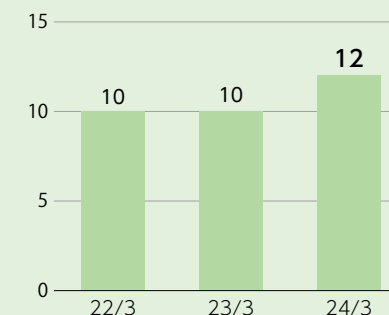
We aim to support building owners throughout their lives.  
We are dedicated to resolving our clients' issues.

**Keiichiro Nishimoto**

Executive Officer and Head of Leasing Management Business in Entrusted Asset Management Division

**[Number of Leasing Management Branches]**

(Unit: Locations)



The Kanda branch was renovated to make it easier for customers to stop by.

## Business environment

The Leasing Business, which is in charge of leasing, currently operates 12 locations in central Tokyo and concludes an average of 700 to 800 leasing brokerage contracts annually. After the COVID-19 pandemic, people are returning to their offices, and since COVID-19 was reclassified to Category 5 in infectious disease in May 2023, the need for office relocation has increased. An increasing number of relocations are aimed at enhancing employee satisfaction, such as by moving to an office with a better working environment, with the aim of improving employee engagement. The vacancy rate for offices as a whole had been on a slight upward trend as the new supply of large offices continued, but now the new supply has subsided, and the vacancy rate is on a declining trend. One of the strengths of our Leasing Business is that we are able to directly feel this market environment.

## Development of business strategies

The aim of the Leasing Business is to become more familiar with and deeply rooted in the local community by working closely with local building owners. At present, we operate 12 locations in central Tokyo, and we plan to increase this number to 16 in the fiscal year ending March 2028, the final year of our next medium-term management plan. Based on the Group's unique one-stop business model for real estate utilization, we are working to strengthen the human resources of each branch so that we can further increase opportunities to serve local building owners.

Additionally, we are focusing on the development of a highly marketable new service called "sub-leasing," in which we rent and sublease vacant floors to address vacancy issues. Currently, we have about 90 lots, and we aim to expand to 150 lots in the future to develop a more community-based network.

## Future business outlook

As the head of the Leasing Brokerage Business, I would like to make the Leasing Business an even more valuable presence by aiming for two goals: playing an even more important role within the Group and becoming a trusted partner for customers in the community. The key to achieving this is the sharing of a

philosophy. Based on the philosophy, we share the significance and objectives of our work and strive to develop human resources that can help owners solve their problems. I want to lead my colleagues so that our management philosophy is realized, and all members can envision an ideal future.

## "The Sun Frontier Owners' Club" celebrated its first anniversary in June 2024

This social gathering was established with the aim of supporting the lives of building owners and making their families happy. Various events are held regularly. Most recently, in July, we hosted a tour of our latest office and a seminar on preventive medicine featuring guest speakers.



Owner's Club held in July 2024

# Real Estate Service Business: Rental Conference Room Business

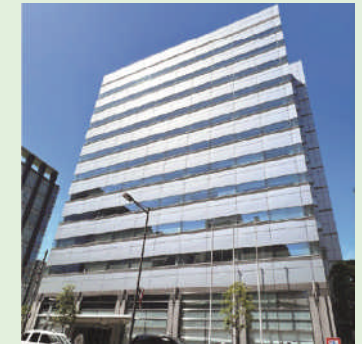
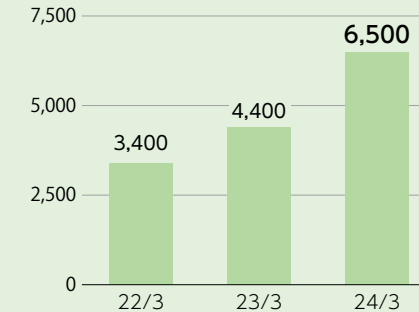


“With a mission to ensure the success of every event, we provide customized services tailored to customer needs.”

**Keitaro Otomichi** President and Representative Director of Sun Frontier Space Management Inc.

## [Operating Area of Vision Center]

(Unit: tsubo)



Exterior of Vision Center Grande TOKYO HAMAMATSUCHO

## Business environment

Sun Frontier Space Management Inc. started the Rental Conference Room Business as an in-house venture of Sun Frontier Fudousan Co., Ltd. in 2015 and became an independent company in 2019. We have established ‘Vision Center’ rental conference rooms focusing on central Tokyo’s major terminal station. As of the end of March 2024, we operate 15 locations (14 in the 5 wards of central Tokyo and 1 in Yokohama), covering an area of approximately 6,500 tsubo.

As social and economic activities have normalized following the COVID-19 pandemic, there has been a resurgence in in-person events., including academic conferences and corporate training, etc. Recently, an increasing number of companies are utilizing external facilities instead of having large in-house conference rooms. We believe that demand for pay-by-the-hour rental conference room business is on the rise due to changes in and diversification of customer needs, such as reducing waste and renting only the amount needed when needed.

## Development of business strategies

Our Rental Conference Room Business began with the resolution of customer problems. Based on the concept of “altruism,” which is at the core of our management, we have established three key strategies: making the success of events our mission, offering solutions rather than saying ‘No.’ and providing customized services. The point of differentiation of our rental conference rooms is, above all, that we have staff on site. As a result of our efforts to provide client-centered services, such as having our employees respond immediately to any problems during the event, approximately 90% of our customers are now repeat customers. At the same time, we view further market expansion as an important future focus. We will further pursue our recognized strengths, flexibly establish a new Vision Center, and aim to manage a total operational area of 20,000 tsubo as our long-term goal.

## Future business outlook

In addition to the return of various in-person events, cost considerations will increasingly come into play, and it is expected that events that used to be held in hotel banquet halls will be held in large conference rooms. Based on this market forecast, our future strategy for site opening will be to focus on the terminal stations in central Tokyo and to

consider opening sites in major regional office districts such as Osaka and Fukuoka. Since this business was originally launched with the idea of utilizing real estate, I think that there is still ample room to explore various business opportunities, not only for rental conference rooms but also for space utilization.

## Opening of Vision Center Grande TOKYO HAMAMATSUCHO, entire building for Rental Conference Room

The total floor area is approximately 1,450 tsubo (4,800㎡), and there are various conference rooms and halls of different sizes (66 rooms in total) with 6 to 380 seats. In response to the growing demand for usage for large-scale social gatherings and banquets, we have prepared a banquet hall (632 ㎡) on the sixth floor, where the entire floor can be used.



(Left) 10th floor: 1,002 rooms  
(Right) 6th floor: Banquet hall



# Real Estate Service Business: Building Maintenance Business

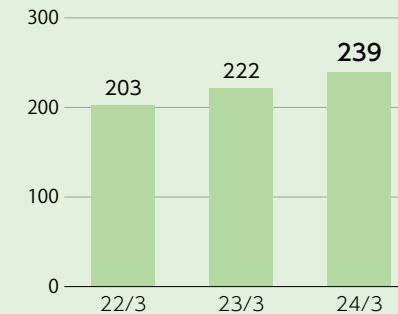


With the slogan ‘Making Tokyo the World’s Most Beautiful City’ we are proactively addressing client concerns and contributing to a sustainable environmental society with youthful energy.

**Kenichi Mogi** Senior Managing Director of SF Building Maintenance Inc.

[Number of Buildings under Contract for Comprehensive Building Maintenance]

(Unit: Buildings)



Building windows are beautifully polished with safety first.

## Business environment

SF Building Maintenance Inc. entered the Group through an M&A in 2012 with the aim of in-house building maintenance of properties managed by the Group. In 2022, we carried out an M&A to further expand our business, and now we are expanding our business scale to handle the maintenance of more than 1,000 buildings in total.

The shortage of human resources is also becoming serious in the building maintenance and building cleaning industries. Against this backdrop, the Sun Frontier Group enjoys a high level of trust, as well as a competitive compensation system, enhanced benefits, and flexible work styles that exceed industry standards. As a result, the Company has been able to steadily increase the number of employees, particularly young employees. We also place great importance on creating a comfortable working environment by equipping on-site staff with user-friendly uniforms, cleaning tools, and detergents.

## Development of business strategies

In our Building Maintenance Business, under the slogan of “Making Tokyo the Most Beautiful City in the World,” we are working to create a sustainable environmental society. This is a business in which steady work is carried out step by step, but not a single new graduate has left the company., and the company is showing steady growth. We are working to create an environment in which our employees and staff are youthful and energetic, and can play an even more active role.

There are dangers involved in glass cleaning, such as pulling down ropes from the roof to clean the outside windows. “I constantly remind my colleagues that ‘while things can be repaired if broken, human life cannot be replaced.’” In these workplaces, we want to contribute to the creation of beautiful towns and the resolution of customer problems by developing businesses in which a wide range of generations can play an active role while ensuring the development of the working environment and safety.

## Future business outlook

At SF Building Maintenance, we work closely with the Property Management Business, which is our closest affiliate, and other Group departments to respond quickly to customer concerns. Currently, we are focusing on water leakage responses. In recent years, torrential rainfall has occurred frequently even in urban areas, and water leakage

and flood damage have increased. We aim to provide industry-leading services for dealing with water leaks by building a comprehensive system that covers everything from the investigation of water leaks to repairs. We will continue to make every effort to solve our customer problems, including these responses.

## Environmental Initiatives at Building Maintenance Sites

As a member of the Sun Frontier Group, we place great importance on environmental measures at building maintenance sites. For example, we use a plant-based cleaning agent that is environmentally friendly and meets strict international standards and does not have a negative impact when discharged.



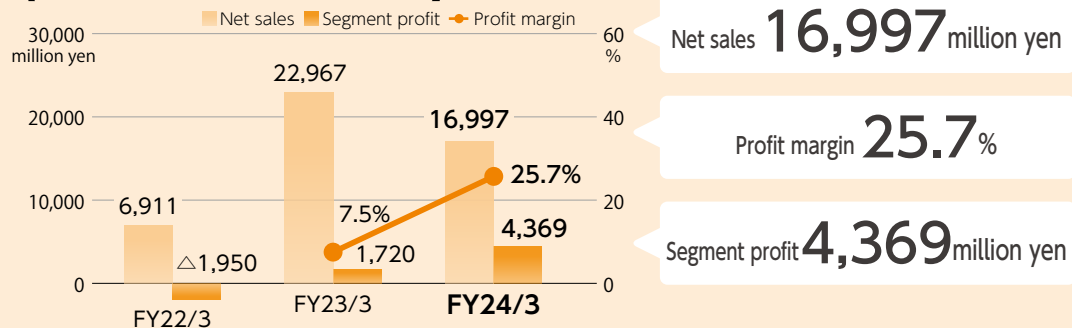
Cleaning agents used for floor cleaning are also environmentally friendly.

# Summary of Hotel and Tourism Business



SADO NATIONALPARK HOTEL OOSADO

## 【Business Performance Trends】



## Business description

In hotel development and operation, we develop hotels using a variety of methods including in-house development, land leasing development, and revitalization of existing hotels, and operate hotels across Japan that have joined us through in-house development or M&As. In the tourism business, we promote Regional Revitalization Business using Sado Island as a model, based on the motto that "If regions become energized, Japan will become energized."

## Opportunities & Risks

### Opportunities

- Further expansion of inbound demand
- Expansion of hotel brands with reasonable pricing
- Growing demand for luxury class

### Risks

- Decrease in the number of foreign entrants due to the significant increase in natural disasters in Japan.
- Decrease in domestic travel demand due to the rapid increase in Japanese overseas travelers

## Key Strategies

1. Hotel development that contributes to regional revitalization while meeting the needs of both business and tourism
2. Acquiring SDGs partner certification from municipalities for sustainable hotel operations
3. Regional Revitalization Business that leverage the unique charms of regions that embody the wonders of Japan
4. Creating local employment, revitalizing the area, and growing together with the local community

# Hotel and Tourism Business: Hotel Operation Business

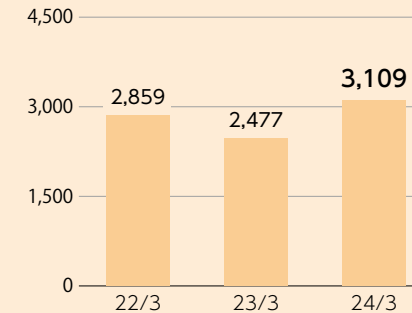
All employees work as concierges to create a “heartwarming and fun hotel” that is highly regarded and attracts many repeat customers.

**Kaori Yaeda**

Director and General Manager of  
Planning Department of  
Sun Frontier Hotel Management Inc.

[Number of hotel rooms]

(Unit: Rooms)



'Hiyori Stay Kyoto Kamogawa' newly opened on September 14, 2024.

## Business environment

In Hotel Operation Business, as of the end of March 2024, we operate 29 hotels (3,109 rooms) throughout Japan. At each hotel, all employees strive to serve each and every guest with a warm heart to meet the diverse needs that vary by location and hotel brand., and we have been able to create a high reputation and many repeat customers.

For example, 'Shijo Kawaramachi Hot Spring Sora Niwa Terrace Kyoto,' where around 80% of guests are international tourists, has been able to record top-class RevPAR (earnings per room) among hotels in Kyoto every month since October 2023. We take pride in these results as evidence that our “heartwarming and fun hotels” resonate globally.

## Development of business strategies

It goes without saying that it is our people who bring warmth and life to the hotel. and make it heartwarming and fun. Generally, in the hotel industry, employees concentrate on their job solely. For example, recipients work for the front desk, and restaurant staff work for the restaurant. However, in our hotel, all employees work as concierges. I feel that multitask-oriented education is very meaningful because it fosters empathy and mutual understanding among colleagues. We value cultivating a spirit of initiative and a culture of mutual recognition that encourages employees to bring warmth to their roles.

We believe that this kind of human resource development policy will lead to the practice of even more heart-warming services, and that all employees will focus on making customers happy. As a result, it will be reflected in repeat customers and business performance.

## Future business outlook

We have a concrete plan to open 10 new hotels (1,347 rooms) in the future. The most recent one is 'Hiyori Stay Kyoto Kamogawa' (38 rooms), which opened on September 14, 2024. Every time we open a new hotel, our operations, such as cashless payments, constantly evolve, and as the person in

charge of operations, we will continue to adapt effectively to new operational needs as they arise. At the same time, as part of our human resource development, we will place greater emphasis on developing managers skilled in leadership and engagement.

### Initiatives for the SDGs ~Material recycling from clothing to clothing~

As part of our SDGs initiatives, the 'TABINO HOTEL Sado' implemented material recycling by using materials from approximately 500 kg (equivalent to 800 pieces of clothing) of loungewear that was scheduled for disposal.





# Hotel and Tourism Business: Hotel Development Business

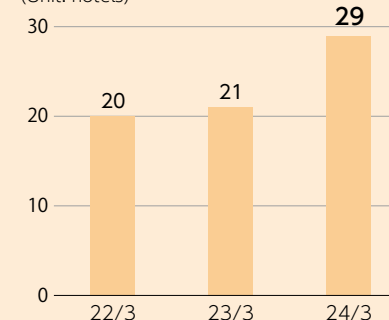


Based on our three-pronged hotel opening strategy, we will expand hotel development focused on “millimeter-level comfort” and contribute to regional revitalization and the future of the hotel industry.

**Kunihiro Kajitaka** Director and Head of Development Department, Sun Frontier Hotel Management Inc.

[Number of hotel development (including M&A) (cumulative)]

(Unit: hotels)



Concluded the “Basic Agreement on Establishment of Business Office” with Rokkasho Village, Aomori, where a regional revitalization hotel is scheduled to open (September 11, 2024)

From left: Mr. Mamoru Toda, Mayor of Rokkasho Village, Mr. Tomoaki Horiguchi, Founder of the Company

## Business environment

In the Hotel Development Business, under the business policy of “Shaping the future of the hotel industry through regional revitalization,” we are striving to contribute to regional revitalization through hotel development and to develop attractive hotels that will be admired by the hotel industry.

In this business, hotel development is conducted based on three pillars: “Hotel development that supports regions with ‘industries that address key challenges’ such as renewable energy,” “Hotel development that supports regions with ‘tourism industries’ with abundant tourism resources,” and “Hotel development that supports regions with ‘cutting-edge industries’ that will lead the next generation.” Approximately nine years have passed since the Hotel Development Business was launched, and I feel that the business has grown steadily while remaining resilient to economic fluctuations, based on the opening of hotels that support solutions to issues and cutting-edge industries.

## Development of business strategies

The Company’s basic business model is to establish stable operations for newly opened hotels, and even after they are transferred to the next owner, the operation will continue to be carried out by our Group, thereby contributing to the owner’s asset building as a profit-making property. We also offer condominium hotels where individual guest rooms are sold. For a full-building hotel development, it typically takes around five years after opening to recoup construction costs. However, in the case of a condominium hotel for sale, since it is delivered upon the completion of construction, the fund collection period is shorter, and we believe that it will be a major growth engine. By flexibly integrating the three pillars of this business and the development of condominium hotels for sale, we plan to open new hotels in Ishikari, Hokkaido and Ozu Town, Kumamoto in fiscal 2025 and in Hakone, Kawaguchiko, Sakata and Akita in fiscal 2026.

## Future business outlook

The Hotel Development Business focuses on “comfort of a millimeter.” We believe that meticulous millimeter-level design defines the comfort and value of the physical aspects. It goes without saying that in order to improve the value of hotels, it is important to collaborate with the Hotel Operation Business, which is responsible for the intangible aspect.

We will listen to the voices from the hotel management field and make efforts to improve the tangible aspect. At the same time, development and management will be united, and we will continue to strive to create attractive hotels that are valued by our colleagues, local residents, and guests.

### Condominium hotel “HIYORI Ocean Resort Okinawa”

“HIYORI Ocean Resort Okinawa” (opened in 2021 with 203 guest rooms) is the first condominium hotel developed by the Group. Taking advantage of its location at a height of 35m above sea level and its characteristics as an accommodation facility, we have concluded an Agreement on Cooperation in Disaster Prevention Activities with Onna Village, Okinawa, thereby contributing to regional disaster prevention.

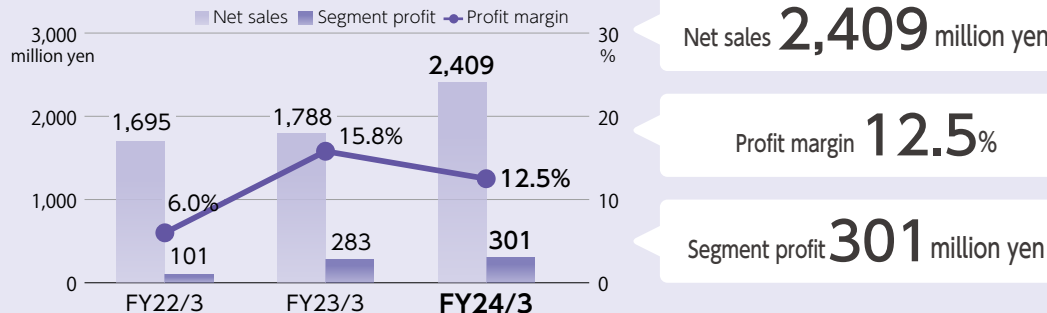


# Growth Strategies: Other (Overseas Business, Construction Business, etc.)



Bird's-eye view perspective of HIYORI Aqua Tower

## 【Business Performance Trends】



Net sales **2,409** million yen

Profit margin **12.5%**

Segment profit **301** million yen

## Business description

In our overseas business, we are comprehensively developing, selling, leasing, and managing high-rise condominiums in Da Nang, a major city in central Vietnam. In the construction business, we leverage our experience and expertise in real estate renovation to focus on renewal projects for building spaces, exteriors, and entrances, as well as interior work for offices and residences, and office communication network construction.

## Opportunities & Risks

### Opportunities

- Robust housing demand in a period of rapid growth in Vietnam
- New development opportunities in Vietnam, where high-end high-rise condominiums are being supplied
- Aging of small and medium-sized office buildings in central Tokyo.

### Risks

- Delays and increased costs in obtaining permits and approvals due to the opacity of legal systems and administrative procedures.
- Rising costs of building materials.

## Key Strategies

1. Working together with local partners to provide high quality housing rooted in the local community in Vietnam
2. We are promoting the utilization of space to create new added value in unused areas.
3. We are advancing the acquisition of environmental certifications for renovated properties.
4. Promoting employment in Japan as technical intern trainees and human resources with specific skills



# Other Business: Construction Business



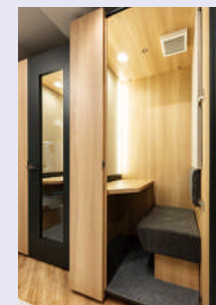
We aim for advanced manufacturing that is friendly to both people and the environment by striving to enhance office comfort and promote energy conservation.

**Kenji Wakao**

Executive Officer, General Manager of Construction Department, Asset Management Division



Installation example of the originally developed "Beagle" concentration booth (three booths installed)



Attention has been paid to the sofa, desk and lighting, and a ventilation fan is equipped.

## Business environment

Over 60% of the small- and medium-sized office buildings central to our Construction Business are located in Tokyo's five central wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya). In light of this business environment, we want to support CO<sub>2</sub> reduction and energy efficiency through environmentally friendly manufacturing. Lighting and air conditioning systems account for about 70% of energy consumption in office buildings. These systems are being upgraded to environmentally friendly and energy-efficient models, and a system has been introduced to evaluate the degree to which environmental performance has improved for each property. In addition, old buildings have not only dilapidated facilities but also unused spaces, especially in first-floor parking areas. We will create new added value in these unused spaces and create businesses that bring joy to all.

## Development of business strategies

We are promoting key strategies based on the perspective of "providing comfortable office spaces to tenants" and measures against global warming. For example, we are actively promoting the introduction of state-of-the-art technologies, such as introducing the latest air-conditioning equipment and devising ways to improve work efficiency by changing the color of lighting according to the time as well as combining them with wireless sensors to maintain a comfortable temperature for users. By renovating the building to achieve both comfortability for tenant companies and environmental friendliness, we aim to continuously provide profitable buildings for building owners who purchase from us.

Addressing the 2024 problem is also an important business theme for the construction business. We are also engaging in M&A to control construction costs and mitigate opportunity losses from labor shortages, and promote in-house construction.

## Future business outlook

At present, the Construction Department has a diverse range of human resources, including foreign nationals, but more than half of them are women. "This composition happened naturally, and all of our employees share a passion for manufacturing. Engineers are often immersed in their own world, however, we are not manufacturing for self-satisfaction.

Rather, we are aiming for manufacturing that constantly evolves by listening to a wide range of voices from inside and outside the company, and by focusing on joint development of advanced technologies. Through our business activities, we hope to bring smiles to the faces of those who are involved in our buildings and expand into Asia.

### Introduction of "AirPlug™," the world's first practical application of wireless power supply technology

AirPlug™ is a "spatial transmission type wireless power supply solution" that uses radio waves to create a wireless power supply environment in living spaces. By using smart sensors to automatically adjust the temperature of air conditioning in office buildings, it enhances the comfort of workers and contributes to energy conservation.



# Sustainability

Sun Frontier Group believes that clear goal setting and progress monitoring are essential for promoting sustainability. We set specific measures and KPIs to enhance corporate value in the mid to long term, fulfill environmental protection and social responsibilities, and contribute to the realization of a sustainable society.

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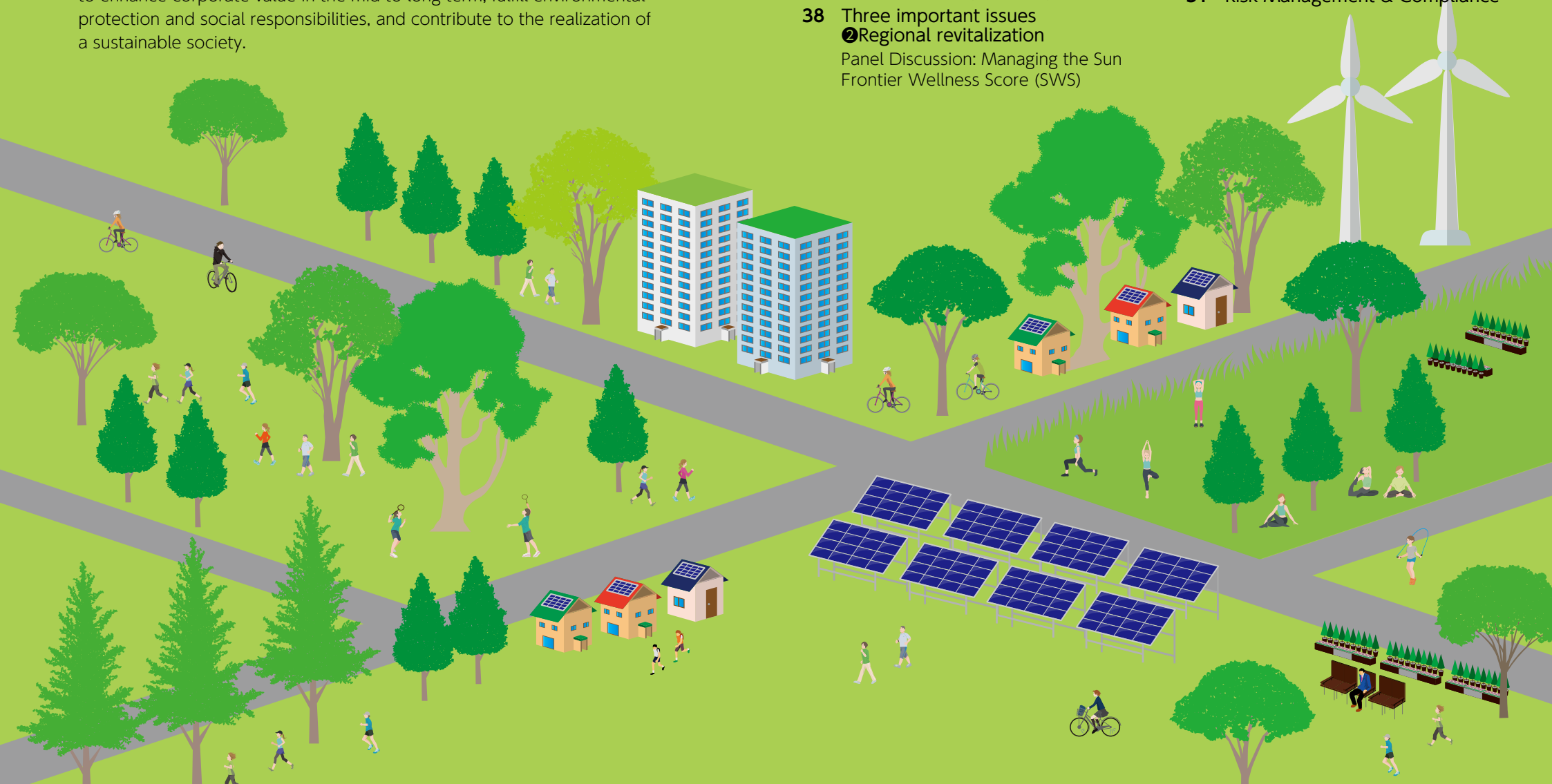
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# Sustainability Management and Materiality

Since its foundation, the Group has been practicing philosophy management centered on the spirit of altruism. In March 2023, we established a Sustainability Vision and three important issues based on this philosophy. We will continue to implement sustainability management aimed at realizing a sustainable society and the future beyond.

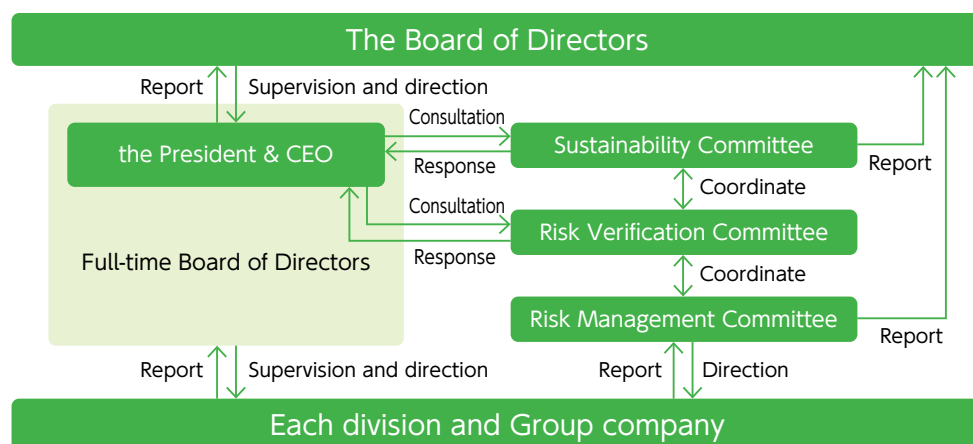
## SUSTAINABILITY VISION

### SUSTAINABILITY VISION

We will contribute to the realization of a sustainable society through our business activities while respecting the heart of altruism, the Group policy.

With the aim of contributing to the realization of a sustainable society and increasing corporate value over the medium to long term, we have established "Sustainability Committee" consisting of the President & CEO as chairman, the Head of Sustainability Promotion Office as vice chairman, sustainability officers of each division as committee member and outside directors as advisor to promote strongly the activities that contribute to the resolution of social issues based on Management Principle and Corporate Philosophy.

### [The system to promote sustainability]



## Important Sustainability Issues



### Materiality 1 Environmental protection

**Vision** Increase environmental sustainability by significantly reducing waste and greenhouse gas emissions, as a **frontier of Real Estate Revitalization Business**



### Materiality 2 Regional revitalization

**Vision** Create sustainable growth of regional economies through offices, hotels, and tourism, as a **frontier for sustainable regional revitalization**

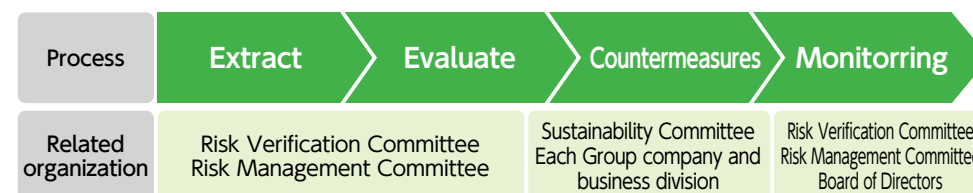


### Materiality 3 Human resource development













**Vision** Spread the concept of "altruism" that is indispensable for realizing a sustainable society, as a **frontier of philosophy management**

## Materiality Identification Process

Referring to various frameworks such as the SDGs, ISO26000, and GRI Standards, we integrated the perspectives of our stakeholders with our management's viewpoint to discuss various social issues that need to be addressed. Through direct dialogue with stakeholders and obtaining insights and advice from experts, we organized our awareness and direction on these issues and identified them with the approval of the Board of Directors



## [Specific Measures and KPIs](Excerpts of the only items with defined KPIs)

Materiality	Social Issues to be Solved	Key Measures	Specific Measures	Goal (KPIs)	Results for FY2023/3	Related SDGs
<b>[1] Environmental protection</b>  	Small and medium-sized buildings that can still be used with increased value are being demolished = Waste of resources	Extending the life and health of real estate	Extension of economic useful lives of buildings through real estate revitalization constructions	Extend economic useful lives by 30% or more	<b>54.1%</b>	
			Maintain the "health" of buildings by improving the occupancy rate of old buildings through comprehensive real estate support	Occupancy rate of 90% or more for buildings over 30 years old	<b>93.8%</b>	
		Energy conservation and reduction of environmental impact by Real Estate Revitalization Business	90% or more of continued management after replanning properties sales		<b>98.0%</b>	 
			Reduction of CO <sub>2</sub> emissions through promotion of real estate revitalization	Reduce CO <sub>2</sub> emissions by 12% or more on average compared with building reconstruction	<b>12.7%</b>	
			Offset real estate revitalization constructions' CO <sub>2</sub> emissions with credits	Carbon offset 100%	<b>100.0%</b>	
<b>[2] Regional revitalization</b>  	Revitalization of regional economies	Create buildings, offices, and spaces with "job satisfaction" and "creativity" that contribute to economic growth	Promotion of real estate revitalization with consideration for well-being	Percentage of newly providing replanning properties that exceed the internal standard established during the fiscal year 2022. 30% in FY2023 50% in FY2025 70% in FY2030	<b>68.8%</b>	 
				Conduct tenant satisfaction survey (company-owned properties)	Tenant satisfaction <b>96.7%</b>	
	Responding to natural disasters that are becoming more devastating	Prevent and mitigate disaster through regional cooperation	Providing set-up offices with emergency supplies or installation space	5 lots or more by fiscal 2023, Target: 20 Sections	<b>9</b> lots	
			Providing information that contributes to the improvement of tenants' disaster prevention awareness	Posting disaster prevention information on dedicated websites: 100% in fiscal 2023 (company-owned properties)	<b>100.0%</b>	
<b>[3] Human resource development</b>  	Decrease in the working-age population due to the declining birthrate and aging population (decrease in actual labor force) and elimination of the gender gap	Respect and utilize diversity	Creating a work environment suited to each employee's life stage and provide flexible training opportunities	Ratio of women in managerial positions: 12% or more by April 2025 (Sun Frontier Fudousan Co., Ltd.)	<b>10.3%</b> (April 1, 2024)	
		Create workplaces with job satisfaction, creativity, and growth opportunities	Establishment of next-generation leader development program, support system for external trainings, etc.	Ratio of training hours to prescribed working hours: 12% or more (Sun Frontier Fudousan Co., Ltd.)	<b>12.1%</b>	
			Utilization of DX, improvement of business processes and improvement of individual abilities	Year-on-year increase in ordinary profit per hour (per Sun Frontier Fudousan full-time employee)	Noncompletion (92.0%)	

# Three important issues

## 1 Environmental protection

The first important issue is environmental protection. Under the corporate philosophy of “reducing the waste of limited resources,” we set specific measures and KPIs, such as extending the economic lifespan of office buildings and realizing high building occupancy through good management, as frontier of Real Estate Revitalization Business, aiming to solve social issues.

### Environmental protection



#### Vision

Increase environmental sustainability by significantly reducing waste and greenhouse gas emissions, as a **frontier** of Real Estate Revitalization Business.

#### Social issues to be solved and key measures

The demolition of small and medium-sized buildings that can still be used if their value is increased  
= **Waste of resources**

#### Key measures

Extending the life and health of real estate

Energy conservation and reduction of environmental impact by Real Estate Revitalization Business

#### Specific measures and objectives (KPIs)

Extension of economic lives of buildings through Real Estate Revitalization Business

Estimated economic lives  
Extend by more than **30%**

Maintaining the health of buildings by improving the occupancy rate of older buildings through total support for real estate

Occupancy rate of buildings over 30 years old  
**90% or more**

Continue management after replanning properties sales  
**90% or more**

Reduction of CO<sub>2</sub> emissions by promoting Real Estate Revitalization Business

CO<sub>2</sub> emissions compared to building reconstruction  
Reduction by **12%** or more on average

Implementation of credit-based offsetting of CO<sub>2</sub> emissions from construction projects in Real Estate Revitalization Business

Carbon offset  
**100%**

[For more details on disclosures based on TCFD recommendations, click here.▶](#)

### Information Disclosure Based on the TCFD Recommendations

The TCFD recommends that information be disclosed in line with the four disclosure elements of “governance,” “strategy,” “risk management,” and “metrics and targets,” to accurately understand how risks and opportunities associated with climate change affect corporate management, including financial management. The Company will work to further expand information disclosure based on these four information disclosure areas recommended by the TCFD.

#### disclosure Items Overview

**Governance** The Company recognizes addressing climate change and environmental issues as a critical management priority at our company. In coordination with Risk Verification Committee, Sustainability Committee compiles information of risks and opportunities associated with climate change, examines response measures, and makes periodic report to the Board of Directors. The Board of Directors oversees the progress of initiatives related to climate change issues discussed and reported by executive departments, and discussed issues related to these initiatives at least once a year.

**Strategy** Based on the TCFD recommendations, we analyzed scenario of risks and opportunities related to climate change. Through the scenario analysis, we defined 1.5°C and 4°C scenarios based on scientific evidence from IEA (International Energy Agency) and assessed the importance of risks and opportunities related to climate that might affect operations as of 2030.

**Risk management** We have established a Sustainability Committee and set company-wide risk management regulations to address overall sustainability issues, including climate change. The Risk Verification Committee extracts and evaluates risks reported by the Risk Management Committee, and after considering countermeasures by the Sustainability Committee, the business departments and group companies respond to the risks. The Risk Management Committee reports the status and response of comprehensive risk management to the Board of Directors.

**Metrics and Targets** We calculate greenhouse gas emissions as an indicator for evaluating climate-related risks and opportunities. In FY2021 and FY2022, we calculated “fuel use (CO<sub>2</sub>)” for Scope 1, “electricity supplied by others (CO<sub>2</sub>)” for Scope 2, and “other indirect emissions (CO<sub>2</sub>)” for Scope 3. We will continue to monitor greenhouse gas emissions, expand the scope, and aim for reductions, while building systems and setting targets.

## Three important issues ① Environmental protection

### Metrics and Targets

#### [Greenhouse Gas Emissions]

(T-CO<sub>2</sub>)

(Consolidated)	Fiscal 2021 annual emissions	Fiscal 2022 annual emissions	Fiscal 2023 annual emissions
Scope1 *1	4,088.5	3,237.9	3,391.9
Scope2 *2	6,692.5	7,633.7	7,281.2
Scope3 *3	194,929.0	152,744.0	148,333.7

(Non-consolidated)	Fiscal 2021 annual emissions	Fiscal 2022 annual emissions	Fiscal 2023 annual emissions
Scope1 *1	0.0	0.0	0.0
Scope2 *2	196.3	195.1	88.0
Scope3 *3	194,929.0	152,744.0	148,333.7

\*1 Emissions from gas and gasoline use \*2 Emissions from electricity use \*3 Other indirect emissions

Calculation period: FY 2021 (April 2021 to March 2022), FY 2022 (April 2022 to March 2023), FY 2023 (April 2023 to March 2024)  
To be disclosed: domestic and international consolidated subsidiaries (Scope1 and 2), Real Estate Revitalization Business (Scope3)

Calculation method: market-based

\*Calculation methods are based on location (calculated using the average emission intensity for Japan as a whole) and market (calculated using the emission intensity of each electric power company). We adopted the latter market-based method.

Emission factors used in Scope2: 2020 and 2021 emissions factor result for each electric utility

#### [Calculation method for greenhouse gas emissions Scope 3]

Scope 3 classification	Category details	Calculation method
Category 1	Purchased goods and services	Calculated by multiplying the purchase of goods in the Replanning Business and the book value of the building of the replanning property in the fiscal year by the emission factor
Category 2	Capital goods	Calculated by multiplying the increase in property, plant and equipment in the fiscal year by the emission factor
Category 3	Fuel and energy related	Calculated by multiplying the energy consumption calculated for Scope 1 and 2 by the emission factor
Category 4	Transportation and delivery (upstream)	Not applicable
Category 5	Waste generated in operations	Calculated by multiplying the amount of waste generated by the Replanning Business in the fiscal year by the emission factor
Category 6	Business travel	Calculated by multiplying the number of employees involved in the Replanning Business in the fiscal year by the emission factor
Category 7	Employee commuting	Calculated by multiplying the result of multiplying the number of employees involved in the Replanning Business in the fiscal year by the number of business days by the emission factor
Category 8	Leased assets (upstream)	Not applicable
Category 9	Transportation and delivery (downstream)	Not applicable
Category 10	Processing of sold products	Not applicable
Category 11	Use of sold products	Calculated by multiplying the result of multiplying the total floor area of the replanning properties sold during the fiscal year by the remaining useful life by the emission factor
Category 12	End-of-life treatment of sold products	Calculated by multiplying the total floor area of replanning properties sold during the fiscal year by the waste intensity and emissions intensity
Category 13	Leased assets (downstream)	Calculated by multiplying the amount of energy used by tenants of the fixed asset property in the fiscal year by the emission factor
Category 14	Franchises	Not applicable
Category 15	Investments	Not applicable

### Greenhouse gas emissions reduction target (compared to fiscal 2022)

	FY2030	FY2050	FY2023 Results
Total of Scope 1 and Scope 2	22% reduction (annual reduction of 2.7%)	Carbon neutral	1.8% reduction

### Case study of efforts to reduce environmental impact

#### Solar power generation system and storage battery installed at Tabino Hotel Kashima

As part of our initiative to reduce greenhouse gas emissions, a solar power generation system and storage batteries have been installed on the rooftop space of Tabino Hotel Kashima (Kamisu City, Ibaraki Prefecture). By introducing solar power generation and a storage battery, we aim to generate renewable energy and reduce peak power demand, supporting decarbonization and lowering electricity costs. In the event of a power outage, the storage battery will ensure operation of the water pumps, enhancing the hotel's disaster resilience. The solar panels installed on the rooftop, which receive a large amount of sunlight, block direct sunlight to the building, suppress temperature rises in the building, and reduce the load on air conditioning systems. As such, they are expected to further reduce CO<sub>2</sub> emissions, save energy, and reduce utility costs.

Approximately 15% of the annual power consumption at Tabino Hotel Kashima can now be supplied by renewable energy. For fiscal 2023, the annual power generation (estimate) is 54,387 kWh, and the annual CO<sub>2</sub> reduction is expected to be 21 tons of CO<sub>2</sub>.

Annual power generation (estimate) 54,387kWh

Annual reduction of greenhouse gas emissions (CO<sub>2</sub> equivalent) 21CO<sub>2</sub>-ton





# The challenge of a “circular economy” in the revitalization of office buildings

A “profit-making office building in Mita, Minato-ku” went through replanning focused on the theme of a circular economy for the first time in the Company. Project members gathered to discuss the characteristics of the property and the thoughts they put into the project from their respective standpoints.



**Eiji Toma**

Manager of Replanning  
Department Section 3,  
Building Division  
Coordinated the entire  
project and created high  
added value as the person  
in charge of this project.



**Zenyu Tsuchida**

Section Head of Shinbashi  
Branch, Leasing Management  
Business 1st Department  
Achieved full occupancy as  
the person in charge of  
leasing to attract tenant  
companies.



**Mako Nitta**

Construction Section,  
Construction Department  
Drove value enhancement  
as the initiator of  
introducing circular  
economy to the property.



— Please tell us about the outline of this project and the characteristics of the property from each perspective.

**Toma:** I was in charge of the project. In 2021, we launched a full-scale project based on the theme of a circular economy, in response to society's growing awareness of the environment and to our environmental approach since our founding of reducing the waste of resources. Commercialization took place in fiscal 2023 after discussions among members from each division. The Company's replanning projects normally take from one to one and a half years. However, this project was a medium to long-term replanning project that took longer than usual, and I think it has become a symbolic property that has never been seen before in terms of taking on the challenge of environmental measures on such a scale.

**Nitta:** Being strongly aware of a circular economy based on the idea of “not disposing of the waste even after we complete our mission but reusing it to make the next product,” I visited an industrial waste disposal company with a recycling rate of 98%. Inspired by the concept of “responsibility to throw away,” innovative measures were taken in this project such as the use of tiles that can be removed and reused by not using adhesives and the introduction of wallpaper that can be repainted.

**Tsuchida:** With Mr. Toma in charge of this project and Ms. Nitta from the Construction Department in charge of adding value, my mission was to attract tenants. We were able to differentiate the property as there were not many properties with a large area of 100 tsubo per floor and set-up offices. Especially in Minato-ku, the number of properties is even more limited, and I think our office building became an attractive property because of the added value of incorporating a circular economy approach.

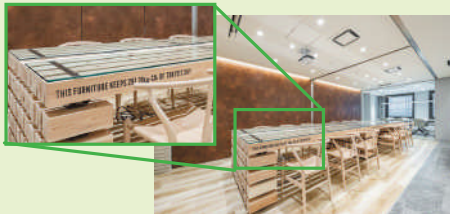
— The property has acquired various environmental certifications. Please tell us about the impact of such certifications and what you have done to increase value.

**Toma:** The property has received S rank, the highest level in the Certification for CASBEE for Real Estate, which evaluates the environmental performance of real estate, and the B+ rank in the Certification for CASBEE for Smart Wellness Office, which comprehensively evaluates the health and comfort of workers and the environmental performance of the building. We have also received four stars in the BELS Certification, the Building-Housing Energy-efficiency Labelling System. Many new buildings are acquiring various certifications. As it is rare for existing buildings to acquire the Certification for CASBEE for Real Estate, and office buildings to

## The challenge of a “circular economy” in the revitalization of office buildings

acquire BELS Certification and Certification for CASBEE for Smart Wellness Office, the interest and attention for this property from various funds and investors was extremely high.

**Nitta:** In addition to the new initiatives mentioned above, we installed furniture that can be disassembled (desks and sofas) created by “CARBON STOCK FURNITURE,” a brand based on the concept of “returning the city to forest storage.” The amount of CO<sub>2</sub> stored is printed on the CARBON STOCK FURNITURE, and it greatly contributed to the value provided by this office building and helped people understand and appreciate this value.



**Tsuchida:** From the perspective of leasing, one key focus was minimizing restoration work. As part of this effort, we had originally planned to adopt materials that enhance with age, but for various reasons we were unfortunately unable to achieve this in this project. However, this project proved to be a valuable experience, and we have now been able to realize a new valuable plan in which no restoration work has been conducted

at other properties by using materials that improve over time.

**Toma:** I heard from both of them about the results and the issues that will lead to the next step. In the end, I think we were able to create more value than we had planned by incorporating the various thoughts of the project members. Mr. Tsuchida worked to appeal the value of this building, and all rooms are leased at a rent higher than expected. In addition, if a room becomes vacant, a new tenant company moves in right away. As for Ms. Nitta, using her bold ideas and planning skills, and fine-tuned response capabilities while firmly managing the budget, she applied various ideas based on the concept of circular economy and made it possible to renew almost all facilities, including those related to water supply, drainage, and power distribution. We are very happy that we were able to make the most of our strengths and renew the property without demolishing it.

— Please tell us about your enthusiasm for the future.

**Tsuchida:** The tenants who moved in have stepped up and expanded their companies. There are many cases where they like our products and move into our larger set-up offices. We intend to further increase this virtuous cycle. In order to achieve this, we need properties that foster this positive

spiral. I am in a position to communicate the value of leasing, but I would like to continue listening to feedback from our working clients, discover ideas and points of differentiation that will lead to new areas like this, and share them within the company.

**Nitta:** In this project, we have taken on the challenge of the unknown area of a circular economy. However, compared to Europe and the United States, where many buildings are more than 100 years old, I honestly feel that we still lack the technology and creativity to retain the unique characteristics of buildings that have been built many years ago.

The appraisal and needs for vintage and antique items largely depend on end users, but I would like to change the Japanese way of thinking that newly built buildings are better. In addition to using excellent old

properties for a long time, I would like to do my best to create a property with added value that goes beyond newly built ones.

**Toma:** As a company centered on real estate revitalization, I think the question for the future will be what added value we can create and whether we can make it environmentally friendly. If we can continue to achieve this, I am sure we can help even more people.

There has been a steady increase in the number of owners and investors who understand and support the positive impact that environmental initiatives have on real estate which are real assets. We believe that we will enter an era in which more environmentally friendly and highly profitable properties are required. As with this project, we will continue to strive for even higher goals.



# Three important issues

## 2 Regional revitalization

The second important issue is regional revitalization. We aim to realize a sustainable society together with the local community by ensuring that the surrounding areas where our office buildings provided through our real estate regeneration and the hotels and tourist facilities we operate are located are vibrant and bustling, and by collaborating with users and local residents in disaster prevention and mitigation.

### Regional revitalization



#### Vision

Create sustainable growth of regional economies through offices, hotels, and tourism, as a **frontier for sustainable regional revitalization**.

### Social issues to be solved and key measures

#### Revitalization of the regional economy

##### Key measures

Creating buildings, offices, and spaces that contribute to job satisfaction, creativity and economic growth

#### Responding to increasingly severe natural disasters

##### Key measures

Disaster prevention and mitigation by regional coordination

### Specific measures and objectives (KPIs)

Promote the Real Estate Revitalization Business in consideration of well-being

Establishment of in-house standards  
by the end of fiscal  
**2022**

New replanning properties supplies that exceed established in-house standards  
Fiscal 2023  
At least **30%**

Provide setup offices with disaster prevention equipment and installation space

At least **5** lots  
by fiscal 2023

Provide information that contributes to raising tenants' awareness of disaster prevention

Disaster prevention information posting on dedicated website  
Fiscal 2023: **100%**  
(Company-owned properties)

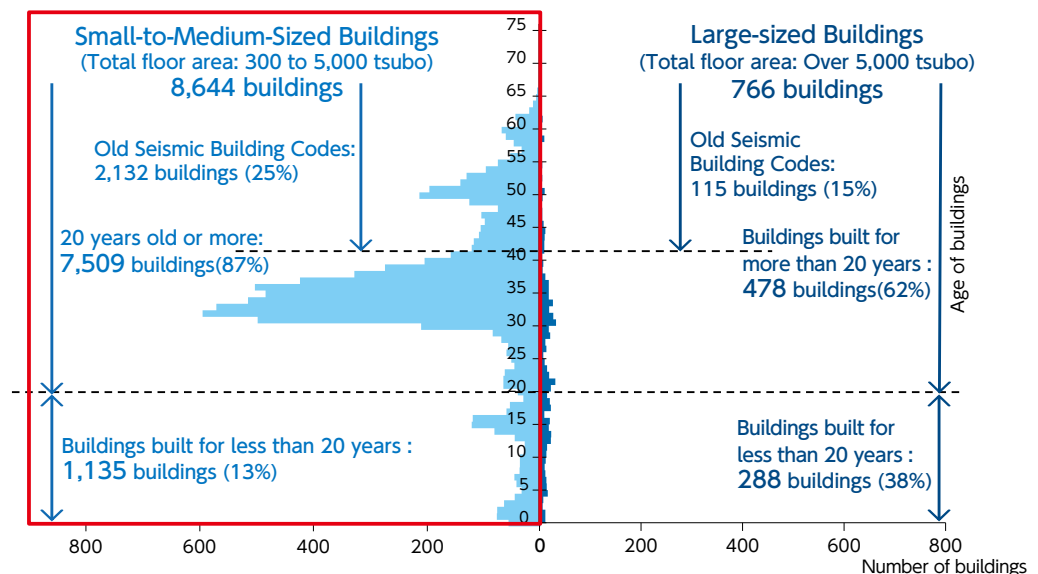
### Current situation and issues

Currently, the buildings in the city are broadly divided into large-scale buildings and small and medium-scale buildings. Small and medium-scale buildings account for about 90% of the total, and approximately 80% of those are more than 20 years old. In many cases, appropriate management is not implemented. Beyond redevelopment and new construction, how to make effective use of such existing buildings has become a major social issue.

Through our core business of "Real Estate Revitalization," we do not simply scrap and build, but rather revitalize existing buildings considering the environment. By "renovating" and "converting" aging buildings that are no longer preferred by tenants, we are engaged in a business that transforms them into buildings that attract tenants once again. In this way, we are promoting the revitalization of buildings for optimal use to meet evolving social needs.

### Number of Office Buildings in Tokyo's 23 wards

Tokyo 23 cities with 9,410 buildings



Source : Created by us based on "Tokyo 23 cities Office Pyramid 2023 (based on the number of buildings)" (Xymax Real Estate Institute)



**Kazutoshi Ota**

(Sustainability Committee Member)  
Building Business Department, Replanning  
Department, Section 7 Manager

**Shigehiro Nishimura**

Building Business Department,  
Replanning Department,  
Section 2 Chief

**Masashi Yamada**

(Sustainability Committee Member)  
Building Business Department, Replanning  
Department, Section 5 Supervisor

**Shusuke Ogawa**

Construction Department, Deputy  
General Manager

## Using the Sun Frontier Wellness Score (SWS) to promote an environmentally and socially conscious Real Estate Revitalization Business

In this roundtable discussion, after completing the first year of implementing our in-house evaluation standard. “The Sun Frontier Wellness Score (SWS),” which we created as a specific measure for “promoting well-being in real estate revitalization,” the members who were involved in the formulation and evaluation talked about what issues they had in mind while working on the project and their outlook for the future.

### —What is the background of the formulation of the SWS?

**Yamada:** When the Sustainability Committee’s regional revitalization team was discussing approaches and KPIs for materiality, we established ‘promoting well-being in real estate revitalization’ as

one of the specific initiatives and the establishment of in-house standards as the KPI measurement axis. The business period for the Real Estate Revitalization Business is generally set at 1 to 1.5 years, so obtaining certification from external accreditation bodies often does not align with the business period. Therefore,

we established our own metric. We aim to support the acceleration of corporate growth and create spaces that make it fun to come to work at our furnished, setup offices. We designed the content of the SWS by identifying 44 items that can be applied to small and medium-sized offices based on the highly

### [Overview]

In fiscal 2022, Sun Frontier Fudousan Co., Ltd. established the Sun Frontier Wellness Score (SWS) based on our own criteria as a metric for measuring the comfort of the office which customers will move into. It has been in operation since fiscal 2023.

The business period for our Replanning Business is generally set at 1 to 1.5 years. For this reason, obtaining certification from external accreditation bodies often does not align with the business period. Therefore, we have established our own metric by identifying 44 items relevant for medium-sized offices, based on the evaluation criteria of the CASBEE Wellness Office, Comprehensive Assessment System for Built Environment Efficiency, which is developed and operated by the Institute for Built Environment and Carbon Neutral for SDGs.

compatible CASBEE Wellness Office assessment system.

### —What are your thoughts on the SWS operational points and the value provided by the SWS?

**Ogawa:** Recently, the number of buildings that have acquired certification, including environmental certification, has been increasing. However, the acquisition of external certification by small and medium-sized office buildings has not spread widely. Against this backdrop, we believe that it is especially important for us to take the lead in evaluating small and medium-sized office buildings and setup offices in accordance with the evaluation criteria of the CASBEE Wellness Office assessment system, to balance environmental concerns with



## Using the Sun Frontier Wellness Score (SWS) to promote an environmentally and socially conscious Real Estate Revitalization Business

health concerns and improved intellectual productivity.

**Ota:** There have been many cases in which the next owner obtained certification after we conducted value-adding work and sold the property. It was clear to some extent that we could obtain certification if we had sufficient time. From that point of view, we were able to design the SWS with appropriate content to evaluate properties while they are held by Sun Frontier.

**Nishimura:** While the Company is in a pioneering position in the Real Estate Revitalization Business field, it was also true that we had not made any progress in acquiring certification due to the length of our business period. In contrast to the situation to date, the launch of the SWS, which compares our own replanning expertise with external certification, will foster further originality and lead to further differentiation from other companies and strengths in the Real Estate Revitalization Business.



### — Please describe the key factors for enhancing property value through the SWS.

**Ogawa:** What I felt when the SWS was put into operation was that “we can aim for an office that is more environmentally friendly and comfortable to work in,” in terms of both hardware and software, such as air conditioning and zoning. In that sense, there is still room for improvement. For example, by sharing the contents of the SWS in close cooperation with the quality control group, we believe that we can provide more satisfactory offices for clients.

**Ota:** As a KPI related to the operation of the SWS, we are aiming to increase the proportion of newly supplied replanning properties that exceed the SWS criteria to 50% or more in fiscal 2025 and 70% or more in fiscal 2030. The ratio in fiscal 2023 was 68.7% due to the small number of properties subject to evaluation. I think that there will be variations depending on the purchase situation and the number of properties to be evaluated, but even if the number of buildings increases, we will continue to contribute to improving the value of the property through initiatives and the SWS.

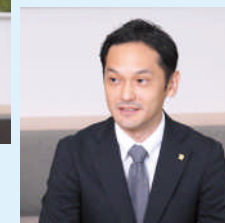
**Nishimura:** I think the way of replanning will change according to the times and environmental changes. We are considering reviewing the SWS evaluation criteria in response to various changes and hope to create an environment that is easy for tenants to use, in terms of both hardware and software.

**Yamada:** As mentioned by Mr. Ogawa, I feel that there is still a lot of room for improvement, and by analyzing the content of the scores, we can see what areas we have not yet covered. As someone who was involved in the formulation of the SWS, I would like to communicate examples of conversions that have a positive impact on the environment and society, as well as work-friendly layout efficiency, both inside and outside the company, including to partner companies, and realize a variety of ideas.

### — Please tell us what you are enthusiastic about in the future.

**Nishimura:** Since the Company's founding, we have been focusing on the environment in the Real Estate Revitalization Business, I feel that the number of investors who are aware of the status of external certification for real estate has increased. This is especially true for foreign investors. We are entering an era in which office buildings are given more added value by replanning that is more environmentally friendly and comfortable. We expect these trends to intensify in the future, and we intend to further promote well-being in real estate revitalization.

**Ogawa:** Our ultimate goal is not to obtain environmental certification or to raise the SWS score. I believe that the question of how much we can contribute to society is one of the themes that we must address to expand business in the future. Through the SWS, we hope to



accumulate a variety of knowledge and achievements, and expand the business not only to setup offices, but also to hotels and residential buildings.

**Yamada:** If you look at the small and medium-sized office buildings and aging buildings that we are targeting, there are still many buildings that are not environmentally friendly. In the future, we will strive to further improve the SWS and work on the value provided by “environmentally and socially responsible revitalized buildings” starting with central Tokyo, our main area.

**Ota:** The operation of the SWS since last year has enabled us to objectively visualize the Real Estate Revitalization Business's initiatives for the environment and society. In the future, we plan to analyze the relationship between properties with high liquidity and SWS scores, and the correlation between highly competitive rental properties and SWS scores. One year has just passed since the SWS was started, and I would like to promote verification and analysis to create attractive real estate that is environmentally friendly and comfortable, and to lead to the revitalization of the local economy.

## Three important issues ③ Human resource development—Message from the Division Director, Administration Division



**Mitsuhiro Ninomiya** Managing Director, Division Director of the Administration Division and Head of Sustainability Promotion (Vice Chairman of the Sustainability Committee)

### A leader's responsibility lies in guiding each and every valued employee towards personal and professional growth.

A company is said to be a “public institution of society,” but the company itself is merely a “framework.” It is the “people” who move the company and determine its direction. The growth of each and every employee leads to the growth of the company. Based on this philosophy, the Group considers every employee to be an important asset. It is our responsibility as leaders to lead them to growth as “human assets,” and we are fully committed to fostering our human resources. Currently, the Group is working to deepen and expand each of its businesses and is considering entering the residential sector in the next medium-term management plan. Under these circumstances, we place importance on employees who want to challenge themselves by taking on new business or projects and are actively implementing personnel transfers and role reassignments.

### Creating an Image of Desired Human Resources and Building the Foundation

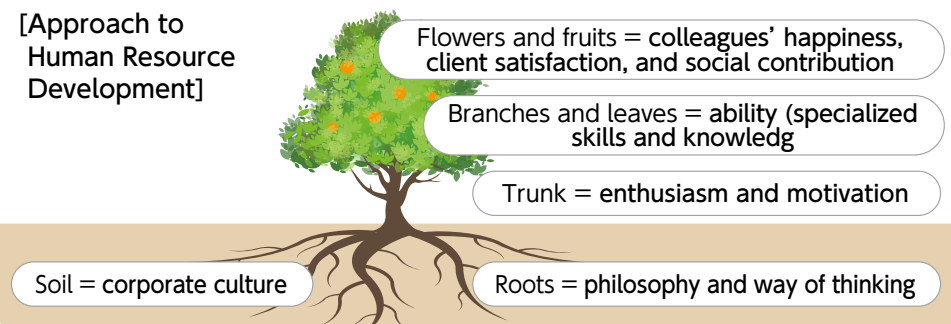
The Group respects diversity, combines the values of “the heart of altruism” and a “frontier spirit,” and seeks employees with a strong sense of curiosity and self-reliance. To this end, it is important to create a solid internal culture within the company. As a initiatives for learning the ways leaders and colleagues think and aligning them, we have implemented the following programs: an in-house gathering system (a place to open up

and exchange opinions constructively) (subsidies for participation fees, up to three times per month per employee), a business plan presentation (once every six months for all employees to participate), a sports training camp (held every September), and a training course held in Kagoshima, in which all employees participate the first time after joining the company, as well as educational trips focused on the value of life and historical insights. Through these series of events, I feel that mutual understanding, a sense of unity, a sense of belonging, and enhanced engagement are steadily being fostered through frank discussions, learning, and opportunities to get to know each other. In addition to initiatives, we are developing training programs for each rank, based on our philosophy training program to learn about the Company Policy and Company Philosophy, so that all employees can make decisions based on “personal integrity.” Based on this learning focused on “mental growth,” in fiscal 2022, we established the Self-Improvement Program, which supports the skill improvement and growth of every employee. This program allows employees to freely choose courses and seminars they want to study, with an annual training cost of up to 100,000 yen. To ensure that personnel evaluations are in line with the Sun Frontier Philosophy, we have established evaluation items for each grade in accordance with the eight Course of Action criteria.

### Amoeba Management: Fostering Leaders

An organization cannot grow beyond the capacity of its leader. Our company practices Amoeba Management. Looking at the growth of managers in recent years, I feel once again as a team leader that working on Amoeba Management is the best mechanism for developing leaders. At present, there are 60 Amoebas in operation. At each Amoeba, leaders guide members, and all employees work together to design and execute strategies to realize the Company Philosophy. In addition, cost accounting and hourly profit management are strictly enforced to improve productivity. At the Amoeba Conference held at the beginning of each month, Amoeba Leaders present the activity

#### [Approach to Human Resource Development]



\* Amoeba management is the registered trademark of KYOCERA Corporation.

## [Sun frontier's Strength]

Create a good corporate climate and culture based on the two wheels of Philosophy and Amoeba Management to realize our Management philosophy.

\* Amoeba management is the registered trademark of KYOCERA Corporation.



report of the previous month and the schedule of the current month. Management, including department heads and directors, as well as all participants, ask each Amoeba Leader questions and, rather than stopgaps, give guidance and advice on the essence of the project. Even if we start with a small amoeba, I think that by building up such practices daily, our young leaders hold a strong sense of responsibility and an awareness that they are representing the company when they meet clients.

### Recognizing the Promotion of Women's Activities as a Current and Future Issue

As of April 2024, the ratio of women in managerial positions (section managers or higher) stood at 10.3%, against our target of at least 12% by April 2025. However, this is a result of unconscious effort. We do not have a "because it's they are a woman, because they are a man" approach at all, and we provide equal opportunities for employees to challenge themselves regardless of gender. In this environment, from the perspective of respecting and utilizing diversity, I expect that many excellent female leaders will be born in the future by consciously providing initiatives and support to all employees, including non-Japanese employees, in order to advance their careers.

### Employees who have the ambition to bring something new into existence will lead the way to the future

I don't think there are many people who can create something from zero and lead it to the stage where it can bloom as a business. I believe that the future of the Group will be determined by the extent to which we can increase the number of human resources who have such qualities, the power to create their own businesses, and the determination to do so. We will continue to make "Philosophy" and "Amoeba Management" two important pillars in our efforts to respond firmly to the wishes of all our employees and to contribute to the creation of a society in which each and every employee can play an active role and shine.

## Human Resources Development Policy

The third important issue is human resource development. The Group has consistently practiced management based on the philosophy of altruism as its corporate motto since its establishment. We aim for a workplace environment with job satisfaction, creativity, and growth opportunities, based on human resource development that takes the most crucial ethical views and norms, as well as rightness and consideration as human beings as its foundation.

### Human resource development



#### Vision

Spread the concept of "altruism" that is indispensable for realizing a sustainable society, as a **frontier of philosophy management**.

### Social issues to be solved and key measures

**Decrease in the working-age population (decrease in the real labor force) due to the declining birthrate and aging population, and elimination of the gender gap**

#### Key measures

**Respect and utilize diversity**

**Creating a workplace with job satisfaction, creativity, and growth opportunities**

### Specific measures and objectives (KPIs)

Improve work environment and provide flexible training opportunities in line with each employee's life stage

Ratio of female managers:

**12% or more**  
by April 2025

(Sun Frontier Fudousan Co., Ltd.)

Establish programs to foster the next generation of leaders, support external training, etc.

Ratio of training hours to designated working hours

**FY2023**  
**12% or more**

(Sun Frontier Fudousan Co., Ltd.)

Utilize DX, improve business process, improve individual abilities

Ordinary profit per hour  
FY2023/3

**Increase year-on-year**

(per Sun Frontier Fudousan Co., Ltd. regular employee)

# Respect and utilize diversity

## Initiatives for D&I

We provide our employees with fields where they can plan active roles regardless of gender or age. As part of our D&I initiatives, our KPI is to raise the percentage of women in managerial positions to 12% or more by April 2025. As of April 1, 2024, the percentage of female managers reached 10.3% as of April 1, 2024, up from 8.8% in the previous year, indicating a gradual increase. The percentage of female employees in the positions of deputy section managers, assistant section managers, and assistant store managers, which are candidates for management positions, is 40.5%, which is higher than the ratio of female employees of 36.2%. Therefore, we expect that ratio of women in managerial positions will increase in the future. We will continue building an organization where all employees can thrive, embracing perspectives beyond gender to foster true diversity. As a result, we will strive to improve ratio of women in managerial positions. One female officer has been appointed as an Outside Director since fiscal 2022. In the future, we aim to produce female directors from within the company.

## Initiatives to create an environment in which employees can demonstrate their abilities

In the fiscal year ended March 31, 2024, the percentage of female employees who took childcare leave was 100% (the cumulative return to work rate since 2018 was 94.5%). In the fiscal year ended March 31, 2024, two male employees took childcare leave and the average number of days taken was 54 days. The number of employees taking childcare leave and the average duration of leave have both been gradually increasing, and the level of understanding within the Company is gradually increasing. As part of our efforts to help employees balance work and childcare, we have introduced a reduced hours working system that allows employees to choose to work shorter hours to care for children of elementary school age or younger. At present, 27 employees (one male and 26 female) are using this system. The introduction of this system has improved the rate of return to work from childcare leave, the retention rate of female employees, and the average length of service. We will develop a support system for before employees return to work from maternity leave, support career development and create an organization where diverse employees can grow and play active roles.

### [Ratio of Female Employees • Ratio of Female Managers]

	FY2020	FY2021	FY2022	FY2023	FY2024
Total number of employees (person)	403	395	386	398	417
Female of employees (person)	140	140	145	144	150
Ratio of female managers	7.2	6.8	8.5	8.8	10.3

### [Ratio of Male to Female Managers]

Positions	Assistant Branch Manager	Branch Manager	Section Chief	Deputy Manager	Manager	Department Head	Deputy General Manager	Senior Deputy General Manager	General Manager	Deputy Headquarters Manager	Total
Male	3	9	34	23	27	2	21	5	20	3	147
Female	2		27	12	6				4		51

\*Prepared based on the data as of April 1 of each year

## Leveraging diverse talent

### Promotion of activities for people with disabilities

Our employment rate in fiscal 2023 was 2.64%, which meets the statutory employment rate. Their average length of service is 8 years and 1 month, and they are active in the corporate divisions and sales departments.

### Senior human resources

We extend the employment of employees who wish to continue working after reaching the mandatory retirement age through a re-employment system. At present, the number of employees aged 65 and over is 14, and they are contributing to the development of the business by demonstrating the rich experience and knowledge held by the senior generation.

### Promoting the activities of foreign employees

The percentage of Sun Frontier Fudousan Co., Ltd. Group employees with foreign nationality in Japan was 7.3% (7.3% in the previous year). Especially in the Hotel Business, we accept technical intern trainees, and various human resources are working at the forefront.

## Hiring and securing human resources

To realize the Company Philosophy, the Group is seeking human resources with both “the heart of altruism” and a “frontier spirit,” who are curious, autonomous and diverse. In addition to recruiting new graduates, we are also actively recruiting mid-career employees to lead to the hiring of human resources as a strong group based on personal integrity. As part of our hiring process, we offer candidates the chance to visit the company and interact with employees, allowing them to gain insights into our culture and values. In addition, through multiple interviews, the candidate’s personality and aptitude are evaluated from various perspectives. Through these specific methods, we respect diversity and realize recruitment activities that make the most of individual characteristics.

### [Trends in Recruitment (including new graduates and mid-career hires)]

	FY2020	FY2021	FY2022	FY2023	FY2024
Number of new graduates (persons)	22	27	10	12	17
Number of experienced professionals hires (persons)	47	12	37	32	49



# Health and Productivity Management

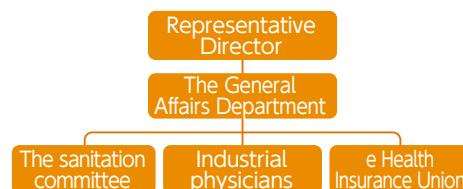
For more information on health management, click here. ▶

As a group that sets “altruism” as the Company policy and shares the value of “the joy of people is my own joy,” the Company believes that it can contribute to building a prosperous society and can grow and develop by serving clients. To this end, we aim to achieve “employees’ mental and physical health” and “a workplace environment with job satisfaction” through health and productivity management. The goals and initiatives of health and productivity management are summarized in the “Health and Productivity Management Strategy Map,” and efforts are made company-wide

## Health and Productivity Management Declaration

Sun Frontier Fudousan Co., Ltd. is committed to protecting all employees, aiming for material and spiritual happiness, and maintain and improve the health of employees

## Health and Productivity Management Promotion System



## Management goals addressed through health and productivity initiatives.

- Maintain and improve the mental and physical health of employees
- By maintaining their physical and mental health, employees can feel higher job satisfaction and become more productive

## Initiatives related to health and productivity management

Since its foundation, the Company has held company-wide sports retreats, golf competitions, and other participatory employee events. We have also worked to enhance our facilities by installing height-adjustable desks and concentration booths. In addition, the Company actively disseminates health-related information to employees through its office signage and intranet. We remain committed to advancing initiatives that maintain and improve our employees’ mental and physical health.

### [Results and targets of initiatives for improving health issues]

	FY2021	FY2022	FY2023	FY2024(Targets)
Health checkup participation rate	98.9%	99.1%	99.7%	100.0%
Paid leave utilization rate	66.5%	64.2%	68.4%	—
Number of paid leaves taken	10.2days	10.3days	11.6days	—
Stress check participation rate	100.0%	100.0%	100.0%	100.0%
Ratio of highly stressed persons	11.5%	9.3%	9.6%	Less than 10%

## Certified as a KENKO Investment for Health Outstanding Organization 2024 (Large Enterprise Category) and 2023 Tokyo Sports Promotion Company

We have been certified as a “KENKO Investment for Health Outstanding Organization 2024 (Large Enterprise Category)” under the KENKO Investment for Health Certification System promoted by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. Based on the Health and Productivity Management Declaration of “maintain and improve the health of employees,” we cooperate with the Health Insurance Association, which promotes health and productivity management, to promote employees’ health and prevent lifestyle-related diseases. In recognition of our support for the Sado Triathlon, participation by employees, and support for various club activities, we were also recognized as a “2023 Tokyo Sports Promotion Company.” We will continue to promote health and productivity management and strive to increase corporate value.



## Striving to create an environment where our valued team members can work with peace of mind.

**Hisae Yokoi** General Manager,  
General Affairs Department



The Group has positioned human resources as the most important asset in its corporate activities and is engaged in a variety of initiatives. As part of these initiatives, to maintain and improve the mental and physical health of our employees, we not only conduct health checkups and stress checks, but also hold sports training camps, encourage and support club activities, and conduct lifestyle questionnaires. We also hold occupational physician seminars on themes based on the results of these questionnaires. In addition to these initiatives, we provide individualized support for the mental and physical well-being of each employee.

In March 2024, the Company was certified as a “2024 Health & Productivity Management Outstanding Organization.” We have acquired the certification due to the various efforts we have made since the Company’s founding, and I feel it is very significant. This year, we also started to hold health and productivity management seminars with Olympians and others invited as lecturers, which employees can participate in to learn about health management while exercising together. In the Group, where the number of new colleagues is expected to increase in the future, we will strive to create an environment in which our valued colleagues can work with peace of mind and to design measures while maintaining an “offensive and defensive balance” to maintain and improve the mental and physical health of our employees.

# Creating Workplaces with Job Satisfaction, Creativity, and Growth Opportunities

## Human resource development program and career development

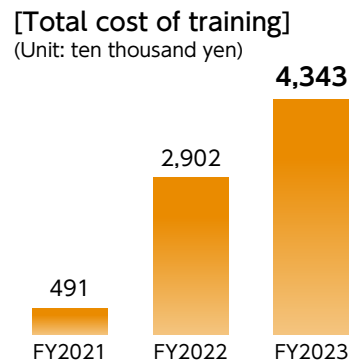
Our Human resource development program is based on the spread of philosophy and supports our employees' commitment to continuous learning. Employees pursue ongoing learning because of a strong commitment to serving clients and society. This idea takes root in our corporate culture and creates a climate of friendly competition. Through this positive cycle, employees will grow into human resources who can further contribute to clients and society.

To achieve this, we have created an educational framework that fosters each employee's growth according to their career stage. New employees are provided with basic knowledge and skills, while mid-level employees receive training aimed at improving their leadership and expertise. We provide all employees with support to build their careers, including programs for managers to develop strategic thinking and organizational management skills. At the same time, we actively support created an educational framework that fosters each employee's growth according to their career stage. In this way, new knowledge and skills are constantly acquired, and human resources who continue to be useful to clients and society are fostered.



## Human resource development and investment

As shown in the diagram on the right, investment in employee development has increased significantly in recent years. After the end of the pandemic of COVID-19, training activities have increased, such as resuming overnight training and holding philosophy training for all employees three times a year. Another factor was the launch of DX training and the marketing program, which provide comprehensive training covering skills and knowledge that will be important in the future business environment, and working to expand the content of these trainings also contributed to the increased investment.



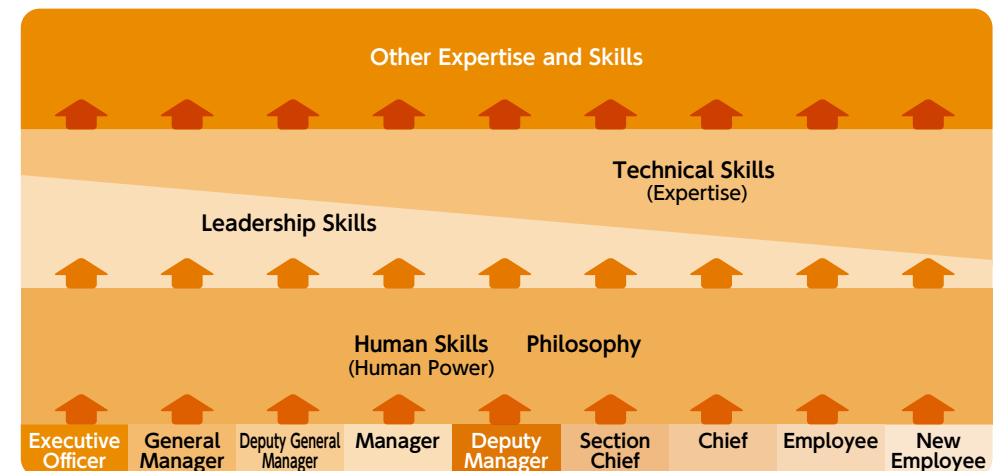
## Initiatives to utilize DX, improve business processes and individual abilities

Our digital transformation (DX) initiatives are aimed at improving efficiency and productivity. Specifically, we are using AI and data analysis tools and developing cloud services to speed up information sharing and optimize business processes. As part of improving business processes, we are reviewing our workflow based on feedback from employees, reducing manual work, and improving the efficiency of progress management by introducing automated tools and utilizing project management tools. This has created an environment in which employees can concentrate on tasks with a higher added value.

We are also working to enhance our training programs for improving individual abilities. We regularly conduct advanced skills training such as DX training and the marketing program, philosophy training and leadership training, and have introduced and utilized a self-improvement system. This enables employees to constantly acquire new knowledge and skills to respond to the changing business environment.

The results of these initiatives include improved operational efficiencies, cost reductions, improved employee skills and career development, and improvements in corporate productivity and competitiveness. We will continue to introduce the DX strategy and new technologies, develop training programs aimed at sustainable growth, and diversify our employees' career paths and support measures.

### [Education System]



# Creating a Workplace with Job Satisfaction, Creativity, and Growth Opportunities

## Philosophy training

Guided by the belief that employees cannot become socially beneficial without a clear vision and purpose, we conduct training that progressively clarifies life goals, the purpose of work, and the meaning of life from the time employees join.

### ► Fiscal 2023 results

Chairman's Training: Once a year for mid-career recruits and twice a year for new graduates

## Basic business training

Basic business model training program is held once a month to learn about global economic trends and domestic market conditions through reading various economic indicators in Japan and overseas, focusing on finance and real estate. In addition, the Nikkei (Nihon Keizai Shimbun) Test is conducted every week to ensure that all employees are aware of the rapidly changing economic trends in their daily work.

### ► Fiscal 2023

Cumulative total: 4,323 employees/12 times



## Training for new employees

It can be said that the basics of being a business person are "integrity and manners." It is a matter of course to learn manners such as how to answer the telephone and business rules, and we aim for new employees to grow as people and become attractive human assets. To be able to contribute to society on their own, in addition to the basic skills for a business person, they also learn the mindset for a human and a business person.

## Practical training on real estate

To become a professional group in real estate, we offer practical training for each level to enhance real estate skills and expertise. Training provided by internal and external instructors tailored to their level of practical skills broadens each employee's field of vision and scope of work and provides practical learning that can be used for awareness and activities in the workplace.



## Internal Certification System

We have introduced a qualification point system to support employees' skill improvement and career growth. When employees get recommended qualifications, it will be converted into points and a qualification allowance will be paid for every 10 points. This system provides employees with both opportunities to advance their careers through certification and financial incentives. In particular, we are focusing our efforts on supporting the acquisition of the Real Estate Notary qualification. Employees who acquire the Real Estate Notary qualification receive 10 points. We invite external instructors from certification schools to hold in-house seminars to help employees acquire qualifications. In addition to on-the-job training and the support of supervisors, we have a culture of company-wide support for examinees, such as holding regular mock exams. This system contributes to the self-development and increased motivation of employees and aims to strengthen the competitiveness and sustainable growth of the entire company.

## Cultivating employee growth, a desire to challenge themselves, and independence while instilling the philosophy as an important foundation

### Masaki Oikawa

General Manager, Human Resource Department,  
General Manager, Employee Development Department



In hiring human resources, we do not limit ourselves by the number of people to be hired. Our basic policy is to select and hire the right people to meet the needs of the company. We also aim to integrate "recruitment" and "human resource development speed" while envisioning the Group's growth. Human resource development, which is based on the philosophy that is the foundation of the Group, leads to the improvement of human potential and expands to the acquisition of skills and expertise.

In addition, regardless of employees' history with the company or age, the philosophy allows them to continue to learn and polish their personal integrity and purpose of living. By sharing the philosophy, which is a common set of values among employees, the goals are aligned, and by emphasizing teamwork, it is easier to transfer and hold concurrent positions. As a result, the Company has a system that facilitates the acquisition of skills and career advancement. The Human Resources Department is dedicated to cultivating an environment that fosters a mindset of independence and the courage to take on new challenges from scratch through educational programs and support for self-improvement based on a matrix of hierarchy and learning themes. I believe that human resource development based on this philosophy will lead to the diversification of the Group.



## Messages from Outside Directors

### Oversee governance, including the underlying organizational culture

Strong governance is maintained throughout the company due to a deep-rooted corporate philosophy and an organizational culture grounded in that philosophy, and the structure of the Management Committee and other committees as well as the Board of Directors build upon them.

**Q.** How do you analyze and evaluate the current situation of the Company, which has entered a new management stage, including the development of the long-term vision and the expedited release of the next medium-term management plan?

**A.** Our corporate culture is to always think about what we can do from our customers' point of view. Based on this corporate culture, our strengths lie in its ability to differentiate itself through the provision of value-added services and provide comprehensive services across all its businesses. In these days when price alone does not determine superiority, we believe that we are now in an environment where our strengths are more appreciated and can be demonstrated. Under such circumstances, we have recently announced our long-term vision and the next medium-term management plan, and Outside Directors were deeply involved in the process of formulating these plans. At the intensive discussions on our medium- to long-term strategies held several times in addition to the regular meetings of the Management Committee and the Board of Directors, I was able to engage in lively discussions with senior management. As a result, I believe that this long-term vision and the next medium-term management plan have incorporated diverse opinions from external perspectives.

**Q.** Please tell us about the effectiveness of the Board of Directors and governance.

**A.** We have various committees, including the Management Committee at the top, in which Outside Directors can also participate. At the Management Committee, which brings together the heads of all the business divisions, a variety of reports and lively discussions are carried out in a way linked

to our philosophy. At the other meetings, free and vigorous discussions are held across divisions. Our governance structure rests on two principles: the deep integration of our philosophy and the Management Committee, which is rooted in this philosophy. We believe that these two principles are the very foundation on which our corporate governance functions in a sound manner. The Board of Directors holds discussions based on these discussions, and I feel that the Board of Directors itself also holds free discussions. Looking to the future, if we can create a permanent forum for continuous discussion of company-wide strategies, similar to the ones for intensive discussions I mentioned before, the Board of Directors itself will become more dynamic, which will lead to further strengthening of governance.

**Q.** What roles would you like to play going forward?

**A.** Broadly speaking, Outside Directors are required to fulfill two functions: ensuring "thorough governance" and "enhancing corporate value." With regard to "thorough governance," it goes without saying that we supervise whether decisions are made in a sound manner and whether things are going in the right direction. At the same time, as the foundation of governance is the organizational culture, we will thoroughly check governance including the organizational culture. Regarding "enhancing corporate value", as we tend to take a perspective from our own industry, I hope to contribute to generating synergistic value by continuously sharing insights on industry and societal trends with the company. Also, I would like to expect our company to take its approach to materiality a few steps further and pursue as well as quantify the impact it can ultimately have on the society.



**Kazutaka Okubo** Outside Director and Audit & Supervisory Committee Member

November 1995	Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC)
April 1999	Registered as Certified Public Accountant
June 2006	Partner of ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC)
July 2012	Senior Partner of ShinNihon LLC (currently Ernst & Young ShinNihon LLC)
February 2016	Senior Managing Director and General Manager of ERM of the same audit corporation
June 2019	President Representative Director of Okubo Associates Co., Ltd. (current position)
June 2019	Director of the Company (current position)
December 2019	Outside Director of LIFULL Co., Ltd. (current position)
February 2020	Outside Director of SALA Corporation (current position)
June 2020	Outside Director of The Shoko Chukin Bank, Ltd. (current position)
June 2020	Outside Director, Audit & Supervisory Committee Member of Musashi Seimitsu Industry Co., Ltd. (current position)
November 2020	Representative Director of SS DNAFORM (current position)
September 2021	Outside Director, Audit & Supervisory Committee Member of BrainPad Inc. (current position)
June 2022	Outside Director, Audit & Supervisory Committee Member of SEGA SAMMY HOLDINGS Inc. (current position)
June 2024	Director, Audit & Supervisory Committee Member of the Company (current position)



# Company Management

2024年6月25日現在

[Legend] ◇Term of office ◆Number of the Company's shares held  
❖Number of meetings of the Board of Directors attended



**Tomoaki Horiguchi**  
Chairman Representative Director  
◇25year ◆2,478,396 ❖18/18

As the founder, he is leading the growth of the Company while possessing strong centripetal force and abundant experience in corporate management, and he is committed to human resource development and further strengthening of the management foundation.



**Seiichi Saito**  
President & CEO  
◇18year ◆81,829 ❖18/18

Having taken over as President in 2020, he is committed to realizing our Management Principle and further corporate growth and development by strengthening the management foundation that will serve as the footing for the next generation's growth.



**Izumi Nakamura**  
Executive Vice President  
◇16year ◆60,781 ❖18/18

As the General Manager of Entrusted Asset Management Division, he is leading the Real Estate Service Business while assisting the President in striving to realize the Management Principle and enhance corporate value.



**Yasushi Yamada**  
Senior Managing Director  
◇9year ◆22,765 ❖18/18

As the General Manager of Business Promotion Division, he is leading new business areas such as the Overseas Business and Environmental Business, and also promoting M&A aimed at further growth.



**Mitsuhiro Ninomiya**  
Director  
◇4year ◆36,133 ❖18/18

As the General Manager of Administration Division, he is working to resolve management issues and has also contributed to human resource development and the creation of a corporate culture through the diffusion and retention of the Management Principle, which is the foundation of the Company.



**Kenji Honda**  
Director  
◇4year ◆7,833 ❖18/18

He has led the core businesses of the Group, such as Real Estate Revitalization Business and specified joint real estate ventures and has contributed to the growth of the Company's business division as the General Manager of Asset Management Division.



**Keiichi Asai**  
Outside Director  
◇2year ◆0 ❖18/18

He has experience in international business in the energy sector of a general trading company and also has abundant knowledge and experience in general corporate management as a corporate manager.



**Kouichi Ishimizu**  
Outside Director  
◇New candidate ◆0/❖—

He has been involved in construction sites, overseeing building construction management, placing orders for construction work, and managing everything from the start of construction to completion. He also possesses extensive knowledge and experience in management



**Shinichi Tominaga**  
Director, Audit & Supervisory Committee Member  
◇2year ◆700 ❖18/18

With knowledge in the financial and real estate industries, as well as extensive experience in compliance and risk management, he is also well-versed in the Company's business processes.



**Kazutaka Okubo**  
Outside Director and Audit & Supervisory Committee Member  
◇New candidate ◆3,500 ❖18/18

He has abundant knowledge and experience in a wide range of fields including corporate compliance and CSR, as well as being well versed in governance and finance.



**Yukiko Eda**  
Outside Director and Audit & Supervisory Committee Member  
◇New candidate ◆0/❖—

She has specialized knowledge and extensive experience in corporate legal affairs as an attorney, mainly in the fields of real estate and inheritance-related matters.

[Executive Officer] Shuhei Oda  
Kentaro Kawanishi  
Takeshi Hirahara  
Kenji Wakao  
Hiroyuki Takekawa  
Keiichiro Nishimoto  
Tetsuya Arai  
Hiroyuki Kobayashi

## [Skill matrix]

◎ indicates the chairperson or committee chair

Managerial position	Name	Expected expertise and experience. (Listing up to 4 main items)								Status of Inauguration		
		Corporate management	Real estate	Accounting Finance	Legal Compliance Risk Management	HR Labor HR Dev.	CSR ESG Sustainability	M&A	Overseas	Board of Directors	Audit & Supervisory Committee	Nomination and Compensation Committee (Voluntary)
Chairman Representative Director	Tomoaki Horiguchi	●	●			●		●		○		○
President & CEO	Seiichi Saito	●	●	●					●	◎		◎
Executive Vice President	Izumi Nakamura	●	●	●				●		○		
Senior Managing Director	Yasushi Yamada	●	●					●	●	○		
Managing Director	Mitsuhiro Ninomiya				●	●	●			○		
Director	Kenji Honda		●			●				○		
Outside Director	Keiichi Asai	●						●	●	○		○
Outside Director	Kouichi Ishimizu	●	●							○		
Director, Audit & Supervisory Committee Member	Shinichi Tominaga		●	●	●					○	◎	
Outside Director, Audit & Supervisory Committee Member	Kazutaka Okubo			●	●		●		●	○	○	○
Outside Director, Audit & Supervisory Committee Member	Yukiko Eda				●	●				○	○	

# Corporate Governance

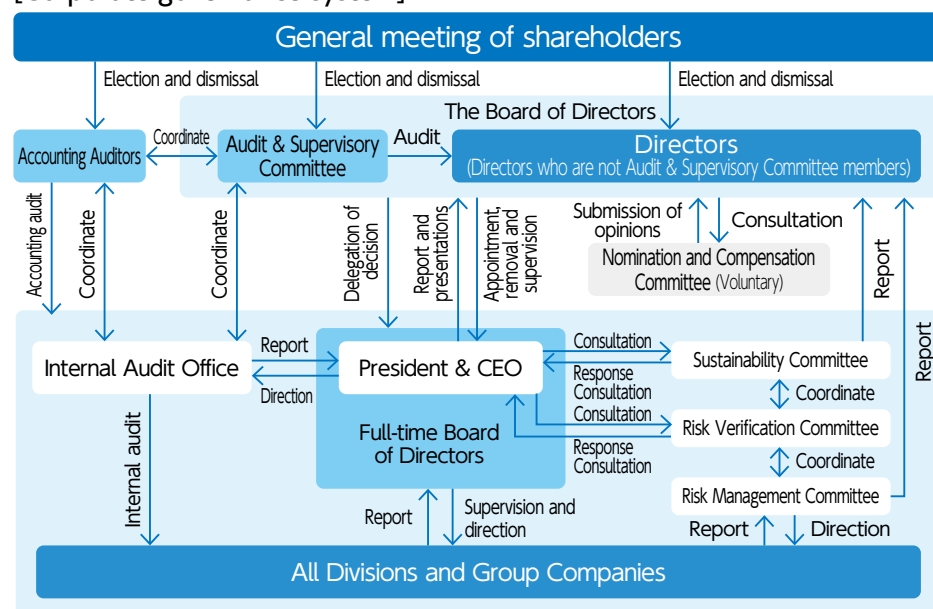
At our company, all employees and officers use a high sense of ethics and "rightness as human beings" as the basis for their decision-making in the performance of their duties. This principle is the cornerstone of our corporate management. On this foundation, we aim to contribute to society through our business activities and pursue fair and honest profits. By continuously enhancing our corporate value over the long term, we recognize that building unwavering trust from our stakeholders—shareholders, customers, and employees—is a critical mission of our management.

## Nomination and Compensation Committee

As a voluntary advisory body of Board of Directors, in order to improve the objectivity and transparency of the procedures concerning the appointment and dismissal of board members and their remuneration, the Company has established a voluntary Nomination and Compensation Committee consisting of Chairman-Representative Director, President & CEO and two or more members of Outside Directors.

The Committee considers and discusses basic policies and etc. of standards, process and appraisals pertaining to the appointment and dismissal of board members. The Board of Directors decides on the appointments and dismissals of board members, on the appointment and dismissals and the board members remuneration. We are going to consider the majority of the Committee members to consist of the outside officers.

### [Corporate governance system]



[For more information on corporate governance, click here. ▶](#)

	Composition	Content	Number of Meetings
<b>Board of Directors</b>	<b>11 members</b> 7 internal directors 4 external directors Chairperson: President	The Board focuses on essential decisions in management policy and supervises operational execution, aiming to enhance corporate governance.	<b>18 times</b>
<b>Audit &amp; Supervisory Committee</b>	<b>3 members</b> 1 internal director 2 external directors Chairperson: Internal Director	Responsible for auditing and supervising the execution of duties by directors, strengthening the supervisory function of the Board of Directors, and enhancing corporate governance.	<b>13 times</b>
<b>Nomination and Compensation Committee</b>	<b>4 members</b> 2 internal directors 2 external directors Chairperson: Internal Director	As an advisory body to the Board of Directors, it deliberates and examines standards, processes, and basic policies for improving the objectivity and transparency of procedures related to the selection and dismissal of officers and officer remuneration.	<b>3 times</b>
<b>Sustainability Committee</b>	<b>20 members</b> 2 internal directors 4 external directors 14 committee members Chairperson: Internal Director	As an advisory body to the President, it promotes sustainability activities, including climate change measures, collaborates with the Risk Verification Committee and the Risk Management Committee, compiles risks and opportunities related to climate change from business departments and group companies, considers countermeasures, and regularly reports to the Board of Directors.	<b>Held four times a year</b>

[For more information on the internal control system, click here ▶](#)

## ◆ Internal Control

### Basic Views on Internal Control System

In accordance with the Ordinance for Enforcement of Companies Act of Japan and Companies Act of Japan, the Company resolution "Internal Control System Construction basic policy" in Board of Directors as described below, and has established and is operating its system.

# Corporate Governance

## Board of Directors Effectiveness Evaluation

### Evaluation method

The Company analyzes and evaluates the effectiveness of the Board of Directors in order to improve the functions of the Board of Directors. To be more specific, we conduct surveys targeting directors and Audit & Supervisory Committee Members on general matters related to the Board of Directors, including the composition and operation methods of the Board of Directors, the status of deliberations, and the status of support systems for directors and Audit & Supervisory Committee Members. The results of these analyses are then evaluated by the Board of Directors. In order to obtain frank opinions from the survey subjects, we conduct an anonymous questionnaire survey and entrust the collection, tabulation and analysis of the survey results to an external organization.

### Result of Evaluation

The survey results for FY2023 determined that the effectiveness of the Board of Directors was generally ensured. Although there were improvements in the issues raised last year, such as “setting KPIs to achieve sustainable growth for the company” and “establishing a system for regularly reviewing the business portfolio of the entire group to ensure sustainable profitability and capital cost considerations,” they were still insufficient. On the other hand, new issues were raised from a medium- to long-term perspective, such as “succession planning for CEO candidates” and “organizational development, talent development and retention, budget allocation, project management, and review of personnel evaluation systems to achieve DX promotion.” Going forward, we will strive to improve corporate governance by addressing the issues identified in this evaluation and further promote management aimed at enhancing sustainable corporate value.

### [Efforts to Address Extracted Issues]

#### Issues Extracted in FY2022

- ▶ Setting KPIs to achieve sustainable growth for the company
- ▶ Establishing a system for regularly reviewing the business portfolio of the entire group to ensure sustainable profitability and capital cost considerations.

#### Measures and Initiatives in FY2023

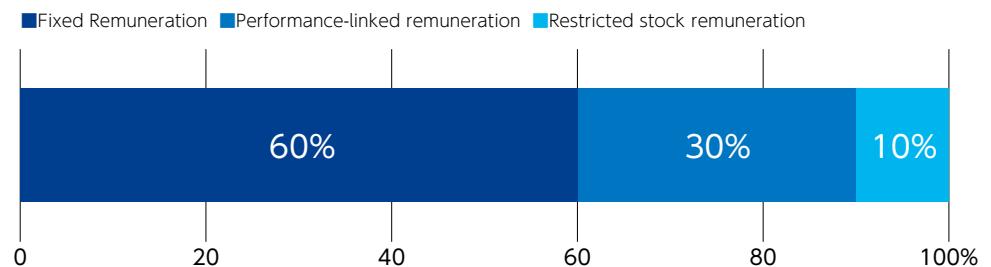
“As an opportunity for discussions aimed at achieving sustainable growth, we have established a forum for intensive discussions on medium- to long-term strategies, separate from regular meetings such as the Board of Directors and management meetings. The content of these discussions and the measures taken are reflected in the **“Response to Realizing Management Conscious of Capital Costs and Stock Prices”** announced on December 20, 2023, and the **“Announcement of the Formulation of the Long-Term Vision and the Next Medium-Term Management Plan”** announced on May 10, 2024

### officers’ remuneration

The Group grants executive officer awards to each director for the purpose of enhancing motivation and morale to improve business performance by linking the improvement of the Group’s business performance with the profit of the Group’s directors.

In addition, as part of the review of the officers’ remuneration system, directors (excluding outside directors), who are not Audit & Supervisory Committee members, a system of restricted stock remuneration has been introduced in order to share the benefits and risks of stock price fluctuations with shareholders and to increase their willingness to contribute to higher stock prices and higher corporate value.

#### [Ratio of remuneration]



#### [Total Amount of Remuneration, etc. Paid to directors and corporate auditors] (FY2023 results)

Classification	Total Amount of Remuneration, etc. Paid (million yen)	Total Amount by Type of Remuneration, etc. (million yen)			Number of Persons Paid
		Fixed Remuneration	Performance-linked remuneration	Restricted stock remuneration	
Director (excluding Audit & Supervisory Committee Member and Outside Director)	257.2	160.2	70.0	27.0	6
Audit & Supervisory Committee Member (excluding Outside Director)	12.0	12.0	—	—	1
Outside Officers	26.0	26.0	—	—	4

# Compliance & Risk Management

[For more information on Risk Management, click here. ▶](#)

## Basic policy for Risk Management

In order to respond to all risks that threaten the improvement of corporate value and the sustainable development of the Company, the Company will strive to establish an organizational crisis management system by creating a risk management manual and establishing a task force headed by the President & CEO (including a team of external experts such as corporate lawyers) in the event of an unforeseen event.

In addition, the Company and its group companies have established a Risk Management Committee chaired by the President & CEO and assign risk management officers to each division. In the event that any risk is discovered in management or business, it shall be reported to the Risk Management Committee, and the risk information shall be analyzed and countermeasures shall be considered to prevent damage or to minimize damage to the Company and the group companies if such damage occurs.

## Risk Management System

The Company's risk management system includes risk management in each division. At the same time, the director, division head, and chief grasp the status of important management matters (contracts, quality, intellectual property, etc.) in a cross-sectional manner. If necessary, the director, division head, and chief hold weekly meetings for report and review. In the event of an emergency, the Company has established a system to promptly hold a temporary Board of Directors' meeting to respond.

In addition, in order to strengthen risk management, the Company strives to implement internal audit and enhance education and training regarding various laws and regulations for officers and employees, and carries out educational activities to ensure awareness.

## Risk Verification Committee

As an advisory body to the President & CEO, we have established a Risk Verification Committee chaired by the General Manager of Administration Division and primarily composed of the Manager of General Affairs Division, Manager of Legal Affairs Division, and Head of Internal Audit Office. The Risk Verification Committee meets regularly once a quarter and as needed. The Risk Verification Committee verifies the risks reported by the monthly Risk Management Committee meetings and comprehensively manages the formulation of policies, measures, and annual plans related to the Company's risk management.

## Risk Management Committee

We have established a Risk Management Committee chaired by the President & CEO as an advisory body to the President & CEO. The committee is primarily composed

of General Managers of each of the sales divisions and Managers of the divisions of Administration Division, and meets once a month. The Risk Management Committee discusses the comprehensive management and response to risks in each division, as well as matters related to the prevention of possible risks and activities to raise awareness of such risks.

## Our basic policy for compliance

The Company recognizes that it is its corporate social responsibility to ensure that all directors and employees, based on a fair and high sense of ethics, always realize the spirit of legal compliance and execute business operations. The Company is working to strengthen its internal management system, raise awareness of compliance, and establish a management system that will continue to be trusted by society in the future.

We have established the Internal Audit Office, which is under direct control of President & CEO, to conduct regular internal audits of all departments and group companies without exception. In the internal audit, the Company ascertains the status and structure of business operations, and fairly investigates and verifies whether all business operations are conducted properly in accordance with laws and regulations, the Articles of Incorporation, and internal rules, as well as whether corporate systems, organizations, and rules are appropriate and proper, and reports the audit results to the President & CEO and the Audit & Supervisory Committee regularly, as well as reporting to Board of Directors as necessary.

## Internal Reporting System

The Company will establish a "Corporate Ethics Help Line" and establish an internal reporting system with various contact methods that thoroughly protects reporters in order to prevent and promptly detect violations of laws and regulations and misconduct to improve the mobility of the self-cleaning process, control reputational risks, and ensure public trust.

Directors and employees of the Company and group companies may report to the internal reporting office of the Company as set forth in the "Regulations on the Corporate Ethics Help Line" at any time. In addition, they may voluntarily report to outside Audit & Supervisory Board Members. The Compliance Department of the Company provides education and training opportunities for directors and employees to raise awareness of the hotline and encourage active reporting. The Company shall explicitly stipulate in the "Regulations on the Corporate Ethics Help Line" that directors and employees of the Company and group companies shall not be subjected to unfavorable treatment in personnel evaluation and shall not be subject to adverse dispositions such as disciplinary action by reporting to the internal reporting office, and shall make it known that they shall not be subject to adverse dispositions due to reporting to Audit & Supervisory Board Members.



# Data Section

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# ESG Data

## Environment

### CO<sub>2</sub> emissions (non-consolidated)

(Unit: t-CO<sub>2</sub>e)

Classification	Category details	Applicable activities	Fiscal 2021	Fiscal 2022	Fiscal 2023
Scope1	Direct emissions by the company	Not applicable	0	0	0
Scope2	Indirect emissions by the company	Emissions through electricity suppliers due to electricity use	196.3	195.1	88
Scope3*	Category 1	Purchased goods and services	50,302	56,091	74,215.30
	Category 2	Capital goods	30,910	21,890	4,740.70
	Category 3	Fuel and energy related	30	30	33.3
	Category 4	Transportation and delivery (upstream)	0	0	0
	Category 5	Waste generated in operations	24	55	11.1
	Category 6	Business travel	7	6	7.2
	Category 7	Employee commuting	12	11	13
	Category 8	Leased assets (upstream)	0	0	0
	Category 9	Transportation and delivery (downstream)	0	0	0
	Category 10	Processing of sold products	0	0	0
	Category 11	Use of sold products	113,253	74,129	68,647.40
	Category 12	End-of-life treatment of sold products	28	21	14.6
	Category 13	Leased assets (downstream)	514	875	958.1
	Category 14	Franchises	0	0	0
	Category 15	Investments	0	0	0
Offsets			-151	-364	-307
Scope3 Total			194,929	152,744	148,333.70
Scope1,2,3 Total (Units: t-CO <sub>2</sub> e)			195,125	152,939	148,421.70

\*Calculated for the RePlanning® Business

### Calculation method for greenhouse gas emissions Scope 3 (non-consolidated)

Scope 3 classification	Category details	Calculation method
Category 1	Purchased goods and services	Calculated by multiplying the purchase of goods in the Replanning Business and the book value of the building of the replanning property in the fiscal year by the emission factor
Category 2	Capital goods	Calculated by multiplying the increase in property, plant and equipment in the fiscal year by the emission factor
Category 3	Fuel and energy related	Calculated by multiplying the energy consumption calculated for Scope 1 and 2 by the emission factor
Category 4	Transportation and delivery (upstream)	Not applicable
Category 5	Waste generated in operations	Calculated by multiplying the amount of waste generated by the Replanning Business in the fiscal year by the emission factor
Category 6	Business travel	Calculated by multiplying the number of employees involved in the Replanning Business in the fiscal year by the emission factor
Category 7	Employee commuting	Calculated by multiplying the result of multiplying the number of employees involved in the Replanning Business in the fiscal year by the number of business days by the emission factor
Category 8	Leased assets (upstream)	Not applicable
Category 9	Transportation and delivery (downstream)	Not applicable
Category 10	Processing of sold products	Not applicable
Category 11	Use of sold products	Calculated by multiplying the result of multiplying the total floor area of the replanning properties sold during the fiscal year by the remaining useful life by the emission factor
Category 12	End-of-life treatment of sold products	Calculated by multiplying the total floor area of replanning properties sold during the fiscal year by the waste intensity and emissions intensity
Category 13	Leased assets (downstream)	Calculated by multiplying the amount of energy used by tenants of the fixed asset property in the fiscal year by the emission factor
Category 14	Franchises	Not applicable
Category 15	Investments	Not applicable

## ESG Data

## Environment

## Scope 1 (fiscal 2023) (consolidated)

(Unit: t-CO<sub>2</sub>e)

the target companies*	Location-based			Market-based		
	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2021	Fiscal 2022	Fiscal 2023
Sun Frontier Fudousan Co., Ltd. (+ common across the group)	40.6	61.4	78.1	40.6	61.4	78.1
SF Building Maintenance Inc.	71.6	76	54.4	71.6	76	54.4
Sun Frontier Space Management Inc.	0	0	0	0	0	0
Sun Frontier Hotel Management Inc.	2,473.00	1,842.40	1,736.90	2,473.00	1,842.40	1,736.90
Sky Heart Hotel Inc.	207.4	246.4	220.7	207.4	246.4	220.7
Sun Frontier Sado Co., Ltd.	1,286.40	1,008.90	1,300.90	1,286.40	1,008.90	1,300.90
SF Engineering Inc.	9.5	2.9	0.8	9.5	2.9	0.8
SF Communication Inc.	0	0	0	0	0	0
Sun Frontier Fudousan Taiwan Co., Ltd.	0	0	0	0	0	0
SUN FRONTIER VIETNAM CO., LTD.	0	0	0	0	0	0
PT. SUN FRONTIER INDONESIA	0	0	-	0	0	-
Total (t-CO <sub>2</sub> e)	4,088.50	3,237.90	3,391.90	4,088.50	3,237.90	3,391.90

## Scope 2 (fiscal 2023) (consolidated)

(Unit: t-CO<sub>2</sub>e)

Scope 2 (fiscal 2023)	Location-based			Market-based		
	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2021	Fiscal 2022	Fiscal 2023
Sun Frontier Fudousan Co., Ltd. (+ common across the group)	216.4	211	209.2	215.4	213	88
SF Building Maintenance Inc.	23.3	22.7	21	23.7	23.3	19.5
Sun Frontier Space Management Inc.	1,098.80	747.5	1,513.00	1,099.50	748.2	1,466.40
Sun Frontier Hotel Management Inc.	3,222.30	3,837.70	3,342.80	3,590.20	4,643.00	3,896.90
Sky Heart Hotel Inc.	692.6	809.6	671.3	725.5	878.3	720.3
Sun Frontier Sado Co., Ltd.	925	970.3	962.3	976.3	1,091.30	1,056.50
SF Engineering Inc.	25	15.2	11.1	25.1	15.2	11
SF Communication Inc.	13.2	11.9	10.6	13.2	11.9	10.6
Sun Frontier Fudousan Taiwan Co., Ltd.	3.1	2.9	3.1	3.1	2.9	3.1
SUN FRONTIER VIETNAM CO., LTD.	17.3	6.6	9	17.3	6.6	9
PT. SUN FRONTIER INDONESIA	3.2	0	-	3.2	0	-
Total (t-CO <sub>2</sub> e)	6,240.20	6,635.40	6,753.40	6,692.50	7,633.70	7,281.20

\* "Sun Frontier Okinawa Co., Ltd.", "Hotel Osado Co., Ltd.", "SF Marine Power Generation Co., Ltd" and " Japan Urban Hotel Development Co., Ltd.," are included in their parent companies.

\* "Sun Frontier NY Co., Ltd", "Navd Co., Ltd.," and "SF Human Support Co., Ltd.," are excluded because they use shared offices and other companies' offices.

## ESG Data

## Social

## [1] Diversity &amp; Inclusion

## Number of employees

(persons)	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Total number of employees	395	386	398	417
Male	255	241	254	267
Female	140	145	144	150
Percentage of female employees	35.4%	37.6%	36.2%	36.0%

## Number of new graduates and experienced professionals hires

(persons)	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Total new graduates	27	10	12	17
Male	18	6	7	12
Female	9	4	5	5
Total experienced professionals	12	37	32	49
Male	6	21	24	30
Female	6	16	8	19
Experienced professionals hiring ratio	30.8%	78.7%	74.4%	74.2%

## Average age

(years old)	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Average age company-wide	37	37.7	38	37.6
Male	38.6	39.3	39.7	39.2
Female	34	34.9	35.1	34.7

## Average length of service

(years)	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Average length of service company-wide	5.72	6.34	6.71	6.8
Male	6.02	6.84	7.05	7.05
Female	5.18	5.51	6.12	6.36

## Number of employees taking childcare leave

(persons)	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Total number of employees taking childcare leave	11	13	8	9
Male	0	0	1	2
Female	11	13	7	7

## Specific employees in management track positions (short-time regular employees)

(persons)	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Total number of specific employees in management track positions (short-time regular employees)	24	23	25	27
Male	1	1	1	1
Female	23	22	24	26

## Senior employees (aged 65 and over)

(persons)	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Total number of senior employees	13	13	16	14
Male	13	11	14	12
Female	0	2	2	2

## Employment of people with disabilities

Employment of people with disabilities	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Number of people	8	8	9	9
Employment rate	2.14%	2.05%	2.49%	2.64%

## Family care leave

Number of employees taking family care leave (persons)	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Number of employees taking leave	0	2	2	1

## Officers

(persons)	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Total number of officers (composition of Board of Directors)	12	11	11	11
Male	12	10	10	10
Female	0	1	1	1

\*Prepared based on the data as of the conclusion of the general meeting of shareholders held on June of each year

## Employees in managerial positions

(persons)	Apr. 2021	Apr. 2022	Apr. 2023	Apr. 2024
Total number of managers (section managers and above)	73	82	91	97
Male	68	75	83	87
Female	5	7	8	10
Ratio of female managers	6.8%	8.5%	8.8%	10.3%

\*Prepared based on the data as of April 1 of each year

## [2] Health and Productivity Management

## Paid leave utilization rate and average number of days taken

	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Paid leave utilization rate	67.5%	66.5%	64.2%	68.4%
Average number of days taken	9.8	10.2	10.3	11.6

## Health checkup participation rate

	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Health checkup participation rate	97.5%	98.9%	99.2%	99.7%

## Stress check

	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Stress check participation rate	97.8%	100.0%	100.0%	100.0%
Ratio of highly stressed persons	10.0%	11.5%	9.3%	9.6%

## [3] Productivity Improvement

## Ordinary profit per hour

	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Ordinary profit per hour (yen)	9,611	18,080	14,397	13,232

## Ratio of training hours to working hours

	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Ratio of training hours to working hours	—	—	10.3%	12.1%



## ESG Data

## Governance

## Status of meetings held

Boards and committees	Number of meetings held			
	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Board of Directors	19	18	17	18
Audit & Supervisory Board <sup>*1</sup>	13	14	13	13
Nomination and Compensation Committee	2	2	2	3
Management Committee	12	12	12	12
Risk Management Committee	12	12	12	12
Risk Verification Committee <sup>*3</sup>	—	—	12	12
Sustainability Committee <sup>*2</sup>	—	3	4	4

\*1 Transitioned to a company with Audit & Supervisory Committee as of June 21, 2022

\*2 Newly established as of October 1, 2021

\*3 Newly established as of April 1, 2022

## Average attendance rate for Board of Directors and Audit &amp; Supervisory Board

	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Board of Directors	99.6%	99.1%	99.6%	100.0%
Of which, Outside Directors	98.4%	98.9%	100.0%	100.0%
Audit & Supervisory Board	97.4%	100.0%	100.0%	100.0%
Of which, Outside Audit & Supervisory Board Members	96.2%	100.0%	100.0%	100.0%

## Officers' remuneration (fiscal 2023)

Classification	Total amount of remuneration, etc. paid (million yen)	Total amount by type of remuneration, etc. (million yen)			Number of persons paid
		Fixed remuneration	Performance-linked remuneration	Remuneration of restricted stock	
Director (excluding Audit & Supervisory Committee Member and Outside Director)	257.2	160.2	70	27	6
Audit & Supervisory Committee Member (excluding Outside Audit & Supervisory Board Member)	12	12	—	—	1
Outside Officers	26	26	—	—	4

## Risk and compliance related

Compliance-related training	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Number of times implemented	12	12	13	12
Number of participants (total)	3,047*	3,487	4,270	4,141

\* Excluded the number of participants for April and May 2020 due to email training because of the impact of COVID-19

	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Number of Help Line reports and consultations	0	0	0	3
Number of corruption and bribery cases detected	0	0	0	0
Number of antitrust and anti-competitive cases detected	0	0	0	0
Number of other compliance violations detected	0	0	0	0

## Occupational safety and health related

	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Number of occupational accidents (cases)	0	1	5	
Of which, fatal accidents (cases)	0	0	0	0

# Company Profile / Stock Information

## Company Profile

(As of the end of March 2024)

Company Name	Sun Frontier Fudosan Co., Ltd.
Location of Head Quarters	1-2-2, Yurakucho, Chiyoda-ku, Tokyo
Date of Foundation	April 8, 1999
Date of Listing	February 26, 2007 (First Section of Tokyo Stock Exchange)
Capital Stock	11,965 millions yen
Representative	Tomoaki Horiguchi, Chairman Representative Director Seichi Saito, President & CEO
Number of Consolidated Employees	763 employees (1,417 including part-timers and temporary workers) *As of the end of June 2024
Average Age of Employees	36.4 years old *As of the end of June 2024
Licenses	Real Estate Transactions / MLIT License No. (5) 5968 Specified Construction / Governor of Tokyo License No. (Special-4) 116846 Real Estate Appraisal / Governor of Tokyo Registration No.(4) 1843 Real Estate Investment Advisory / MLIT Registration Ordinary No.732 Type II Financial Instruments Business/Kanto Finance Bureau Director (Kinsho) No.1297 Senior Registered Architect Office / Governor of Tokyo License No.59895 Security Services / Tokyo Metropolitan Public Safety Commission Certification No.30003705 Specified Joint Real Estate Venture, Commissioner of the Financial Services Agency / Minister of Land, Infrastructure, Transport and Tourism No. 88 Secondhand Goods Dealer, Tokyo Metropolitan Public Safety Commission Permit No. 301011906391 Rental housing management Business/MLIT Registration No.(01)002121
Business Profile	Real Estate Revitalization Real Estate Service Properties Management, Brokerage, Rent Guarantee, Building Operations, Asset Consultation Construction Planning, Hotel Development and Operation
Branches	Ginza branch, Shinbashi branch, Hamamatsucho branch, Gotanda branch, Shibuya branch, Shinjuku branch, Ikebukuro branch, Kojimachi branch, Kanda branch, Kodemmachio branch, Nihonbashi branch, Yokohama branch
Group Companies	SF Building Support Inc. SF Building Maintenance Inc. Sun Frontier Space Management Inc. SF Engineering Inc. Sun Frontier Hotel Management Inc. Sky Heart Hotel Co., Ltd. Sun Frontier Sado Co., Ltd Sun Frontier NY Co.,Ltd.

## Stock Information

(As of the end of March 2024)

Number of Authorized Shares	91,200,000	Tokyo Stock Exchange	Prime
Number of Outstanding Shares	48,755,500	Accounting Month /	March
Number of shareholders	14,404	Code number /	8934
		Administrator of the register of shareholders	Mizuho Trust & Banking Co., Ltd.

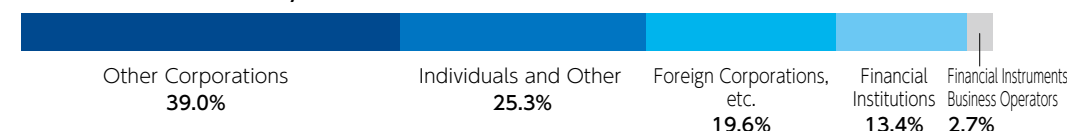
## Major shareholders

Name	Number of shares held (shares)	Ratio of the number of shares held to the total number of issued shares (excluding treasury share) (%)
HOUON Co., Ltd	18,507,500	38.02
The Master Trust Bank of Japan, Ltd. (Accounted in trust)	3,524,500	7.24
Tomoaki Horiguchi	2,478,396	5.09
Custody Bank of Japan, Ltd. (Accounted in trust)	2,037,100	4.18
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing)	892,400	1.83
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, NA Tokyo Branch)	477,700	0.98
Keiko Horiguchi	416,500	0.86
Sun Frontier Employee Stock Ownership Association	416,000	0.85
JP Morgan Securities Co., Ltd.	374,851	0.77
SSBTC CLIENT OMNIBUS ACCOUNT	354,057	0.73

Note 1. The percentage of shares held is calculated after exclusion of treasury shares (108,869 shares).

Note 2. The percentage of shares held is calculated including 128,300 shares of the Company held by Mizuho Trust &amp; Banking Co., Ltd as the trust account of the Employee Stock Ownership Plan (J-ESOP.)

## Distribution of shares by owner



### Editorial Note

Thank you for reading the "Sustainability Report 2024." This report is positioned as a communication tool with a wide range of stakeholders, introducing the Sun Frontier Group's efforts towards sustainable growth through interviews with management, business managers, outside directors, and employees. We hope it will help you understand our group better.

Sustainability Promotion Office

