

Sun Frontier Sustainability Report

Sustainability Report 2023



Top-level concept (Company policy) (Credo) “COMPASSION”

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



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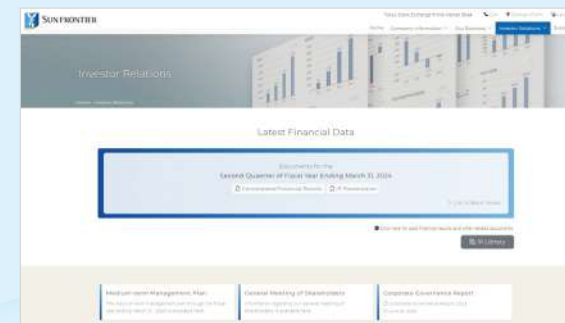
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Information Disclosure on Our Website

▶ Investor Relations
https://www.sunfrt.co.jp/en/ir_info/



▶ Sustainability Website
<https://www.sunfrt.co.jp/en/sustainability/>



[Editorial Policy] We have positioned this report as a communication tool with our wide range of stakeholders. In the report, we describe the growth of the Sun Frontier Group in an easy-to-understand manner. We hope that it will serve to enhance your understanding of the Group.

[Period Covered] Fiscal 2022 (April 2022 to March 2023). 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)
- ISO 26000
- Environmental Reporting Guidelines (Ministry of the Environment)
- Task Force on Climate-related Financial Disclosures (TCFD)
- Global Reporting Initiative GRI Global Standards for Sustainability Reporting

The History of Sun Frontier

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

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

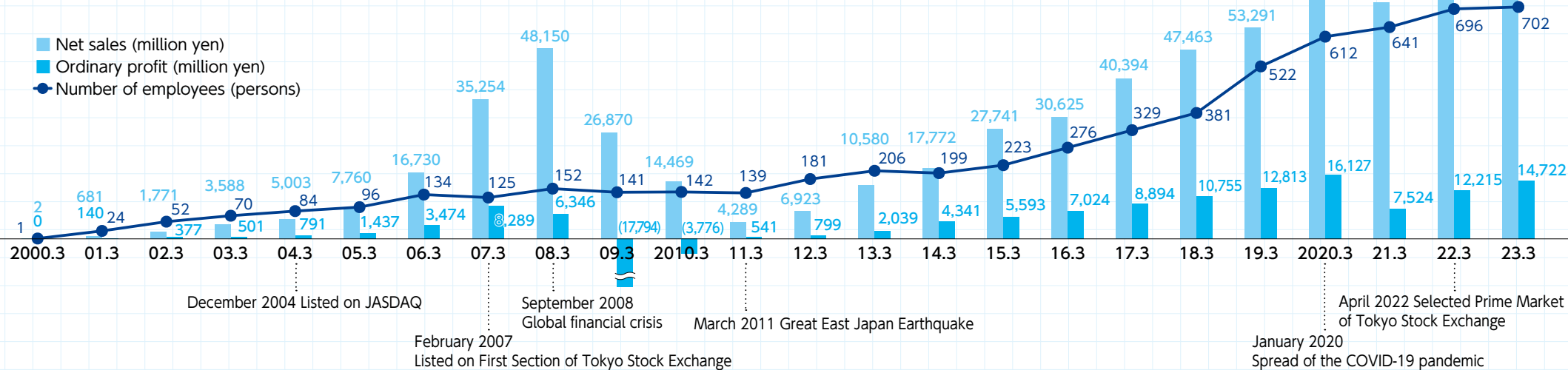
2015 Started Rental Space Business in front of Tokyo Station

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]

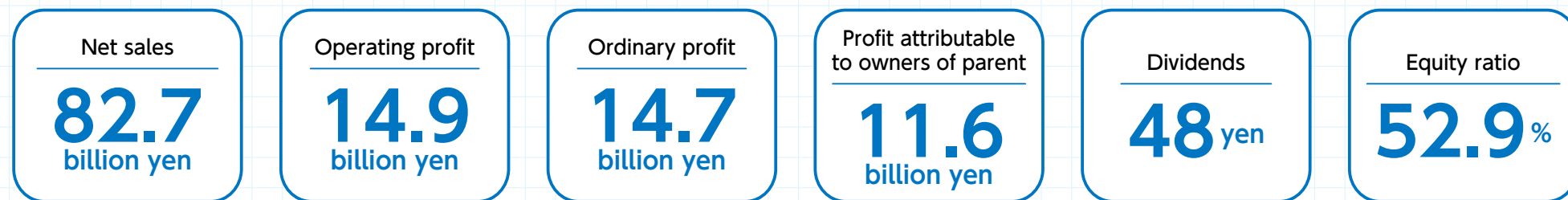


Business overview

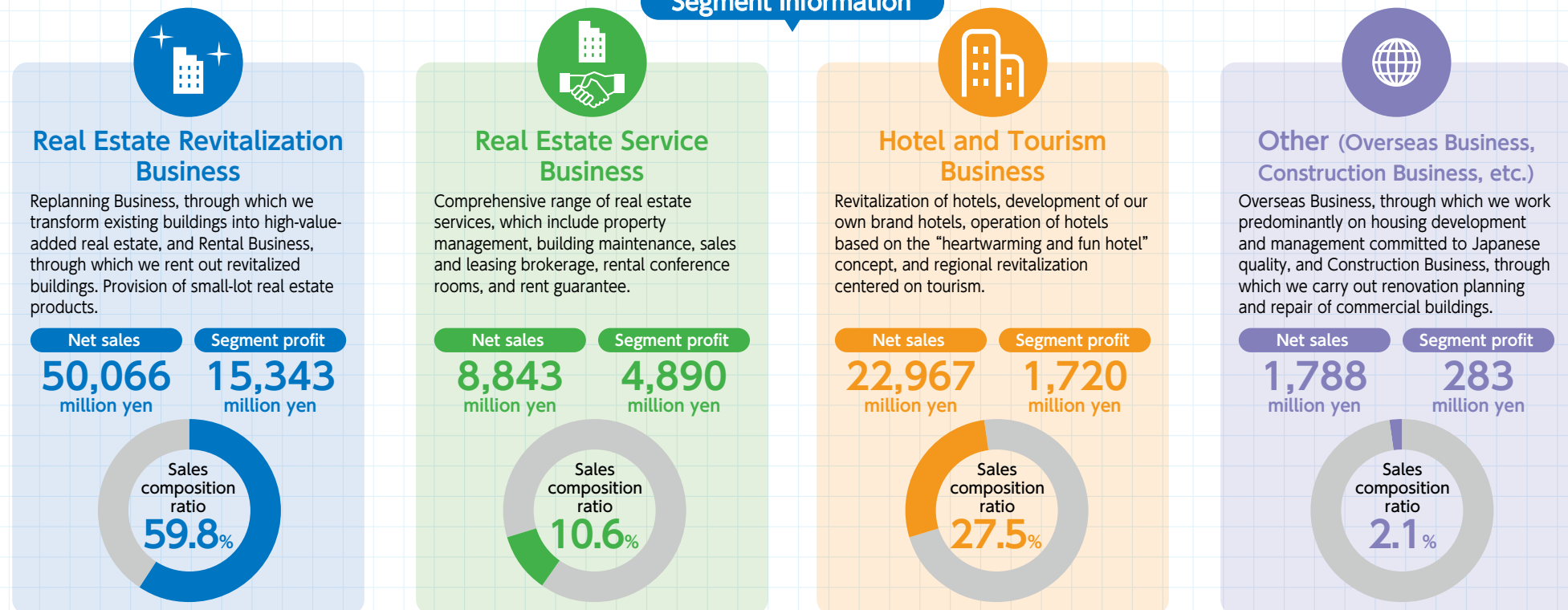
The Sun Frontier of Today

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



Business overview

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.

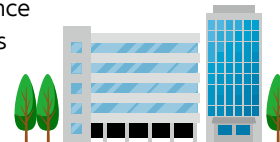
Office Building Business

Real Estate Revitalization Business

- Replanning
- Rental buildings
- Real estate securitization

Real Estate Service Business

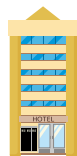
- Sales brokerage and leasing brokerage
- Property management and building maintenance
- Construction planning and interior renovations
- Assets consulting
- Rent guarantee
- Rental conference rooms and rental offices



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 Business

- Condominium development, management, and brokerage in Vietnam

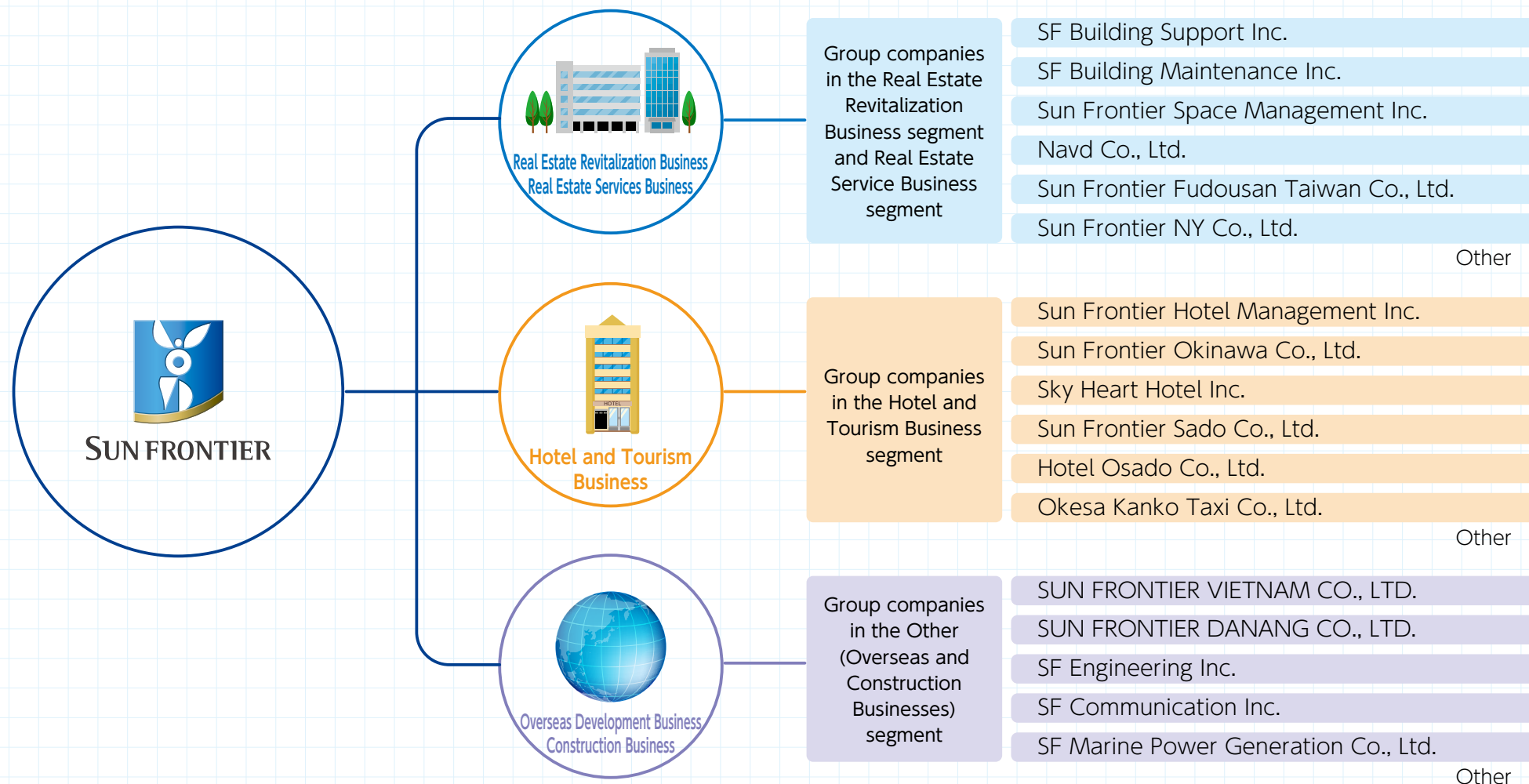


In order to contribute to the further development of Vietnamese society, we are promoting a business through which we supply high-quality homes built to Japanese specifications to local citizens, whose quality of life is improving in line with the country's economic growth. In 2015, we established a local subsidiary in Da Nang in central Vietnam, which was chosen as the host city of the APEC forum held in 2017. In June 2017 we began construction of the high-rise condominium HIYORI Garden Tower, and work was completed in December 2019. The condominium has been a huge success among the people of Vietnam, and we are currently engaged in full-scale preparations for our next project.

Business overview

Composition of the Sun Frontier Group

The Sun Frontier Group comprises a total of 23 companies: 13 in Japan and 10 overseas.



CO₂ emissions (Scope 1, 2, and 3)

152,939 t-CO₂e



The total emissions of Scope 1, 2, and 3 within Sun Frontier Fudousan were approximately 150,000 t-CO₂e on non-consolidated basis.

Cumulative total CO₂ emissions offset

515 t-CO₂e



Using biomass-derived J-Credits, we have offset 100% of CO₂ generated from the real estate revitalization construction.

Ratio of female managers

8.8%



As of April 2023, of the 91 managers (section managers and above), 8 are women. Our aim is to increase this percentage to 12% or more by April 2025.

The number of entrusted buildings in Property Management Business

457 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 ending March 2025.

The number of real estate revitalizations

460 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.

Equity ratio

52.9%



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.

Total number of setup offices supplied and managed

801 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.

The number of investors in small-lot real estate products

311 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.

The number of rent guarantee contracts (cumulative)

3,563 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)

Rental conference room operating area

4,400 tsubo
(Approx. 14,600 m²)



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)

The number of hotel rooms operated

2,477 rooms



We operate "heartwarming and fun hotels": 21 hotels comprising 2,477 rooms nationwide. (Sun Frontier Hotel Management, Sun Frontier Sado, Sky Heart Hotel)

With the spirit of altruism, we will build a sustainable future by contributing to solving social issues.

Seiichi Saito, President

Q How do you see changes in the business environment and how is the Group responding to them?

At the Sun Frontier Group, we are predominantly engaged in the revitalization and utilization of real estate in central Tokyo. Elsewhere, we also develop and operate hotels across Japan, promote regional revitalization, and manage an overseas business which is centered on housing development in Vietnam. We have four business segments: the Real Estate Revitalization Business, which includes our core business RePlanning® that handles the revitalization and sale of real estate; the Real Estate Service Business, which is in charge of leasing management, property management, building maintenance, rent guarantee, and rental conference rooms; the Hotel and Tourism Business, which is involved in the development and operation of hotels and regional revitalization; and the Other Business, which includes the Overseas and Construction Businesses.

Recently, the environment surrounding our businesses has continued to undergo significant change, with social changes induced by the COVID-19 pandemic and impacts from rising interest rates. While there has been a sense of oversupply in the current office building market in central Tokyo, the willingness to invest among institutional investors remains strong in the real estate investment market. On the other hand, from a long-term perspective, there are concerns that various markets will begin to shrink in line with declining birthrates, aging populations, and a drop in working populations.

Company Name :
Origin of **SUN FRONTIER**



SUN FRONTIER

The sun is both the ultimate symbol of radiant vigor and love showered upon all; an emblem of the spirit of altruism.

“Frontier” represents a venture spirit to forge a way ahead with constant positivity and belief in our potential. It embodies an attitude to continually strive to create value.

The name **“Sun Frontier”** contains our intention to work with a continual radiant vigor for the well-being of humankind and society. To that end we wish to be a company whose staff can pursue their own dreams and challenge new things.



That said, positive and negative factors always exist side by side in business environments. Gauging both factors is essential for sustainable corporate growth. If we look at office supply and demand, for example, the structure of industry will change in every era, and when new industry develops, new demand will arise. Rather than offices becoming obsolete, we believe that the types of office in demand will change. We are therefore working to understand this change in demand. Currently, as we move away from restrictions brought on by the COVID-19 pandemic, including restrictions on going outdoors, face-to-face interaction, and direct contact, there are growing needs for spaces that can revitalize communication between people and generate innovation.

In RePlanning® within the Real Estate Revitalization Business, we are commercializing “Set-up Office.” This involves recruiting tenants after designing and decorating office interiors from the viewpoint of customers. Rather than simply renting out offices as facilities or spaces, we creatively design spaces that are attractive and meaningful for those that work there. This provides value to the tenant companies that are office users by helping accelerate their business growth, and if this increases the rental affordability of the tenant companies, it can contribute to an increase in the asset value of the building.

In order for our business to survive, it is essential that the office users grow and our customers develop. Instead of thinking about immediate profit, we must look at how to contribute to the businesses of the office users and our customers. Bringing shape to this is the key to overcoming any environmental changes. This approach is the foundation of the business philosophy of the Group whose corporate motto is altruism.

● 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.

Q What are the strengths that are supporting the growth of Sun Frontier Fudousan?

One of the Group’s strengths that cannot be found anywhere else is our ability to provide one-stop services using internal resources. For example, the creation and provision of value in the Real Estate Revitalization Business is supported by the Real Estate Service and Other Businesses. From within the Group, we can handle all processes from purchase of buildings to revitalization and usage planning, improvement and repair work, tenant placement, sales, and management. In doing so, we are providing chain compounded and high-value-added services. Also, in our commercialization of “Set-up Office,” when creating office spaces, we use the expertise of the property management division and leasing brokerage division, both of which have a thorough understanding of tenant needs on a regular basis. At the same time, we conduct highly cost-effective repair work and utilize our community-based leasing capabilities to enhance profitability through full occupancy from an early stage.

The spirit of altruism, the Group’s corporate motto, can also be seen in this area. Sharing the value that “the pleasure of others is one’s own” across the Group and thoroughly connecting our employees is helping to build a close-knit cross-divisional collaboration system, which in turn is driving the creation of high-value-added products and services. Moreover, at the Sun Frontier Group we practice Amoeba Management. This sees the corporate businesses divided into small units (amoebas), with each unit independently managing its own business performance. Each unit aims to maximize its profit per hour. The creation of small units helps to speed up the decision-making process and enable flexible response to market changes. Through a participatory management approach, Amoeba Management helps to raise the profit awareness among employees, while also developing human resources for management. Balancing our philosophy management with Amoeba Management is a strength that supports the growth of the Sun Frontier Group.

Q Please describe the Group’s future growth strategies based on the medium-term management plan.

The basic policy for our current medium-term management plan is to provide “places where people gather and communicate with each other, and create social development and happiness for people.” The target for consolidated financial results for the year ending March 31, 2025, which is the final year of the plan, is as follows: net sales of 100.0 billion yen, ordinary profit of 20.0 billion yen (ordinary profit margin of at least 20%), profit attributable to owners of parent of 14.0 billion yen, equity ratio of around 50%, and ROE of at least 10%.

In the most recent year ended March 31, 2023, as in the previous year we achieved an increase in sales and profit, while we also achieved a record high in net sales and profit



attributable to owners of parent. Profit from the sale of office buildings and hotels significantly contributed to these results. In addition, the Property Management, Building Maintenance, and other businesses in the Real Estate Service Business also performed strongly, and the Hotel Operation Business also returned to the black.

If we look at future growth strategies by business, in the Office Business, while maintaining our focus on RePlanning®, we will pay close attention to the utilization of the high-added value of real estate, and deepen and expand our existing domains. Property sales are progressing well, and we will continue to maintain a high turnover rate by carrying out purchase, development, and sales in a planned manner, and circulate capital while aiming for further business growth.

In the Hotel Business, by providing services that go beyond satisfying and impressive, we will aim for our hotels to become “the only hotel in the world for clients.” With the theme of “a heartwarming and fun hotel,” we will reinforce the operating capabilities of our existing hotels and aim to improve their business performance. At the same time, with a focus on the “Tabi-no-Hotel” brand and commercial hotel condominiums, we will actively work to develop new hotels, including through M&As, to further expand the business. Ultimately, in ten years’ time we aim to operate 10,000 hotel rooms.

In the Overseas Business, we are engaged in residential-related business in Vietnam. By covering all processes from condominium development to sales, management, and brokerage, we are aiming for community-based growth. Moving forward, while continuing to systematically invest in condominium development projects, we will progress with procedures to acquire land for future development projects. In terms of M&As, while limiting ourselves to projects that can generate synergistic effects with our existing businesses, we will invest in peripheral businesses that can expand our current businesses, and actively and systematically invest in start-ups in growth domains.

Q What is the Group’s approach to sustainability and what sustainability initiatives are you working on?

In March 2022, we formulated our Sustainability Vision, through which we are aiming for sustainability that is integrated with our spirit of altruism. At the same time, we identified three important issues in implementing the vision: environmental protection, regional revitalization, and human resource development. In October of the same year, we set specific measures and KPIs for each important issue, and are currently engaged in initiatives to achieve our targets.

For environmental protection, we are working to contribute to lower environmental impact and reduced use of resources through the revitalization and utilization of real estate. By extending economic lives of buildings and ensuring quality management and operation, we are aiming for high occupancy rates even in aging buildings. We will also aim to reduce waste and greenhouse gas emissions when undertaking real estate revitalization work. Moreover, we offset all greenhouse gas emissions from our real estate revitalization work using environmental credits. Based on our corporate philosophy to reduce the waste of limited resources, we will continue to enhance our level of contribution to a sustainable environment through each of the Group’s businesses.

As for regional revitalization initiatives, we are aiming to contribute to revitalization of local economies and their development through the creation of offices that generate job satisfaction and creativity, and hotels that are safe, secure, and comfortable. By promoting the growth of tenant companies in the offices that we provide and creating employment opportunities in our hotels and tourism businesses, we aim to contribute to the development of local economies. In building and hotel management, we promote disaster preparedness and mitigation through collaboration with our local communities. We will also work to ensure response to frequent natural disasters.

For human resource development, while respecting and utilizing the diversity of our workforce, we are placing particular focus on education and training. We have set the ratio of hours spent on training 10% or more of employees’ prescribed working hours, and are working on further expansion. One part of this education and training is reading through our Philosophy Pocketbook. This is our biggest feature symbolizing the Sun Frontier Group focusing on philosophy-based management. We place the utmost value on the connections between our employees, who are linked by our shared value of altruism.

As we aim to achieve sustainability, it is important to take a long-term viewpoint that anticipates the direction of future trends. We must then use a backcasting approach, consider what we should do now, and implement the necessary measures. Based on this mindset, we are currently engaging in discussions led mainly by the Group’s senior management on the theme of considering 50 years into the future. In order to ensure we can pass on a better society to future generations, we are expanding the scope of contributions we make to society through our business activities.

Furthermore, while solving social issues through the revitalization and utilization of real estate, as well as enhancing our corporate value, we will create a more prosperous future. To all of our stakeholders, I hope you will look forward to our new challenges, and I ask for your continued support of the Sun Frontier Group.

Medium-term Management Plan

(Fiscal year ended March 2022 - fiscal year ending March 2025)

Currently, we are implementing a medium-term management plan with the fiscal year ending March 2025 as the final year. Under the basic policy of providing “places where people gather and communicate with each other, and create social development and happiness for people,” we are aiming to achieve our medium-term management plan by focusing on three markets: offices, hotels, and overseas, while actively utilizing M&As to expand our business.

For the fiscal year ending March 31, 2025, we plan to achieve net sales of 100.0 billion yen, ordinary profit of 20.0 billion yen, and profit of 14.0 billion yen. As management indicators, we target an ordinary profit margin of 20% or more, an equity ratio of 50% level, and ROE of 10% or more.

We plan to invest 200.0 billion yen for the Office Business, 7.0 billion yen for the Hotel Business, and 8.0 billion yen for the Overseas Business, as well as 3.0 billion yen in digitalization and 5.0 billion yen in M&As. We also aim to maintain a positive free cash flow while monitoring the pace of investment and recovery.

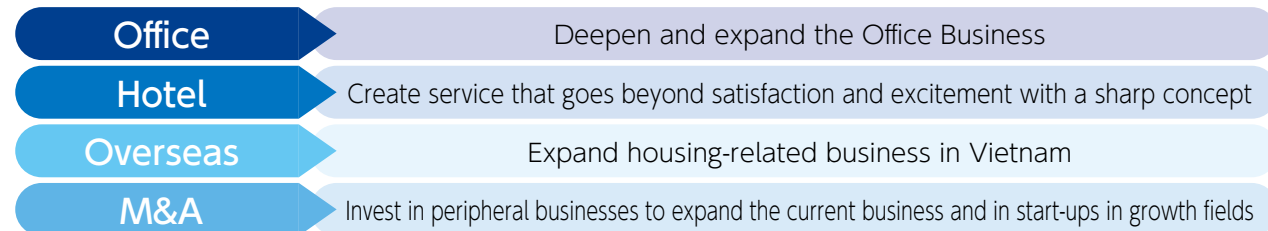
In line with the basic policy of providing the world with “places where people gather and communicate with each other, and create social development and happiness for people,” in the Office Business, we are contributing to carbon neutrality through the utilization of existing buildings, while providing tenants with opportunities for growth and the creation of new industries and innovations. In the Hotel Business, we believe it is our mission to provide places where guests can relax, be moved, and smile, and in condominium development in Asia and Vietnam, our mission is to provide places where people can live happily and securely with a healthy mindset.

To fulfill these missions, we will continue to focus on central Tokyo, small and medium-sized buildings, and office buildings, acquiring an overwhelming ability to attract tenants, as well as continually enhancing construction techniques, design capabilities, space utilization technologies, and warm-hearted service to develop such an ability.

● Basic Policy

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

● Growth Strategies



● Key Points

ESG

We will practice the corporate philosophy of “reducing the waste of resources,” and engage in reducing CO₂ emissions and using renewable energy through businesses that coexist with the environment.

Digital

In implementing each business strategy, we have established specialized divisions to take effective measures focusing on the use of new digital technologies.

Cash flow

We aim for sustainable growth while improving the profitability of each business, controlling the pace of balance sheet expansion, and maintaining a positive free cash flow.

Marketing

We have established specialized divisions and strengthened marketing capabilities to make more people aware of the Group’s initiatives and to utilize more feedback in our products and services.

● Numerical Targets

	FY2023/3 Results	FY2024/3 Performance forecast	FY2025/3 Targets
Net sales	82.7 billion yen	83.0 billion yen	100.0 billion yen
Ordinary profit	14.7 billion yen	16.0 billion yen	20.0 billion yen
Profit	11.6 billion yen	11.0 billion yen	14.0 billion yen
Ordinary profit margin	17.8%	19.3%	20.0%
Equity ratio	52.9%	50% level	50% level
ROE	15.3%	12.9%	10% or more

Growth Strategies by Business

Real Estate Revitalization Business



Director,
Executive Officer and
General Manager of Asset
Management Division
Kenji Honda

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.



Setup office
+SHIFT NOGIZAKA



Small-lot owned product
Newly built licensed nursery
school in Setagaya, Tokyo

[Opportunities and Risks]

Opportunities

- Increase in aging office buildings mainly in central Tokyo
- Developing new construction businesses for low-rise commercial facilities
- Deploying our know-how in revitalizing office buildings in New York as well

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

We will contribute to the realization of a sustainable society by reducing the waste of non-renewable resources and returning high-value-added, revitalized real estate to society.

Revitalization of underutilized office buildings into high-profit properties

The RePlanning® Business focuses on acquiring real estate in downtown Tokyo, particularly medium and small-sized office buildings that have seen a decline in occupancy rates due to aging, and transforming them into high-profit properties through customer-focused refurbishments. Generally, after about 30 years since construction of a building, deterioration occurs in various areas, and high renovation costs are also incurred. Many owners are left wondering what to do as a result, and we serve as part of the solution to such concerns.

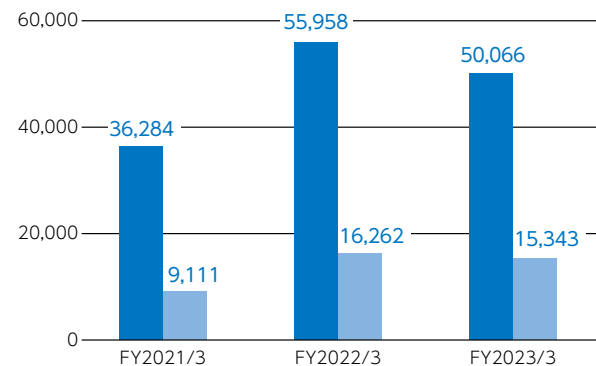
Recently, setup offices have been particularly well-received. In a typical office, tenants do interior work at their own expense. On the other hand, setup offices offer high-quality interior designs, creating offices that encourage various working styles according to the situation and make employees excited to come to work. We have also received feedback from tenants that this approach is advantageous in terms of the acquisition of human resources.

Real Estate Revitalization Business drives company-wide performance

For real estate owners, the occurrence of vacancies and the expenses accompanying large-scale construction are significant risks that concerns the owners, and our Real Estate Revitalization Business aims to alleviate these issues. We carry out large-scale construction during the revitalization process, aiming to create offices with an attractive interior that can quickly find the next tenant even if a current tenant leaves. In addition, we offer the properties to the next owners with full occupancy when a property is sold.

The Real Estate Revitalization Business account for about 60% of sales company-wide, and it remained strong in fiscal 2022, thanks to the support of customers. Among 21 buildings, 9 have been purchased by real estate funds, and we are primarily focused on investments in large-scale properties. Even among owners with strict investment criteria, the properties we have handled have been well-received. In addition, small-lot real estate products are also strong, and we are involved in projects making a significant contribution to the local community, such as medical and educational malls and licensed nursery schools.

● Net sales ● Segment profit (Unit: million yen)



[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

Growth Strategies by Business

Real Estate Service Business



Vice President Director, Vice President Executive Officer and General Manager of Entrusted Asset Management Division
Izumi Nakamura

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.



Vision Center Shinagawa, a rental conference room opened in August 2022



TRI-WINS, a new brand of rent guarantees

[Opportunities and 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

We create added value and solve our customers' problems by synergistically combining the expertise cultivated through creativity in the field.

Providing a variety of services in pursuit of solutions to customers' problems

The entire Group offers one-stop solutions for all real estate-related services in Real Estate Service Business. In the Leasing Brokerage Business, we operate services at ten key locations in major areas of central Tokyo and also strive to contribute to the local community through activities such as morning cleanups. In the Property Management Business, we strive to stabilize real estate management for owners by pursuing the improvement of building profitability and maximization of real estate value.

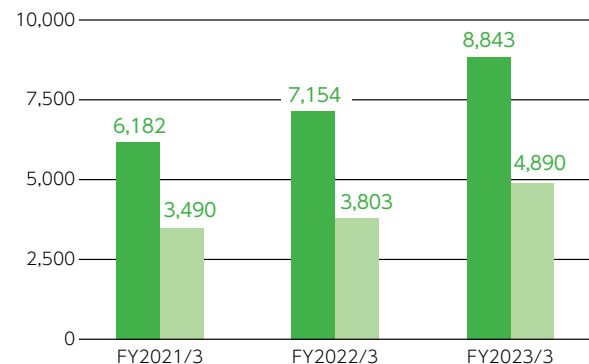
In the Building Maintenance Business, under the slogan "making Tokyo the most beautiful city in the world," we are working to create a sustainable environmental society. Other businesses include the Asset Consulting Business that handles inheritance and business succession, the Rent Guarantee Business that makes it possible to avoid the risk of delinquent payments, and the Conference Room Rental Business that makes effective use of vacant floors. We naturally began to handle a variety of services as a result of our dedication to solving our customers' problems.

Increase in sales and profit in each division thanks to the synergies from smooth collaboration

The most distinctive feature of our Real Estate Service Business is that each division and Group company works together seamlessly to develop businesses that yield strong synergies while carefully responding to customer needs. The Leasing Business acquires tenants for buildings revitalized by the Replanning Business, and the Property Management Business Division is entrusted with the management of these buildings. In managed properties, there are high needs for rent guarantees, and maintenance services are also indispensable.

As a result of these synergies, the number of buildings managed by our Property Management Business and Building Maintenance Business on consignment increased smoothly in fiscal 2022, and both businesses achieved increases in sales and profits. Contributions were made by growth in contracts for projects introduced by other divisions in the Leasing Business, an increase in new contracts for rent guarantees, improvement in the operation of rental conference rooms, and the opening of large-scale locations, resulting in increased sales and profits.

Net sales Segment profit (Unit: million yen)



[Key Strategies]

- 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
- Maximizing the value of space and time in central Tokyo's real estate to contribute to the development of the city
- Fair and equitable leasing market by eliminating "defects" of building owners and tenants through institutional guarantee
- 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

Growth Strategies by Business

Hotel and Tourism Business



Sun Frontier Hotel Management Inc. Senior Managing Director and General Manager of Business Management Division
Kazuyuki Yanagimura

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."



HIYORI Ocean Resort Okinawa



Shijo Kawaramachi Onsen Sora Niwa Terrace Kyoto Bettei

[Opportunities and Risks]

- Opportunities**
 - Further growth of inbound demand due to the lifting of the ban on Chinese group travel
 - Expansion of hotel brands with reasonable pricing
 - Growing demand for luxury class
- Risks**
 - Decrease in global flow of people due to the resurgence of COVID-19 infections
 - Decrease in domestic travel demand due to the rapid increase in Japanese overseas travelers

We will grow from the customer's perspective and aim to create hotels that are both high-quality and comfortable, to which you would want to return many times, while valuing the culture and history of the area.

Achieve profitability through the recovery of domestic tourism demand and the return of inbound tourism

In the Hotel Business, we operate 21 hotels with 2,477 rooms across Japan as of March 31, 2023, including new in-house brand hotel development and operations, and hotels that have joined the Group through M&As.

In terms of tangible aspects, we are committed to creating a comfortable environment down to the details, such as room size, layout, and the placement of switches and outlets, by pursuing the creation of high added value from the customer's perspective. In terms of intangible aspects, we aim to exceed customer expectations with services themed on heartwarming and fun hotels, and we are grateful to have received high praise from our customers.

The performance of the Hotel and Tourism Business in fiscal 2022 showed a recovery trend in the second half, thanks to the government's support for nationwide travel, compared to the first half, which continued to be affected by the spread of COVID-19. In hotel development, the sale of two properties contributed to performance, and in hotel operations, we achieved profitability due to the recovery of domestic tourism demand and the return of inbound tourism.

Focusing on development of Tabino Hotel and condominium hotels for sale

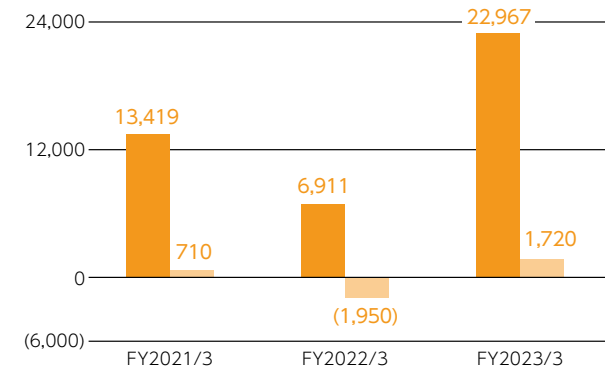
The medium-term management plan includes additional investment in areas with high business and tourism demand, and we will focus on expanding business going forward by actively pursuing new developments, with a view toward the revitalization of existing hotels and M&As. In the future, we aim to focus on the "Tabi-no-Hotel" brand in particular. We aim to create hotels that uncover the unique charms and features of the region and grow together with the local community.

In addition, the HIYORI Ocean Resort Okinawa (203 rooms) commercial condominium hotels, which opened in March 2021, has been very well-received, and we are planning to continue developing commercial condominium hotels in resort areas. Furthermore, we are also focusing on small luxury class hotels, such as the Shijo Kawaramachi Onsen Sora Niwa Terrace Kyoto Bettei, which opened with 32 rooms in June 2022, aiming to operate 10,000 rooms in 10 years.

[Key Strategies]

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

● Net sales ● Segment profit (Unit: million yen)



Growth Strategies by Business

Overseas Business



Senior Managing Director, Senior Managing Executive Officer and General Manager of Business Promotion Division
Yasushi Yamada

Business description

In Da Nang, a major city in central Vietnam, we provide a total range of services ranging from the development and sales of high-rise condominiums to leasing brokerage and management services. Through the supply of high-quality housing in line with Japanese specifications, we aim to contribute to local development and strive to contribute to Vietnamese society by addressing the needs of those seeking more abundant lifestyle alongside economic development.



Local staff in Vietnam



HIYORI Garden Tower

[Opportunities and 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
- Risks**
 - Increased costs and interruptions in projects until business license approval

We handle everything from land acquisition, development, construction, handover after completion, to management and brokerage, contributing to the improvement of the quality of local people's homes and urban development.

Developing the condominium business in Da Nang City in central Vietnam

In Da Nang City located in central Vietnam, we are involved in the development and sales of urban high-rise condominiums, as well as leasing brokerage and management service. Vietnam is one of the fastest growing countries in Southeast Asia, and many Japanese companies have entered the market. However, most of these companies are operating in major cities like Ho Chi Minh City in the south or Hanoi City in the north.

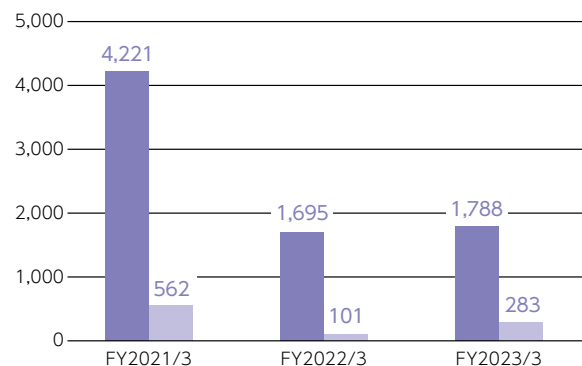
On the other hand, Da Nang City, located in central Vietnam, is the country's most famous resort area and has seen rapid development centered on the tourism industry over the past decade or so. We might be the only Japanese company fully involved in real estate business in this area. In postwar Japan, industries were first revitalized by developing industrial parks, which created employment. Next, the focus was on residential development for people to live comfortably. I feel that the current Da Nang City is experiencing the same phase as Japan did back then.

Aiming to start construction of new project in early 2024

Up until now, the Company has been involved in real estate development under the philosophy of contributing to regional development and to society through business. The development of condominiums for sale in Da Nang is being approached as a business rather than an investment. We employ about 40 local staff members and feel it is our responsibility to protect their livelihoods while also providing them with a sense of fulfillment in their work. In addition, many of the younger generation in Vietnam want to work in Japan, and to make their dreams come true, we host them as technical interns for tasks such as bed-making work at our hotels in Japan.

The next condominium project, for which land acquisition contracts were completed at the end of 2021, is taking time to obtain formal approval due to regulations in the socialist republic and other unforeseen circumstances, but we are working to start construction in early 2024.

Net sales Segment profit (Unit: million yen)



* Total for Other Business segment (Overseas Business, Construction Business, etc.)

[Key Strategies]

- Working together with local partners to provide high quality housing rooted in the local community in Vietnam
- Establishing attentive and considerate Japanese-style management and service quality
- Strengthening response to consultations on buying, selling and renting through management operations
- Promoting employment in Japan as technical intern trainees and human resources with specific skills

Sustainability Management

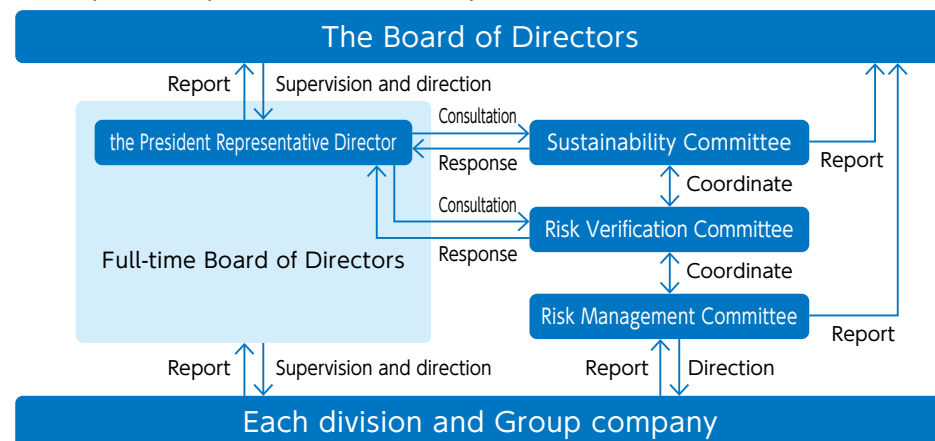
Since its foundation, the Group has been practicing philosophy management centered on the spirit of altruism. In March 2023, we established a Sustainability Vision and three important issues based on this philosophy. We will continue to implement sustainability management aimed at realizing a sustainable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

SUSTAINABILITY VISION

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 Representative Director 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]



Director, Executive Officer,
General Manager of
Administration Division
and Head of Sustainability
Promotion Office
(Vice chairman of
Sustainability Committee)

Mitsuhiro Ninomiya



Since its foundation, the Group has been committed to creating happiness for people and society at the foundation of its business based on the spirit of altruism, which is its corporate motto. Since our establishment in 1999, words such as “contributing to the prosperity of humanity and society” and “reducing the waste of resources and contributing to the prosperity of the people, plants and animals” have been incorporated into our Management Principle and Corporate Philosophy, showing that sustainability thinking is deeply ingrained in the Company’s DNA. Based on these beliefs, in order to actively conduct activities that contribute to solving social issues and aim to contribute to the realization of a sustainable society and increase corporate value over the medium to long term, we have established a Sustainability Committee chaired by the President Representative Director on October 1, 2021.

From there, we spent six months establishing a Sustainability Vision and identifying three important issues (materiality). A unique feature of our Sustainability Committee is the participation of front line sales staff as members of the committee. The participation of not only board members, but also front line sales staff leads to the practice of sustainability activities that are rooted in the field. For example, in identifying important issues, the Sustainability Committee members directly hear concerns and expectations for us from stakeholders, aggregate and analyze them, and implement sustainability activities that are unique to the Company. In addition, all four Outside Directors participate as Advisors in the Sustainability Committee, providing various advice from a broad perspective, which is utilized in the implementation of measures.

We will continue to contribute to the realization of a sustainable society through sincere, down-to-earth, and effective sustainability activities that are unique to the Company.

Sustainability Management

The Group has identified three important issues (materiality) that should be addressed to achieve our Sustainability Vision.

We consider environmental protection, regional revitalization, and human resource development as three important issues and will contribute to the realization of a sustainable society by solving social issues through our business activities.

In identifying important issues, the Sustainability Committee members engages in direct dialogue with stakeholders from over 20 companies and organizations, incorporating their perspectives.

We will continue our efforts to prioritize dialogue with all stakeholders going forward.

● 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**

Sustainability Management

[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
(1) Environmental protection 	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	43.3%	
			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	90.2%	
		Energy conservation and reduction of environmental impact by Real Estate Revitalization Business	Reduction of CO ₂ emissions through promotion of real estate revitalization	Reduce CO ₂ emissions by 12% or more on average compared with building reconstruction	12.6%	
			Offset real estate revitalization constructions' CO ₂ emissions with credits	Carbon offset 100%	100.0%	
(2) Regional revitalization 	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	Establish internal standards by the end of fiscal 2022	Formulation completed	 
				Percentage of newly providing replanning properties that exceed the internal standards: 30% or more for fiscal 2023	Implemented in fiscal 2023	
	Conduct tenant satisfaction survey (company-owned properties)	Implemented in fiscal 2023				
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	Providing information that contributes to the improvement of tenants' disaster prevention awareness	5 lots or more by fiscal 2023	Implemented in fiscal 2023	
				Posting disaster prevention information on dedicated websites: 100% in fiscal 2023 (company-owned properties)	Implemented in fiscal 2023	
(3) Human resource development 	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.)	8.8% (April 1, 2023)	  
		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: Fiscal 2022 10% or more Fiscal 2023 12% or more (Sun Frontier Fudousan Co., Ltd.)	10.3%	
			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	



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.



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)

<p>Extension of economic lives of buildings through Real Estate Revitalization Business</p> <p>Estimated economic lives</p> <p>Extend by more than 30%</p>	<p>Maintaining the health of buildings by improving the occupancy rate of older buildings through total support for real estate</p> <p>Occupancy rate of buildings over 30 years old</p> <p>90% or more</p>	<p>Continue management after replanning properties sales</p> <p>90% or more</p>
<p>Reduction of CO₂ emissions by promoting Real Estate Revitalization Business</p> <p>CO₂ emissions compared to building reconstruction</p> <p>Reduction by 12% or more on average</p>	<p>Implementation of credit-based offsetting of CO₂ emissions from construction projects in Real Estate Revitalization Business</p> <p>Carbon offset</p> <p>100%</p>	

Environmental Policy Environmental philosophy, and business and action guidelines

Environmental philosophy

Entering the 21st century, environmental destruction, resource depletion, and global warming on Earth caused by human ego have become increasingly serious. The Company aspires to bring “happiness to people, love to the Earth,” aiming to contribute to the advancement and development of human society by realizing an environmentally friendly, circular business model that minimizes wasteful use of resources and environmental degradation as an eco-friendly company. To coexist with the Earth’s environment, promote efficient resource utilization and environmental preservation through our business activities, and contribute to the protection of the Earth’s environment more actively and continuously, we effectively operate an environmental management system.

Business guidelines

To reduce the wasteful use of fossil resources, we engage in a real estate business based on the principles of regeneration, utilization, and distribution.

Action guidelines

- The Company engages in the following environmental conservation activities, striving to reduce our environmental footprint and prevent environmental pollution.
 - We endeavor to reduce CO₂ emissions, a cause of global warming, through our business activities.
 - We constantly think about pleasing our customers and benefiting society, aiming for our business to coexist with the environment itself.
 - We strive to conserve energy and resources as part of our voluntary management activities.
 - We conduct awareness-raising activities with our stakeholders on environmental contributions.
 - We engage in volunteer activities such as cleanups and tree planting.
- We comply with laws, regulations, ordinances and other requirements in our business activities.
- To achieve this environmental policy, we set environmental goals and objectives to the extent economically and technically feasible and strive for continuous improvement by regularly conducting internal audits and reviewing the environmental management system.
- We conduct environmental education and awareness-raising activities to improve the environmental consciousness of employees, and we publicly disclose our environmental policy.

Vision

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

1 Environmental protection

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.

● Governance

We recognize that addressing climate change and the environment is an important management issue. In coordination with the Risk Verification Committee, the Sustainability Committee compiles information on climate change-related risks and opportunities, examines response measures, and makes periodic reports to the Board of Directors. The Board of Directors oversees the progress of initiatives related to climate change issues that have been discussed and reported by the executive departments, and issues related to these initiatives are discussed at least once a year.

The President Representative Director receives reports on the status of climate change-related initiatives from the advisory bodies: the Sustainability Committee and the Risk Verification Committee and assumes the highest responsibility for risk assessment and management, including climate change risks. *Please refer to page 16 for more information on the sustainability promotion system.

[Meetings and Roles in the Sustainability Promotion System]

Organizations and committees	Roles
Board of Directors	Receives reports from the Sustainability Committee on the status of and measures to manage climate change-related risks and supervises the progress of measures.
President Representative Director	Receives reports on the status of overall sustainability activities, including climate change-related activities, from the Sustainability Committee, an advisory body. Has the highest responsibility for risk assessment and management, including climate change risks.
Risk Verification Committee	As an advisory body to the President Representative Director, discusses comprehensive risk assessment, including climate change. Examines the risks reported by the Risk Management Committee and instructs the business divisions to take measures through the Risk Management Committee.
Risk Management Committee	Discusses comprehensive management of and measures against risks in operations, including climate change. Meetings held once a month.
Sustainability Committee	As an advisory body to the President Representative Director, promotes sustainability activities, including climate change countermeasures. In coordination with the Risk Verification Committee and the Risk Management Committee, summarizes risks and opportunities related to climate change etc. for each division and Group company, considers measures to be taken, and makes periodic reports to the Board of Directors. Meetings held four times a year.

● Strategy

Based on the TCFD recommendations, we conducted scenario analysis to identify climate change-related risks and opportunities. Through scenario analysis, the 1.5°C and 4°C scenarios were defined based on scientific evidence from the International Energy Agency (IEA) and other sources, and the importance of climate-related risks and opportunities that could affect operations as of 2030 was assessed.

[Defining Scenarios]

Scenario configuration	1.5°C scenario	4°C scenario
World view	The Japanese government will promote severe measures against climate change, including the introduction of a carbon tax, which will lead to drastic social changes, and regulations on plastic and climate change-related information disclosure will be required. Damage from natural disasters such as flooding is limited.	There will be no climate action by the government beyond current measures and no climate change action is required. Abnormal weather such as droughts and floods due to rising temperatures will become apparent, sites will be damaged, and response costs and recovery costs at the time of the disaster are expected.
Reference scenario	IEA The Net-Zero Emissions by 2050 Scenario (NZE) / IEA World Energy Outlook 2021/ IEA World Energy Outlook 2018/ IPCC AR6 SSP1-1.9	IEA World Energy Outlook 2021/ IEA World Energy Outlook 2018/ IPCC AR6 SSP5-8.5
Characteristics	Transition risks related to policies, etc. are likely to become apparent.	Physical risks associated with abnormal weather, etc. are likely to become apparent.

1 Environmental protection

● Identification and assessment of risks and opportunities

We assessed the impact of climate change-related transition and physical risks on our Real Estate Revitalization Business and Real Estate Service Business. A variety of items were considered, from policy and legal regulations to market changes for transition risks, and acute and chronic physical risks for physical risks. We will respond to risks and opportunities that we judge to have a particularly significant impact on our company.

Scope: Real Estate Revitalization Business and Real Estate Service Business
 High: Very significant impact (> 19% of net sales)
 Medium: Significant (10-19% of net sales)
 Small: Limited impact (<10% of net sales)

Term of risk: Short term: Within one year occurrence
 Medium term: within 1 to 5 years
 Medium to long term: Within five to ten years
 Long term: Over 10 years

[List of risks and opportunities]

Of the risks and opportunities recognized by the Company, those with a "medium" or higher impact on the business are listed.

Types of risks and opportunities			Details of risks and opportunities	Impact on business and financial results		Term of risk occurrence	
				1.5°C	4°C		
Risk	Transition risk	Policies, laws and regulations	Increased tax burden due to large increase in carbon tax.	Medium	—	Medium term	
			Increased cost of raw materials, which have a high emission intensity (steel, cement, etc.), due to large increase in carbon tax.	Medium	—	Short term	
			Additional capital investment costs due to increased energy efficiency standards to be met through renovations.	Medium	—	Short term	
	Physical risk	Reputation	Stakeholder concerns about passive ESG responses.	Medium	—	Medium to long term	
			Acute	Loss of sales and increase in restoration costs from the interruption of business activities caused by damage to business sites by natural disasters.	Small	Medium	Short term
				Occurrence of flood damage to Company-owned real estate due to high tides and heavy rains caused by rising sea levels.	Small	Medium	Short term
Chronic	Increase in cost of air conditioning equipment and increase in energy costs in Company-owned real estate.	Small	Medium	Medium term			
	Opportunity	Products and services	Increase in selling prices to asset holders and building owners by improving the environmental performance of properties through replanning.	Medium	Medium	Short term	

● Risk management

To build a sustainable system, the Company has established regulations on company-wide risk management and established the "Sustainability Committee" to address overall sustainability issues, including climate change issues. For risks related to climate change, the Risk Verification Committee evaluates the risks reported by the Risk Management Committee. The risks that have been identified and evaluated are examined by the Sustainability Committee, and then each division or Group company responds to these risks. In addition, the Board of Directors receives a report from the Risk Management Committee on the status of and measures to comprehensively manage risks, including climate change risks.



● Metrics and Targets

The Company calculates greenhouse gas emissions as an indicator for evaluating climate change-related risks and opportunities. In fiscal 2021 and 2022, Scope1 "Fuel use (CO₂)", Scope2 "Use of electricity supplied by others (CO₂)", and Scope3 "Other indirect emissions (CO₂)" were included in the calculation. We will continue to monitor our greenhouse gas emissions in the future and will establish a system and set targets so that we can expand the scope of monitoring and reduce CO₂ emissions in our activities.

[Greenhouse Gas Emissions]

(Consolidated)	Fiscal 2021 annual emissions (t-CO ₂)	Fiscal 2022 annual emissions (t-CO ₂)
Scope1 *	4,088.5	3,237.9
Scope2 *	6,692.5	7,633.7
Scope3 *	195,123.0	152,939.0
(Non-consolidated)	Fiscal 2021 annual emissions (t-CO ₂)	Fiscal 2022 annual emissions (t-CO ₂)
Scope1 *	0.0	0.0
Scope2 *	196.3	195.1
Scope3 *	195,123.0	152,939.0

Calculation period : FY 2021 (April 2021 to March 2022), FY 2022 (April 2022 to March 2023)
 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 results for each electric utility

1 Environmental protection

Effective resource utilization through business activities

To measure the environmental contribution of our Real Estate Revitalization Business, we used the Architectural Institute of Japan's LCA Tool^{*1} and calculated the resource input, waste generation, and LCCO₂^{*2} reduction effects assuming 50 years of building operation. The calculations were made assuming an age and total floor area of office buildings that are in the largest volume zone in the revitalization business.

*1 Building's LCA Tool Ver 5.0: Evaluation tool for global warming, resource consumption, and waste management

*2 Assessment of the amount of carbon dioxide (CO₂) generated at all stages from manufacturing, transportation, and sales to use, disposal, and reuse of products

Compared to reconstruction proposal and standard building

- ✓ Resource input **Reduction of 4,899 t**
- ✓ Waste generation **Reduction of 1,182 t**
- ✓ CO₂ emission **Reduction of 3,660 t-CO₂**

[Supplemental information: CO₂ reduction]



Annual CO₂ emissions reduction equivalent to **approximately 1,591 vehicles**

*Annual CO₂ emissions per vehicle = approximately 2,300 kg (Ministry of the Environment data)

Prerequisite and basis

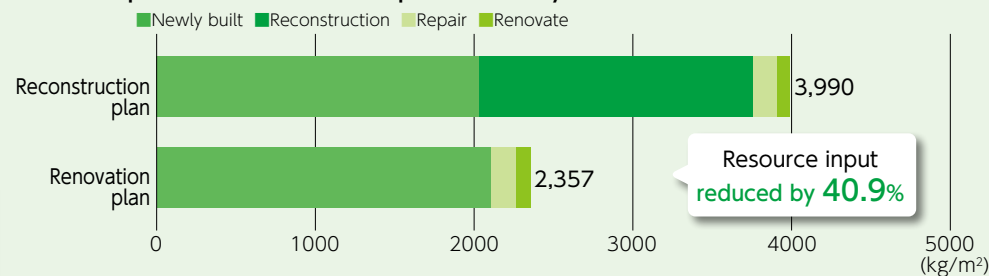
Select an office building in central Tokyo that is 30 years old with floor area of approximately 3,000 m² as model building, calculate environmental contribution during 50 years (lifespan of SRC for offices)

Reconstruction: "If rebuilt every 35 years"

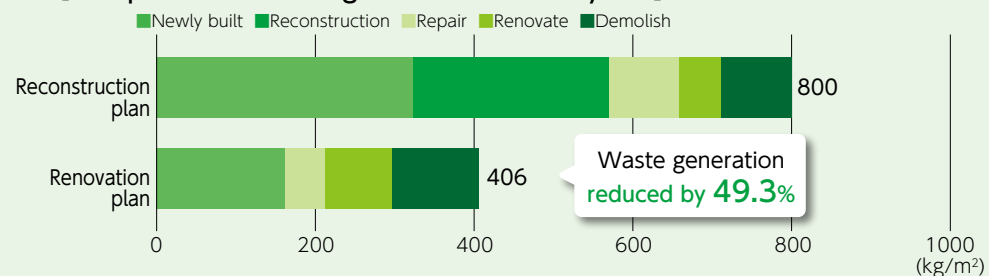
Renovation: "Revitalize aging buildings without demolishing (long-life building)"

Standard: "Assume a non-renovated 30 year old building"

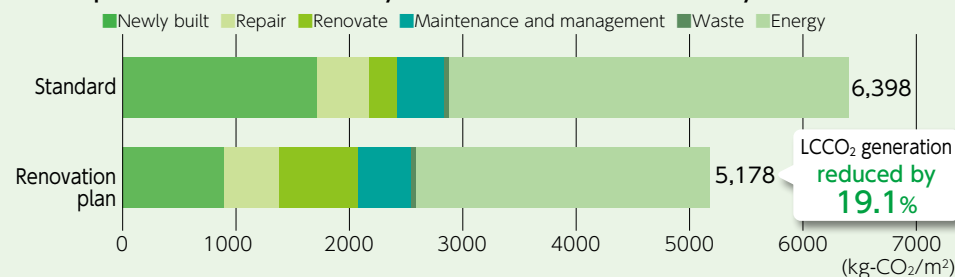
[Comparison of resource input over 50 years]



[Comparison of waste generation over 50 years]



[Comparison of LCCO₂ (life cycle CO₂) emissions over 50 years]





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	Responding to increasingly severe natural disasters
Key measures	Key measures
Creating buildings, offices, and spaces that contribute to job satisfaction, creativity and economic growth	Disaster prevention and mitigation by regional coordination

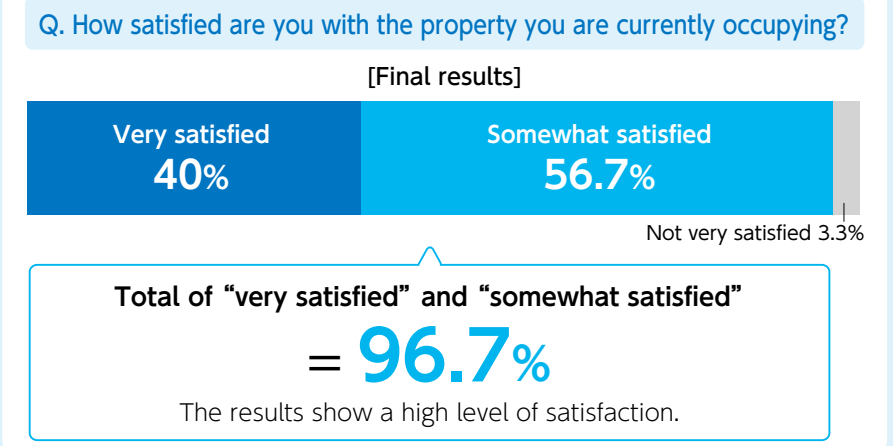
Specific measures and objectives (KPIs)

<p>Promote the Real Estate Revitalization Business in consideration of well-being</p> <p>Establishment of in-house standards by the end of fiscal 2022</p> <p>New replanning properties supplies that exceed established in-house standards Fiscal 2023</p> <p>At least 30%</p>	<p>Provide setup offices with disaster prevention equipment and installation space</p> <p>At least 5 lots by fiscal 2023</p> <p>Provide information that contributes to raising tenants' awareness of disaster prevention</p> <p>Disaster prevention information posting on dedicated website</p> <p>Fiscal 2023: 100% (Company-owned properties)</p>
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Setup office tenants for company-owned properties - Questionnaire Report

We have identified "Promote the Real Estate Revitalization Business in consideration of well-being" as a specific measure within "Creating buildings, offices, and spaces that contribute to job satisfaction, creativity and economic growth," our key measure based on the three important issues of sustainability: environmental protection, regional revitalization, and human resource development. One of the KPIs for the specific measure was set as "Implement tenant satisfaction surveys (company-owned properties)," which has been implemented from 2023.

◆ Target	Tenant companies that occupy company-owned property setup offices
◆ Implementation period	June 13 to June 30, 2023
◆ Implementation method	Online (Microsoft Forms)
◆ Response rate	28.4% (23 tenants (30 people)/81 tenants)
◆ Remarks	The questionnaire items have been designed based on CASBEE Wellness Office, in coordination with another KPI we have set, which is the "Establishment of in-house standards" for "Promote the Real Estate Revitalization Business in consideration of well-being."



Related SDGs ▶▶▶



3 Human resource development

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

12% or more

(Sun Frontier Fudousan Co., Ltd.)

Utilize DX, improve business process, improve individual abilities

FY2023/3

Ordinary profit per hour

Increase year-on-year

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

Human Resource Development Policy

Together with our colleagues who share our values of altruism, we will cultivate human resources who can develop new fields with a frontier spirit toward the realization of a sustainable society.

We aim to create a society that can be inherited by future generations. We foster human resources who have the kindness to care for the people around them and the strength to do the right thing, and who boldly take on challenges in areas where they have no experience.

Internal Environment Development Policy

Creating a Workplace Environment with job satisfaction, creativity, and growth opportunities.

We aim to create a “co-creation” organization in which all employees set their own goals, work actively toward those goals, and continue to create new value based on mutual trust.

Job satisfaction

A climate that encourages challenge and growth and rewards peers who have taken on challenges.

We respect the voluntary initiatives of our employees to contribute to people and society. We place importance on a culture of trust and respect for each other's challenges. We believe that we can achieve even higher goals as a company by providing an environment that matches the life stages of each employee.

Creativity

A corporate culture that envisions the future and aims to create new value.

New ideas are born by constantly improving the current situation and refining sensitivity while envisioning the future. We believe that the existence of an environment in which people respect each other will lead to the creation of new value by leveraging diverse ideas.

Growth opportunities

A culture that stimulates the desire to learn and works toward high goals.

We respect our employees' desire to learn and grow and provide opportunities for them to do so. We believe that the foundation of a company that continues to grow is a company that boldly predicts future changes and continuously strives to achieve its goals.

Sustainability Report Case Study 1

Achieved an economic life extension rate of 71% through real estate regeneration (RePlanning®)

Reduce wasteful use of resources and ensure that even older buildings can continue to be used by enhancing their value without being demolished. Our core business, the Real Estate Revitalization (RePlanning®) Business, started from this concept.

As one of the key measures in sustainability management, we aim to extend the life and health of real estate, with the goal of extending the economic life of the property by at least 30%. After the completion of real estate revitalization (RePlanning®) work, we obtain an economic lifespan assessment report and measure the rate of extension of the economic life for each property. In fiscal 2022 (fiscal year ended March 31, 2023), the average extension rate of the economic life for the properties we sold was 43.3%, and we were able to achieve our target. Among these properties, the property that had greatest extension in its economic life had an extension rate of 71%.

In addition, the carbon dioxide emissions generated during real estate revitalization (RePlanning®) construction are 100% offset through the use of renewable energy derived from biomass.

• Economic life extension rate 71%

The economic life was extended by 27 years to 65 years, compared to the statutory useful life of 38 years. We have offset 100% of the 6 t-CO₂e carbon dioxide emissions generated during the real estate revitalization work.

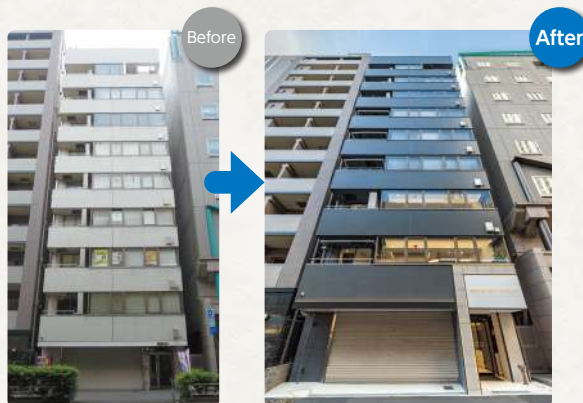
• Key points of renewal

- Facility renovations and updates with energy-saving considerations (installation of LED lighting, energy-efficient air conditioning and ventilation systems)
- Interior design in line with the times (interior planning targeted at IT ventures and startups)
- Tenant mix designed to ensure that the building operates stably for a long time, thereby attracting people and bringing vitality to the community
- All illegal areas and water leaks have been corrected, resolving issues to ensure tenants can work in a safe and secure environment

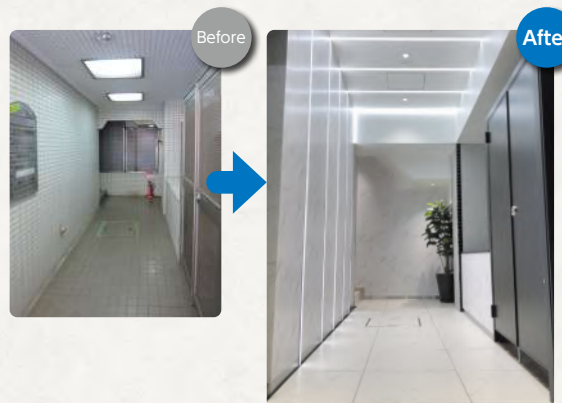
One income-producing building in Toshima Ward, Tokyo:

Steel framed, flat roof, 9 floors / completed in August 1988 / 35 years old

Exterior with a sense of solidity and presence



Clean and luxurious entrance



Bright and stylish office



Sustainability Report

Case Study 2

Sun Frontier Wellness Score (SWS)

“Office that accelerates the growth of tenant companies.” This is the theme of the offices we offer. With our setup offices, which provides highly designed interiors in reception areas, conference rooms, and offices in advance, we support the growth of tenant companies, including startups, through offices. The role that the office plays in improving productivity and boosting employee motivation is important. We have established the Sun Frontier Wellness Score (“SWS”) as a metric for measuring the comfort of the office which customers will move into.

The business period for our real estate revitalization (RePlanning®) 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 metric by identifying 44 items relevant for mid-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.

Going forward, we aim to offer properties that meet the Sun Frontier Wellness Score (SWS) criteria.

● Structure of evaluation items

Qw1 Health and comfort

Space and interior
Sound environment
Light and visual environment
Thermal and air environment
Refresh



Qw2 Convenience

Movement space and communication
Telecommunications



Qw4 Operations and management

Maintenance and management plan
Satisfaction survey
Disaster response



Qw3 Safety and security

Disaster prevention measures
Harmful substance measures
Water safety
Security



Qw5 Program

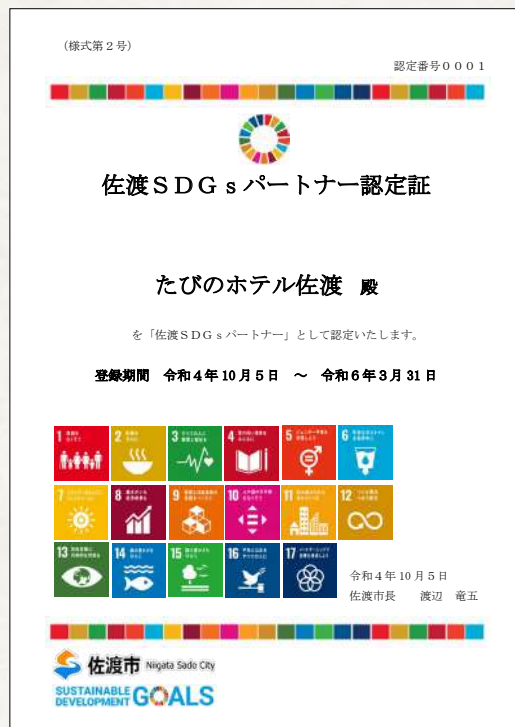
Mental health measures and medical services
Internal information sharing infrastructure



Sustainability Report Case Study ③

Case study of sustainability activities at a hotel - Tabino Hotel Sado

The Group focuses on regions of Japan with hidden culture, history, and natural attractions, and is developing the Tabino series as a brand of regional revitalization hotels based on the unique charms and characteristics of each region. Tabino Hotel Sado, which opened in July 2018, has obtained the first Sado SDGs Partner certification and is actively strengthening its commitment to SDGs in collaboration with the local community.



Sado SDGs Partner certificate

Tabino Hotel Sado, Manager,
Maiko Hashimoto

Endorsing the Local SDGs Sado Island Declaration, we are engaged in initiatives for the realization of the Natural Energy Island concept

● Hotel and guest room initiatives

- Toothbrushes, hairbrushes, and razors are made of biomass plastic material
- Box tissues are the half-size type. Tissue boxes are made of recycled PET materials
- Toilet paper is replaced only when used up
- Bath amenities are organic products
- Shower caps and clear cups are made of biomass plastic material
- Cotton body towels are sold at the store
- Air conditioning in all rooms is shut off at 11:00 AM
- We recommend an eco-consecutive night plan, which only includes towel exchange and waste collection

● Employee initiatives

- We support working mothers in an aim for gender equality and creating a workplace where women can shine
- We employ people referred by the Sado City Employment Assistance and support self-reliance that makes work worthwhile.
- We employ students from free schools and encourage them to enjoy social activities and look forward to a bright future



Tabino Hotel Sado

<Official website> <http://sado.tabino-hotel.jp/en/>

[Address] 113-12 Chigusa, Sado, Niigata

[Phone] +81-259-58-8020

[Transportation access]

About 67 minutes by Jetfoil, about 150 minutes by car ferry from Niigata Port Sado Kisen Terminal to Ryotsu Port → about 25 minutes by car from Ryotsu Port (via Route 350)

[Number of rooms] 111 rooms

Sustainability Report | Case Study 4

Distinctive human resource development programs

The Group's training system is based on refining and enhancing human skills through philosophy training.

▶ Reading of the Philosophy Pocketbook

A small group of about six people read together one item every day for ten minutes, and make in-depth presentations on how they thought about the item by reflecting on their own experiences and past actions. In response to these presentations, the leader provides comments to align values, thereby building the foundation of the Company.



▶ Chairman's Training

The Chairman Representative Director, who is also the founder of Sun Frontier Fudousan, personally conveys his thoughts embedded in the Sun Frontier Philosophy directly to employees through Chairman's Training. All new employees and experienced professional hires undergo training to clarify in stages from the time they join the Company, why they live and work, as well as the purpose and significance of their lives.



▶ Employee training trips

The Company's employee training trips are not just trips, but are participated in with a clear theme in mind. Especially in Kagoshima, where all employees visit in their first year of employment, they experience the concept of human resources thriving in groups through local education, and feel the preciousness of life at the Chiran Peace Museum.

This provides an opportunity to think about what the mission is in light of one's way of life.



▶ Self-improvement subsidy system

To support employees who have the enthusiasm to improve their own abilities, be of service to customers and colleagues, and become human resources who can contribute to society, we offer a subsidy for acquiring qualifications and studying specialized knowledge, with an annual limit of 100,000 yen. The system has been used 50 times over a period of six months.

▶ Real estate transaction agent qualification training

In order to obtain the certification as a real estate transaction agent qualification required in the real estate industry, we invite outside instructors and hold seminars and intensive study sessions for six months starting in April, and participants have had a high pass rate.

Management

Company Management

[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
◇24year ◆3,023,053 ❖16/17

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 Representative Director
◇17year ◆74,484 ❖17/17

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
◇15year ◆56,467 ❖17/17

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
◇8year ◆18,827 ❖17/17

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
◇3year ◆34,300 ❖17/17

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
◇3year ◆6,200 ❖17/17

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.



Kazutaka Okubo
Outside Director
◇4year ◆3,108 ❖17/17

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.



Keiichi Asai
Outside Director
◇1year ◆0 ❖14/14

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.



Shinichi Tominaga
Director, Audit & Supervisory Committee Member
◇1year ◆681 ❖14/14

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.



Hidetaka Tanaka
Outside Director, Audit & Supervisory Committee Member
◇4year ◆0 ❖17/17

He has a wealth of experience as a corporate manager and has abundant business experience overseas. He has a wide range of knowledge including a thorough knowledge of the financial industry and the field of sustainability.



Tsuneko Murata
Outside Director, Audit & Supervisory Committee Member
◇1year ◆0 ❖14/14

She has a wealth of knowledge related to legal affairs, management and audit, as well as experience as a manager of the legal division of a company. In addition, she has a wide range of knowledge in promoting the active participation of women.

[Executive Officer] Shuhei Oda
Kenji Wakao
Kentaro Kawanishi
Takeshi Hirahara
Midori Kaneko
Hiroyuki Takekawa
Keiichiro Nishimoto

[Skill matrix]

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.	IT Digital	CSR ESG Sustainability	M&A	Overseas	Board of Directors	Audit & Supervisory Committee	Nomination and Compensation Committee (Voluntary)
Chairman Representative Director	Tomoaki Horiguchi	●	●			●			●		○		◎
President Representative Director	Seiichi Saito	●	●	●			●				◎		○
Executive Vice President	Izumi Nakamura	●	●	●					●		○		
Senior Managing Director	Yasushi Yamada	●	●						●	●	○		
Director	Mitsuhiro Ninomiya				●	●		●			○		
Director	Kenji Honda		●			●					○		
Outside Director	Kazutaka Okubo			●	●		●				○		○
Outside Director	Keiichi Asai	●							●	●	○		
Director, Audit & Supervisory Committee Member	Shinichi Tominaga		●	●	●						○	◎	
Outside Director, Audit & Supervisory Committee Member	Hidetaka Tanaka	●		●				●		●	○		○
Outside Director, Audit & Supervisory Committee Member	Tsuneko Murata					●		●	●	●	○		○



Governance

Corporate Governance

Basic stance on corporate governance

The Company's basic stance on corporate governance is that all officers and employees should set "the right thing to do as a human being" based on high ethical standards as a criterion for business execution and practice it. Based on this, we recognize that it is an important mission of management to contribute to society through business activities and to pursue profit fairly, and to build firm trust from stakeholders such as shareholders, customers, employees, clients, business partners, environment and local communities by continuously increasing corporate value over the long term.

Based on this recognition, the Company is working to strengthen its corporate governance with the below 5 basic policies:

- 1 improving transparency and ensuring fairness,
- 2 swift decision-making and business execution,
- 3 thorough accountability,
- 4 timely and appropriate information disclosure, and
- 5 enhancement of compliance awareness.

Corporate governance system

From the perspective of corporate social responsibility and medium- to long-term enhancement of corporate value, the Company is committed to fulfilling its responsibilities to all stakeholders including shareholders and investors. We will disclose information in a timely, accurate and fair manner. In addition, Companies Act of Japan, the Financial Instruments and Exchange Act, various laws and regulations as well as the rules set by the stock exchanges (hereinafter referred to as "laws and regulations.") In addition to promptly disclosing information that falls under the "Securities Listing Regulations", we will also actively disclose socially useful information about the Group.

Board of Directors

Given that the appointment and dismissal of the Representative Director is the most important strategic decision making, the Board of Directors appoints a person who has excellent personality and insight, is well-respected, and has a wealth of experience after giving due consideration to the objectivity, timeliness, and transparency of the appointment procedures, and sufficient discussions within the Board of Directors.

Audit & Supervisory Committee

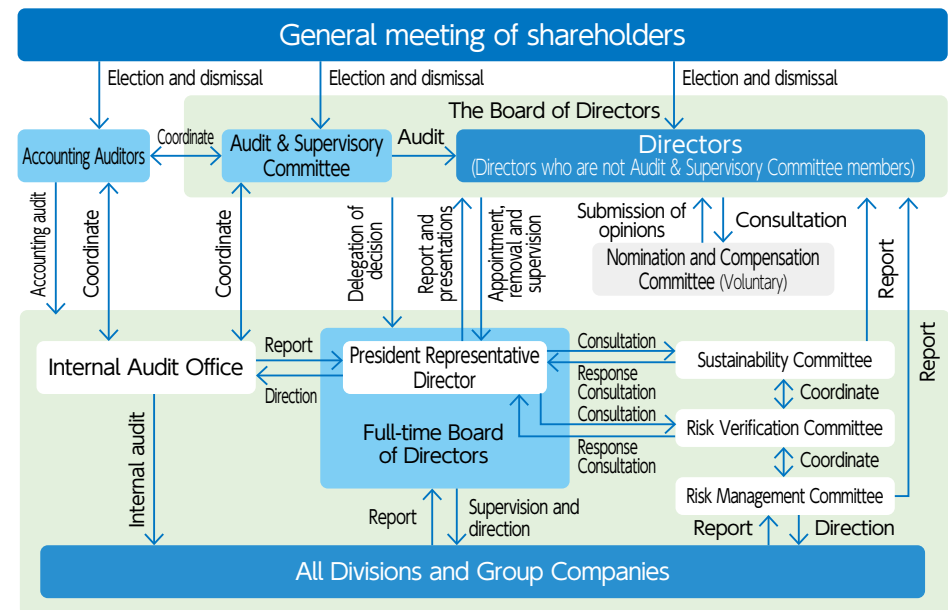
In fiscal 2022 we made a transition from a Company with Audit & Supervisory Board to a Company with Audit & Supervisory Committee. By adopting this corporate governance system, Audit &

Supervisory Committee members, who audit and supervise the execution of duties of the directors, will become members of the Board of Directors, thereby strengthening the supervisory function of the Board of Directors and further enhancing corporate governance.

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-Representative Director 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.



Governance

Corporate Governance

● Board of Directors Effectiveness Evaluation

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.

As a result of this year's survey, we have determined that the effectiveness of the Board of Directors has been largely secured. In response to the survey results, issues from a medium- to long-term perspective were raised, such as "setting KPIs that enable the Company to achieve sustainable growth" and "a system to periodically review the entire Group's business portfolio in consideration of securing sustainable profitability and the cost of capital." Going forward, the Company will strive to improve corporate governance through the resolution of issues identified in this evaluation, and further promote management aimed at sustainable enhancement of corporate value.

[Total Amount of Remuneration, etc. Paid to directors and corporate auditors]

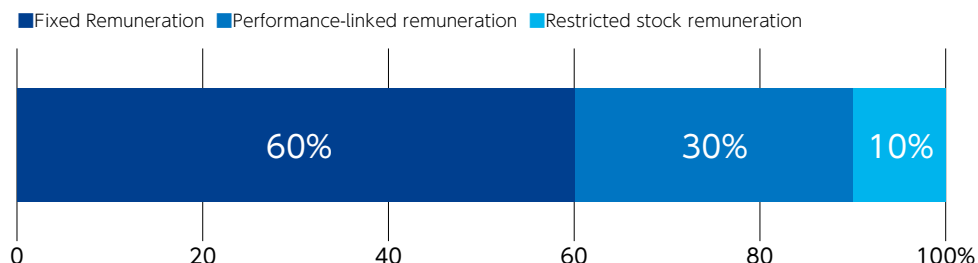
Classification	Total Amount of Remuneration, etc. Paid (million yen)	Total Amount by Type of Remuneration, etc. (million yen)			Number of Persons Paid
		Fixed Remuneration	Performance-linked remuneration	Restricted stock remuneration	
Director (excluding Audit & Supervisory Committee Member and Outside Director)	243	158	65	20	6
Audit & Supervisory Committee Member (excluding Outside Director)	9	9	—	—	1
Audit & Supervisory Board Member (excluding outside Audit & Supervisory Board Member)	2	2	—	—	1
Outside Officers	25	25	—	—	6

● 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]



● Internal Control

Basic policy for building an internal control system

In accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act, the Board of Directors has resolved the "Basic policy for building an internal control system," and the Company has established and is operating such system.

For more information on internal control systems, click here.
https://www.sunft.co.jp/en/sustainability/esg_library/basic_policy_ics/



Governance Compliance & Risk Management

● 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-Representative Director, 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-Representative Director 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.

● 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 Representative Director (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 Representative Director 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 Representative Director, 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 Representative Director as an advisory body to the President Representative Director. 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.

Messages from Outside Directors



Expectations for thorough implementation of our philosophy and breakthrough management in an environment where challenges can be taken on

Kazutaka Okubo,
Outside Director

Q Since you assumed office as an Outside Director in 2019, have you felt any evolution in the governance structure? (Activation of discussions, activities of the Nomination and Compensation Committee, etc.)

A At the Company, in addition to the Board of Directors, outside officers have traditionally attended monthly Management Committee, and regularly held business planning presentations, providing opportunities to supervise business execution. Recently, we have been continuing discussions on the very nature of the Board of Directors to enable more in-depth discussions in order to strengthen and enhance the effectiveness of the Board of Directors for further improvement of governance. As a result, over the past three years, strategic discussions of high importance have increased at meetings of the Board of Directors, while there is a growing tendency that less important business execution-related matters are delegated in order to ensure thorough deliberations. Especially since last fiscal year, opportunities to supervise business execution have increased, such as participation in medium- to long-term strategy meetings and the Sustainability Committee, creating an environment conducive to fruitful discussions at Board of Directors meetings. As the nature of the Company is transforming with the times, continuous discussion and review to enhance the effectiveness of the Board of Directors are important for advancing the level of governance.

Q From the perspective of an Outside Director, what are the challenges that Sun Frontier Group should address to enhance corporate value, achieve its growth and realize its vision set forth as principle?

A One of the strengths of the Company is the thorough penetration of our philosophy. In this era of rapid changes in the business environment surrounding companies, having a steadfast belief as our core value, while also looking towards the future, constitutes a strong management foundation. Meanwhile, as the industrial structure itself is changing, the needs and issues of our customers are also undergoing significant transformations. To solve customer issues from the viewpoint of customers, it is important to create an environment where each and every employee reconsiders their work from a social viewpoint and continuously takes on new challenges without being constrained by failures or past precedents. We expect employees to engage in management that breaks out of their own boundaries and limitations by being interested in all things, not only in their own business field and in what they have experienced, and by being highly sensitive, taking the initiative in continuing to learn, and taking on challenges.



Further sustainable growth and enhancement of corporate value through earnest resolution of social issues and advanced risk management in our core business

Hidetaka Tanaka,
Outside Director and Audit & Supervisory Committee Member

Q What is your evaluation of the process from the establishment of the Sustainability Committee to vision formulation and identification of important issues?

A I would say that sustainability initiatives are now at the core of our management. The key to promoting sustainability lies in both an awareness of this by the management and the fostering of a strong awareness for solving social issues in the field. Our full-fledged sustainability initiatives started about four years ago, grounded in a thorough understanding of what the most advanced companies in this field are thinking and doing, and beginning from considering initiatives that would be unique to the Company. In March 2022, based on our corporate motto, we established materiality unique to the Company that considers matters to be practiced in daily operations in the field with an awareness of KPIs. What makes these initiatives unique is that everything is compiled after meticulous consideration at each site in the field about what can be done within our core business to solve social issues. This means that our core business and solving social issues are being vigorously promoted as things that are inextricably linked. The Company's further challenges have just begun.

Q Do you have expectations for the operation of the Board of Directors and various committees to further grow the Sun Frontier Group?

A Our corporate governance structure is constantly evolving. We became a company with Audit & Supervisory Committee in June 2022. The separation of oversight and execution in business has been clarified, and discussions about strategy in meetings of the Board of Directors have become more active. The Risk Management Committee has been working on rapid response to emerging risks and sharing an awareness of risks throughout the Group. Under a prompt and appropriate operational structure chaired by the President, our dedication to implementing the true essence of risk management, such as identifying all emerging risks and diligently addressing them from the perspective of recovering and further enhancing customer trust, is noteworthy. Furthermore, a Risk Verification Committee was established in the previous fiscal year. The aim is to prevent the emergence of risks by categorizing them according to the type of incidents that have occurred. It is a proactive attempt to move from treatment to prevention. We expect that the Company will achieve further sustainable growth and an improvement in corporate value through this continuous strengthening of governance and the organic connection between each organization.

ESG Data [Environment]

[CO₂ emissions (non-consolidated)](Unit: t-CO₂e)

Classification	Category details	Applicable activities	Fiscal 2020	Fiscal 2021	Fiscal 2022
Scope 1	Direct emissions by the company	Not applicable	0	0	0
Scope 2	Indirect emissions by the company	Emissions through electricity suppliers due to electricity use	212.1	196.3	195.1
Scope 3*	Category 1	Purchased goods and services	70,396	50,302	56,091
	Category 2	Capital goods	550	30,910	21,890
	Category 3	Fuel and energy related	31	30	30
	Category 4	Transportation and delivery (upstream)	0	0	0
	Category 5	Waste generated in operations	29	24	55
	Category 6	Business travel	7	7	6
	Category 7	Employee commuting	12	12	11
	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	43,080	113,253	74,129
	Category 12	End-of-life treatment of sold products	18	28	21
	Category 13	Leased assets (downstream)	479	514	875
	Category 14	Franchises	0	0	0
	Category 15	Investments	0	0	0
	Offsets	0	-151	-364	
		114,812	195,123	152,939	

*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 2022) (consolidated)]

(Unit: t-CO₂e)

Scope 1 (fiscal 2022)	Location-based			Market-based		
	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2020	Fiscal 2021	Fiscal 2022
Sun Frontier Fudousan Co., Ltd.	0.0	0.0	0.0	0.0	0.0	0.0
SF Building Support Inc.	0.0	0.0	0.0	0.0	0.0	0.0
SF Building Maintenance Inc.	48.7	71.6	76.0	48.7	71.6	76.0
Sun Frontier Space Management Inc.	0.0	0.0	0.0	0.0	0.0	0.0
Sun Frontier Hotel Management Inc.	384.6	2,473.0	1,842.4	384.6	2,473.0	1,842.4
Sky Heart Hotel Inc.	69.8	207.4	246.4	69.8	207.4	246.4
Sun Frontier Sado Co., Ltd.	1,222.6	1,286.4	1,008.9	1,222.6	1,286.4	1,008.9
SF Engineering Inc.	11.1	9.5	2.9	11.1	9.5	2.9
SF Communication Inc.	0.0	0.0	0.0	0.0	0.0	0.0
Sun Frontier Fudousan Taiwan Co., Ltd.	0.0	0.0	0.0	0.0	0.0	0.0
SUN FRONTIER VIETNAM CO., LTD.	0.0	0.0	0.0	0.0	0.0	0.0
PT. SUN FRONTIER INDONESIA	0.0	0.0	0.0	0.0	0.0	0.0
Common (company car gasoline)	21.6	40.6	61.4	21.6	40.6	61.4
	1,758.4	4,088.5	3,237.9	1,758.4	4,088.5	3,237.9

[Scope 2 (fiscal 2022) (consolidated)]

(Unit: t-CO₂e)

Scope 2 (fiscal 2022)	Location-based			Market-based		
	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2020	Fiscal 2021	Fiscal 2022
Sun Frontier Fudousan Co., Ltd.	211.7	197.2	193.2	212.1	196.3	195.1
SF Building Support Inc.	20.0	19.1	17.9	20.0	19.1	17.9
SF Building Maintenance Inc.	19.1	23.3	22.7	19.0	23.7	23.3
Sun Frontier Space Management Inc.	525.3	1,098.8	747.5	525.3	1,099.5	748.2
Sun Frontier Hotel Management Inc.	1,107.3	3,222.3	3,837.7	1,113.3	3,590.2	4,643.0
Sky Heart Hotel Inc.	625.3	692.6	809.6	695.5	725.5	878.3
Sun Frontier Sado Co., Ltd.	890.9	925.0	970.3	1045.0	976.3	1,091.3
SF Engineering Inc.	28.6	25.0	15.2	28.6	25.1	15.2
SF Communication Inc.	0.9	13.2	11.9	0.9	13.2	11.9
Sun Frontier Fudousan Taiwan Co., Ltd.	3.6	3.1	2.9	3.6	3.1	2.9
SUN FRONTIER VIETNAM CO., LTD.	49.6	17.3	6.6	49.6	17.3	6.6
PT. SUN FRONTIER INDONESIA	145.2	3.2	0.0	145.2	3.2	0.0
Common (company car gasoline)	0.0	0.0	0.0	0.0	0.0	0.0
	3,627.5	6,240.2	6,635.4	3,858.0	6,692.5	7,633.7

ESG Data [Social]

Diversity & Inclusion

[Number of employees]

(persons)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Total number of employees	403	395	386	398
Male	263	255	241	254
Female	140	140	145	144
Percentage of female employees	34.7%	35.4%	37.6%	36.2%

[Number of new graduates and experienced professionals hires]

(persons)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Total new graduates	22	27	10	12
Male	17	18	6	7
Female	5	9	4	5
Total experienced professionals	47	12	37	32
Male	30	6	21	24
Female	17	6	16	8
Experienced professionals hiring ratio	68.1%	30.8%	78.7%	74.4%

[Average age]

(years old)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Average age company-wide	36.9	37.0	37.7	38.0
Male	38.6	38.6	39.3	39.7
Female	33.7	34.0	34.9	35.1

[Average length of service]

(years)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Average length of service company-wide	5.09	5.72	6.34	6.71
Male	5.34	6.02	6.84	7.05
Female	4.62	5.18	5.51	6.12

[Number of employees taking childcare leave]

(persons)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Total number of employees taking childcare leave	7	11	13	8
Male	0	0	0	1
Female	7	11	13	7

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

(persons)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Total number of specific employees in management track positions (short-time regular employees)	21	24	23	25
Male	2	1	1	1
Female	19	23	22	24

[Senior employees (aged 65 and over)]

(persons)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Total number of senior employees	13	13	13	16
Male	13	13	11	14
Female	0	0	2	2

[Employment of people with disabilities]

Employment of people with disabilities	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of people	8	8	9	10
Employment rate	2.14%	2.05%	2.53%	2.74%

[Family care leave]

Number of employees taking family care leave (persons)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of employees taking leave	0	0	2	2

[Officers]

(persons)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Total number of officers (composition of Board of Directors)	12	12	11	11
Male	12	12	10	10
Female	0	0	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. 2020	Apr. 2021	Apr. 2022	Apr. 2023
Total number of managers (section managers and above)	69	73	82	91
Male	64	68	75	83
Female	5	5	7	8
Ratio of female managers	7.2%	6.8%	8.5%	8.8%

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

Health and Productivity Management

[Paid leave utilization rate and average number of days taken]

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Paid leave utilization rate	62.6%	67.5%	66.5%	64.2%
Average number of days taken	8.7	9.8	10.2	10.3

[Health checkup participation rate]

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Health checkup participation rate	—	97.5%	98.9%	99.1%

[Stress check]

Stress check	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Stress check participation rate	98.9%	97.8%	100.0%	100.0%
Ratio of highly stressed persons	13.6%	10.0%	11.5%	9.3%

Productivity Improvement

[Ordinary profit per hour]

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Ordinary profit per hour (yen)	—	9,611	18,080	14,397

[Ratio of training hours to working hours]

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Ratio of training hours to working hours	—	—	—	10.3%

ESG Data [Governance]

[Status of meetings held]

Boards and committees	Number of meetings held			
	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Board of Directors	17	19	18	17
Audit & Supervisory Board ^{*1}	13	13	14	13
Nomination and Compensation Committee	3	2	2	2
Management Committee	12	12	12	12
Risk Management Committee	12	12	12	12
Risk Verification Committee ^{*3}	—	—	—	12
Sustainability Committee ^{*2}	—	—	3	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 & Supervisory Board]

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Board of Directors	98.2%	99.6%	99.1%	99.6%
Of which, Outside Directors	96.9%	98.4%	98.9%	100.0%
Audit & Supervisory Board	100.0%	97.4%	100.0%	100.0%
Of which, Outside Audit & Supervisory Board Members	100.0%	96.2%	100.0%	100.0%

[Officers' remuneration (fiscal 2022)]

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)	243	158	65	20	6
Audit & Supervisory Committee Member (excluding Outside Audit & Supervisory Board Member)	9	9	—	—	1
Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Member)	2	2	—	—	1
Outside Officers	25	25	—	—	6

[Risk and compliance related]

Compliance-related training	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of times implemented	11 ^{*1}	12	12	13
Number of participants (total)	3,166	3,047 ^{*2}	3,487	4,270

*1 Not implemented in March 2020 due to the impact of COVID-19

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

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of Help Line reports and consultations	0	0	0	0
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 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of occupational accidents (cases)	2	0	1	5
Of which, fatal accidents (cases)	0	0	0	0

Company Profile (As of the end of March 2023)

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 Seiichi Saito, President Representative Director
Number of Consolidated Employees	739 employees (1,371 including part-timers and temporary workers) *As of the end of June 2023
Average Age of Employees	35.9 years old *As of the end of June 2023
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, Nihonbashi branch, Kodemmacho branch, Kanda branch, Kojimachi branch, Hamamatsucho branch, Shinjuku branch, Shibuya branch, Gotanda 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 2023)

Number of Authorized Shares	91,200,000	Tokyo Stock Exchange	Prime
Number of Outstanding Shares	48,755,500	Accounting Month /	March
Number of shareholders	13,971	Code number /	8934
		Administrator of the register of shareholders	Mizuho Trust & Banking Co., Ltd.

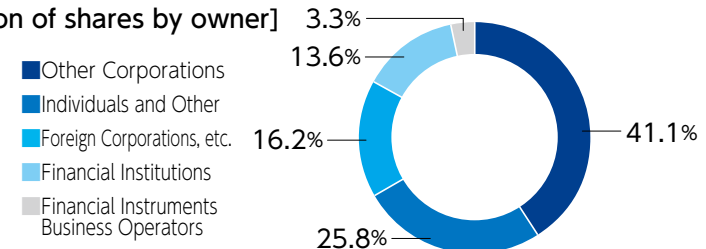
(Major shareholders)

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	17,957,500	36.91%
The Master Trust Bank of Japan, Ltd. (Accounted in trust)	4,115,100	8.46%
Tomoaki Horiguchi	3,022,594	6.21%
Custody Bank of Japan, Ltd. (Accounted in trust)	1,708,000	3.51%
SKAWAGOE Co., Ltd.	1,566,400	3.22%
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing)	745,800	1.53%
Morgan Stanley MUFG Securities Co., Ltd.	590,866	1.21%
JP Morgan Securities Co., Ltd.	549,872	1.13%
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, NA Tokyo Branch)	422,998	0.87%
Keiko Horiguchi	416,500	0.86%

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 & Banking Co., Ltd as the trust account of the Employee Stock Ownership Plan (J-ESOP.)

(Distribution of shares by owner)





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