

Sun Frontier Fudousan Co., Ltd. Business Report Shareholder Newsletter 2023

Fiscal Year Ended March 31, 2023

Stock Code: 8934



SUN FRONTIER

Summary of 24th Fiscal Year

Real Estate Revitalization Business Drives Sales and Profits With Net Sales and Net Profit Reaching Record Highs

We hope that things are going well with all of our shareholders, and would like to express our sincere gratitude for your continued patronage.

Regarding the business environment surrounding our corporate group in the 24th term, restrictions on activities due to COVID-19 were eased and economic activities were normalized, but we saw the emergence of risks on many fronts, such as economic stagnation and financial instability caused by rising interest rates in Europe and the United States, and conflicts among nations. While paying close attention to such market trends, our corporate group will continue to pursue its corporate philosophy of “Not for profit, but for trust. By eliminating customers’ anxiety and complaints, we produce results exceeding expectations. We work hard and do our best to gain customers’ trust!” Under this policy, all employees have been striving to solve customers’ problems with autonomy and initiative. In particular, in the office business division, we steadily sold renovated properties that were turned into high-performance and high-value-added buildings in collaboration with all divisions. As a result, it significantly drove the group’s earnings. In addition, hotel sales in the hotel development business and a recovery in the hotel management business, driven by the easing of restrictions on socioeconomic activities, drove performance. As a result, business performance in that term greatly exceeded initial forecasts, with net sales and ordinary income growing 16.2% and 20.5%, respectively, year on year and net sales reaching a record high. In addition, profit attributable to owners of parent reached a record high due to the reduction in taxable income from loss carried forward and tax effects from the recognition of deferred tax assets.

Increasing Term-End Dividends

We increased the term-end dividend for the 24th term by 2 yen from the initial forecast of 23 yen to 25 yen, and the annual dividend, including the interim dividend, was 48 yen. For the next fiscal year, we plan to pay interim and term-end dividends of 26 yen each, for a total annual dividend of 52 yen. We will continue to strive for a continuous and stable return of profits and to increase the entire group’s corporate value to meet our shareholders’ expectations and be worthy of their support.

Aspiring to Achieve Sustainable Growth Based on the Medium-Term Management Plan

Our corporate group is currently implementing its medium-term management plan, which will end in the 26th term (the fiscal year ending March 31, 2025). With “provide the world with a place where people can gather, communicate with each other, promote social development and bring happiness” as our basic policy, we are working to resolve social issues through our business, and we have set quantitative targets of net

sales of 100 billion yen, an ordinary income of 20 billion yen, and a net income of 14 billion yen.

This 25th term is a key year for achieving the goals of the current medium-term management plan. While aiming to achieve the plan, we will work to further strengthen our human resources base and business foundation, which will serve as the foundation of management for sustainable growth. In particular, we believe that the recruitment and development of human resources is the most important issue that will determine the success or failure of our growth. Since its founding, our corporate group has focused on human resource development and grown its business with the growth of our employees. Going forward, we will further strengthen our investment in human capital, drawing on the strengths of our people to increase corporate value and provide sustainable returns to our shareholders.

Contributing to the Realization of a Sustainable Society

In these turbulent times, the environment surrounding our business is undergoing major changes, but regardless of the circumstances, our group will continue to engage in our business with integrity to help solve social issues with the spirit of “altruism,” which is our credo, and contribute to the realization of a sustainable and prosperous society.

We would like to ask for the continued support and encouragement of our shareholders.



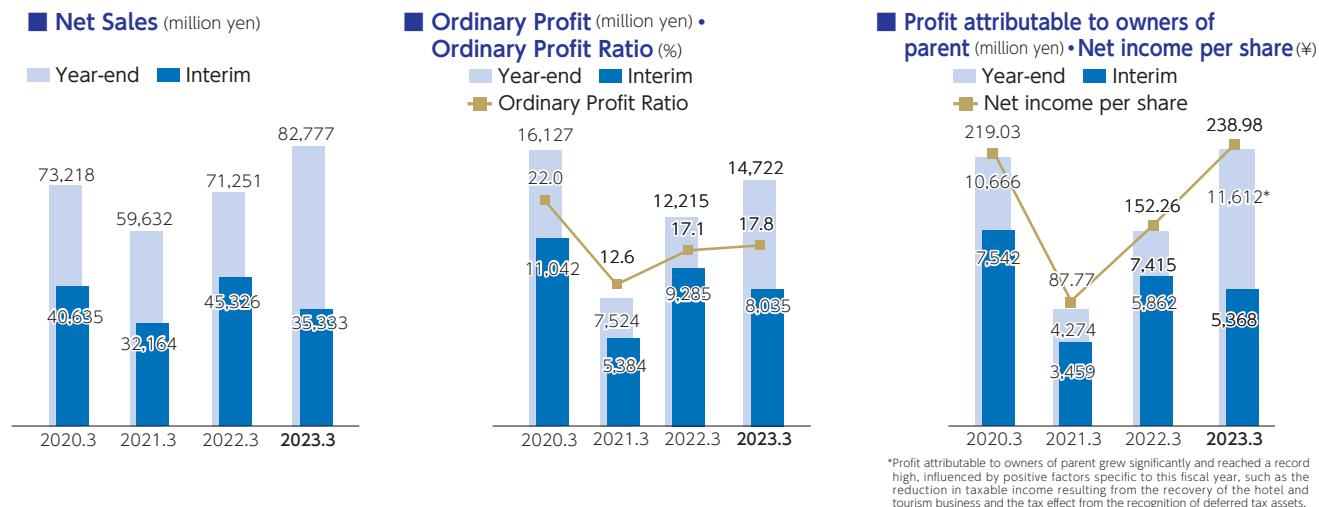
June, 2023
Sun Frontier Fudousan Co., Ltd.
President Seichi Saito

Consolidated Business Report (Performance Highlights)

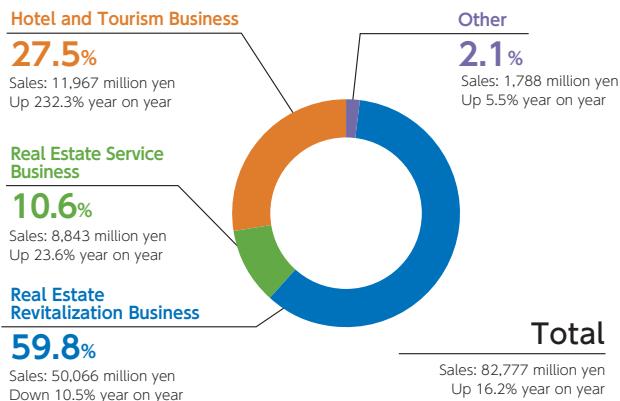
Points of Consolidated Financial Results

- In the real estate revitalization business, which is the mainstay, sales of highly profitable and high-quality properties remained steady this term, too. Although sales and profit declined year on year due to the concentration of sales of relatively large properties in the same period of the previous year, profit margin continued to exceed that of the previous year and continued to strongly drive company-wide performance.
- In the hotel management business, occupancy rates and room rates rapidly recovered owing to the increased flow of people and positive factors such as government support for tourism and an increase of bookings by tourists visiting Japan in the second half. In the hotel development business, the sale of two hotels was completed at the end of October, recording a development profit.

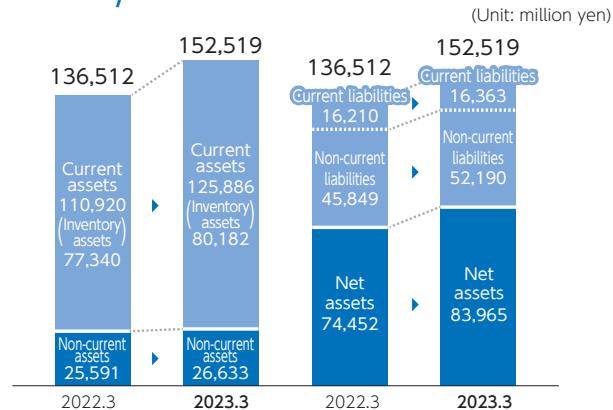
Variations in Sales and Profit/Loss



Composition of Sales by Segment



Summary of Consolidated Financial Statements



Medium term Management Plan

Contributing to Solving Social Issues by Completing the Medium-Term Management Plan

Our corporate group has been working on a medium-term management plan with its final year set as the term ending March 2025. Amid changes in the business environment due to the spread of the novel coronavirus and the transition to the “new normal,” we were able to flexibly change ourselves and return to a growth track. As per our basic policy, we will upgrade all businesses according to our priorities and work to solve social issues by achieving our goals.

Basic Policy



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

Growth strategies

Office

Deepen and expand the Office Business

Hotel

Provide satisfaction and excitement going beyond customers’ expectation with a sharp concept

Overseas

Expand residential related business in Vietnam

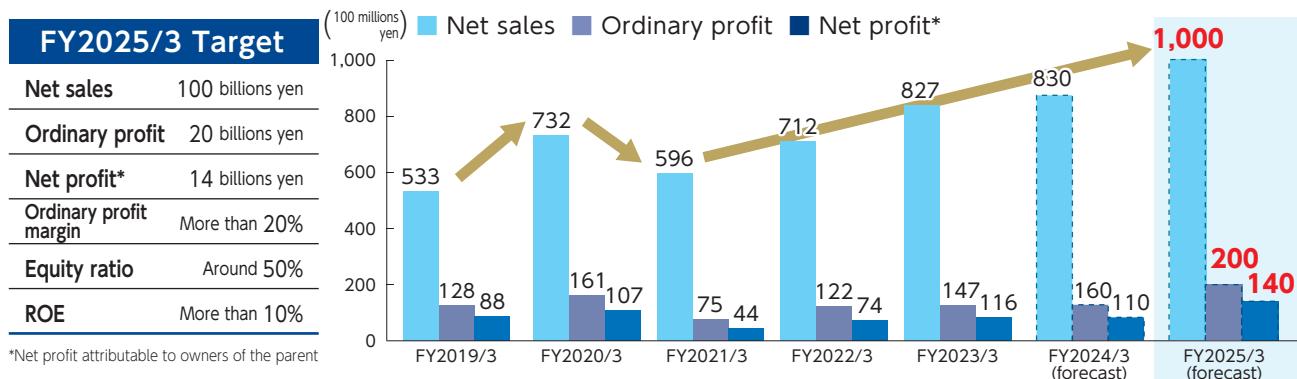
M&A

Invest in start-ups and peripheral businesses to expand our current business

Key Points

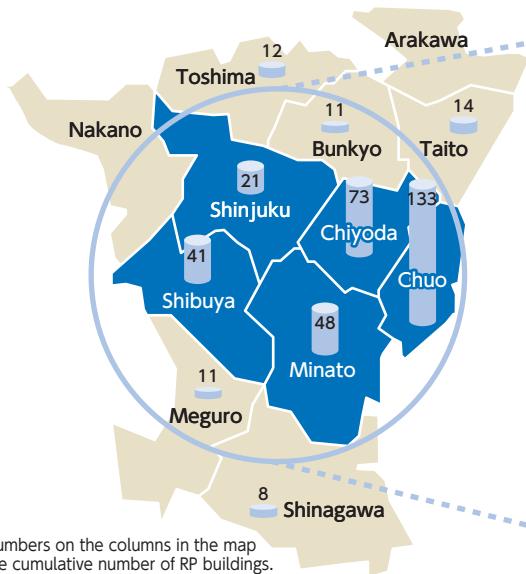
Points to focus on in order to grasp the changes of the times and upgrade business operations and management

(1)ESG (2)Digital (3)Cash flow (4)Marketing

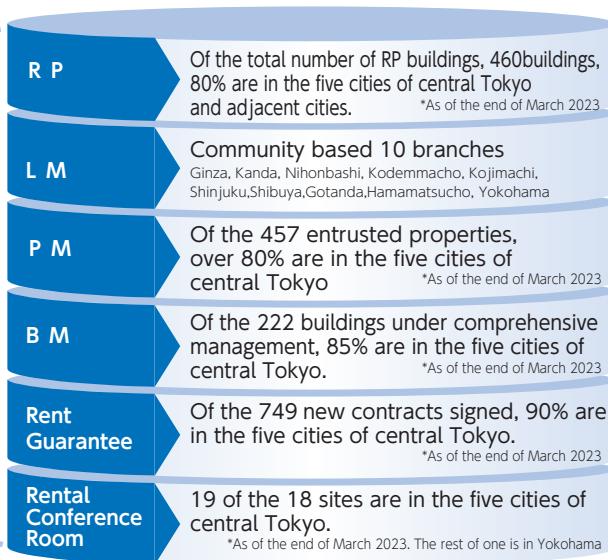


Strategy in Office Business

Our real estate revitalization and real estate service businesses are centered in the five central wards of Tokyo. In the office business, we differentiate ourselves with our expertise in central Tokyo and provide comprehensive real estate services to solve all kinds of customer problems.

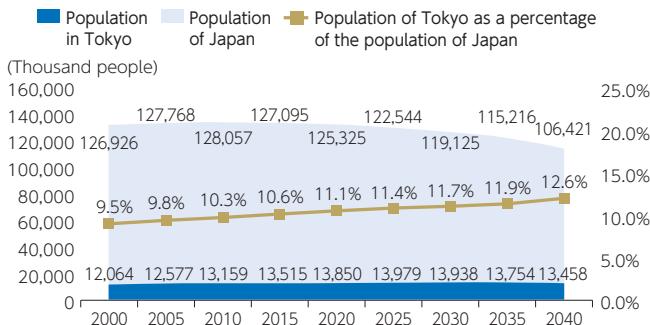


* The numbers on the columns in the map are the cumulative number of RP buildings.



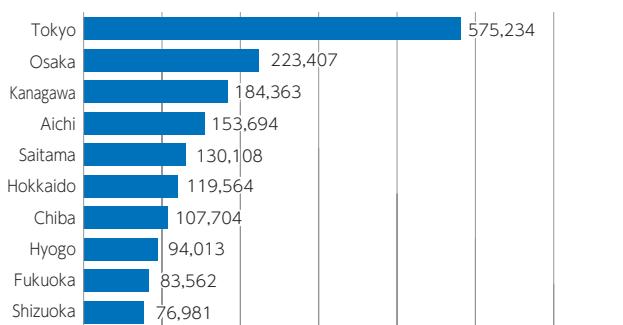
In Tokyo, a city with a high concentration of people and businesses, we will contribute to the development of the economy by providing high-quality real estate stock that forms the foundation of the economy, while contributing to the formation of a sustainable society by creating resilient real estate.

Ratio of Tokyo population to Japanese population (estimate)



Source: Compiled by the Company based on Tokyo Metropolitan Government statistics "Population of Tokyo (Estimated)"

Top 10 Prefectures in Number of Corporations



Source: Compiled by the Company based on the National Tax Agency's "Number of Corporations by Prefecture"

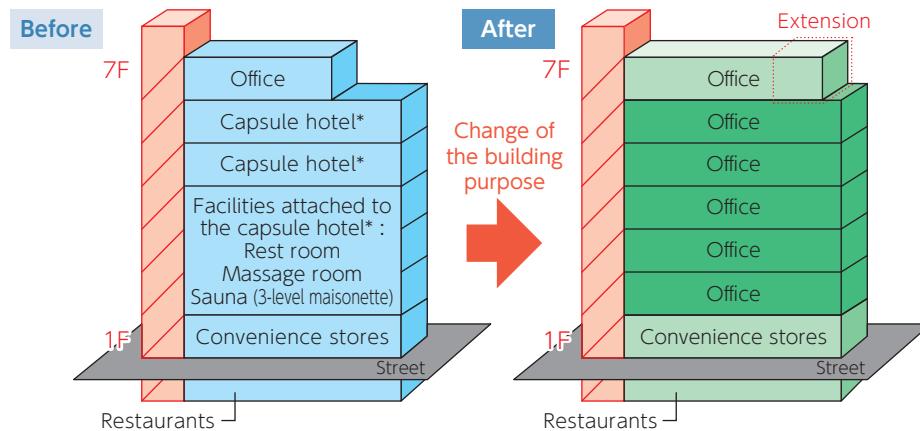
Real Estate
Revitalization Case

Suidobashi Building for Investment

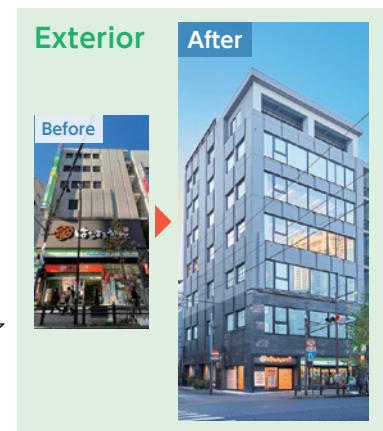
~ Converting an abandoned former capsule hotel into an office building ~

We acquired this 38-year-old building. Although the building had originally prospered as a capsule hotel (with a bathhouse and mahjong parlor), it was out of business and vacant at the time of acquisition. We converted it into office space.

Taking advantage of its location on a main street near a station in the heart of the city, we succeeded in revitalizing the property to its full potential. While changing the purpose of the building, we added a seventh floor, and the equipment that cannot be seen from the outside, such as electricity, water supply, and air conditioning, were upgraded to transform it into a building that can be used for many years.



*The property was out of business at the time of our purchase and vacant with a few remaining items.



Standard floors (2F-6F)



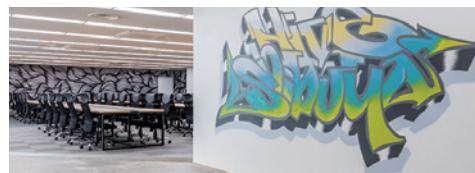
Examples of Real Estate Utilization

Opened “Hive Shibuya,” a Shared Office for Startups, in the Vicinity of Shibuya Station

~ Jointly managed with Z Venture Capital and East Ventures ~

In January 2023, we opened a shared office for startups, “Hive Shibuya,” in Shibuya Ward, Tokyo (on the third floor of Tokyu Shibuya Station Building), jointly operated by Z Venture Capital Corporation, the venture capital arm of Z Holdings Corporation, and East Ventures, one of the largest seed-stage venture capital firms in Japan and Southeast Asia.

Based on our vision of “making Tokyo the world’s most startup-friendly city,” we are promoting initiatives to support startups and are working to create an environment that facilitates the growth of companies from the startup phase to the expansion phase. This facility will support startups in terms of both hardware and software by taking advantage of its location and combining it with the office environment creation technology that we have cultivated over many years to provide an environment that facilitates growth.



Hive
shibuya



◀ For more information

Real Estate Revitalization Case

Acquisition of Environmental Certification for Real Estate Revitalization Building

~ Contributing to the realization of a sustainable society through the supply of ~
real estate with reduced environmental impact

Through the real estate revitalization business (Replanning® business), we mainly acquire buildings that are more than 30 years old, many of which have deteriorated in terms of energy efficiency due to outdated infrastructure. We change them into high-value real estate with excellent environmental performance through the renovation work including equipment replacement, before selling them.

We are pleased to announce that six of our renovated properties have received the BELS certification, a system that certifies the energy-saving performance of buildings. The acquisition of this certification is proof that our construction know-how in real estate revitalization that we have cultivated over many years has been highly evaluated. We will continue to contribute to the realization of a sustainable society through consideration for the environment and reduction of environmental impact through our business.



▲ Chuo Ward
Building for investment



▲ Minato Ward
Building for investment



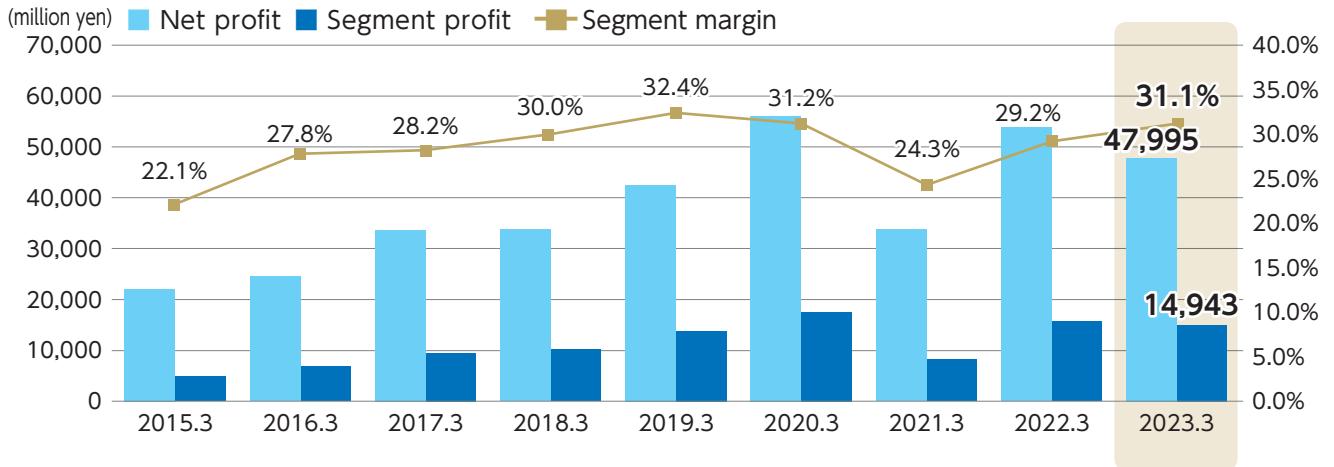
▲ For more information

Office Building Business

Office Building Business Keeps in High Profitability

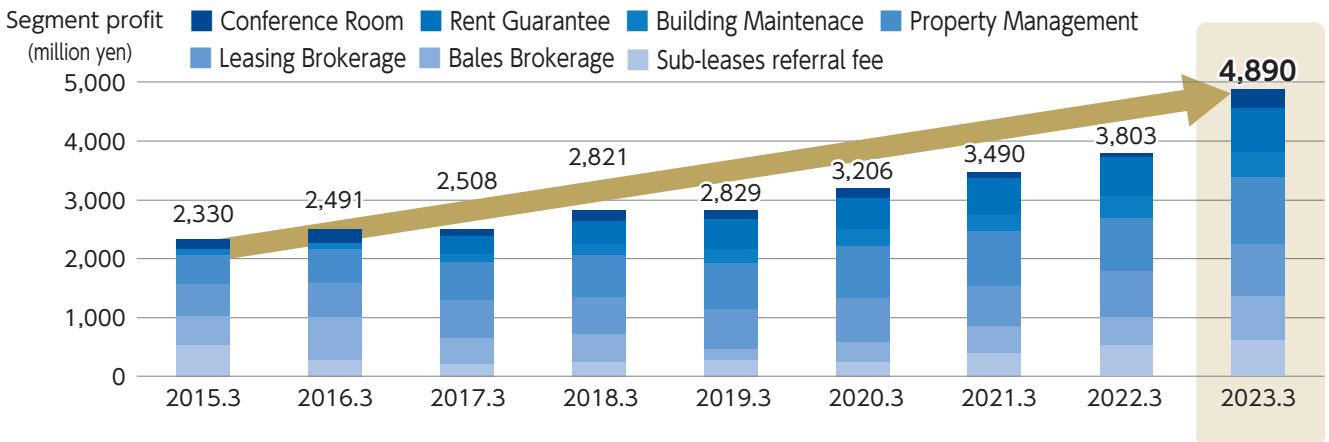
Replanning Business maintains high profit margin

Replanning Business contributed as high profit business with the highest level of the profit margin in the past.



Steady Growth in Real Estate Service Business

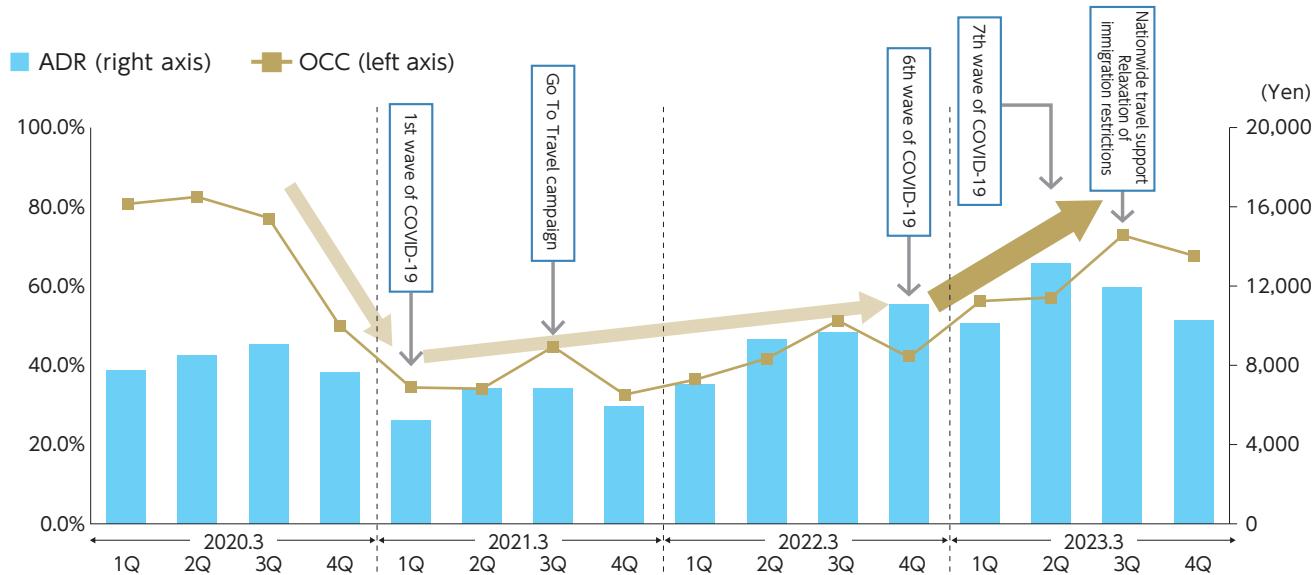
Sales Brokerage, Leasing Brokerage and Property Management are also strong. Rental conference room operations are also improving. The growth rate of Real Estate Service Business is increasing.



Hotel Business

Performance Recovered Rapidly in the Hotel Management Business Against the Backdrop of a Recovery in Demand for Travel and the Lifting of the Ban on Travel to Japan.

After overcoming the COVID-19 pandemic and revising our business portfolio, we recovered business performance. This term, we will work to further improve our performance while also benefiting from foreign visitors to Japan.



To Develop Hotels in a Systematic and Proactive Manner in the Hotel Development Business

Going forward, we plan to mainly develop hotels under the “Tabino Hotel” brand and condominium hotels. In addition, we will focus on M&A.

“Tabino Hotel” Brand Case



▲ “Tabino Hotel lit Matsumoto”
Rooms with kitchen and laundry facilities for long-term stays and a large bathroom to meet the needs of both tourists and business travelers

Example of a Condominium Hotel



▲ “HIYORI Ocean Resort Okinawa”
Luxury hotel offering suite rooms with ocean view and flat terrace

Shareholder Special Benefit

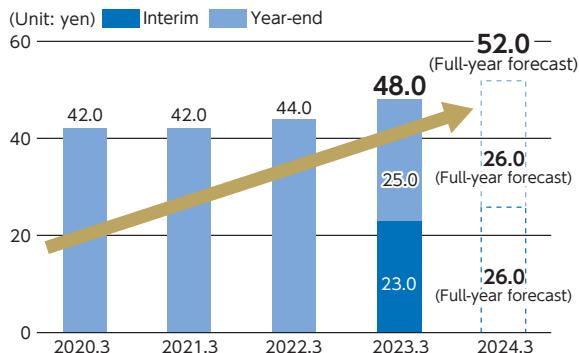
Dividends

Long-term and stable return of profits

Our corporate group's basic policy is to comprehensively benefit shareholders by (1) striving to provide long-term and stable returns to shareholders, (2) securing funds for investment to aggressively pursue businesses for future growth, and (3) taking into consideration strengthening financial stability.

For this term, we increased the term-end dividend by 2 yen from the initial forecast of 23 yen announced on May 13, 2022, to 25 yen. By combining the interim dividend of 23 yen, an annual dividend will be 48 yen per share, up 4 yen from 44 yen in the previous year.

For the next term, we plan to pay an interim dividend of 26 yen per share and a term-end dividend of 26 yen per share.



Shareholder Special Benefit

Shareholder benefit program

We present discount coupons to shareholders listed in our company's shareholder registry as of March 31. Shareholders who hold 500 or more shares and meet the conditions for long-term holding will receive twice the number of discount coupons.

Frequency: Once a year with the record date being **March 31**

Distributed: around late June

Conditions for long-term shareholding

Shareholders holding shares for a long period of time in the 24th term must have the same shareholder number as that recorded in our company's shareholder registry as of March 31, 2020 or later.

(Please note that the shareholder number may change if you change your securities account or lend shares during the holding period.)

Details of Shareholder Benefits

Number of stocks held	Holding period	Details of the special offers	Number of coupons
100 shares or more and less than 300	—	Discount coupon worth 1,000 yen	1
300 shares or more and less than 500	—		1
500 shares or more and less than 1,000	—		2
1,000 shares or more	—	Discount coupon worth 5,000 yen	4
500 shares or more and less than 1,000	3 years or longer		4
1,000 shares or more			8

Opening of renovated hotels on March 31, 2023 HOTEL AZUMA HOTEL OOSADO

[HOTEL AZUMA]



▲Private bath with a spectacular view of the Sea of Japan



▲Rooms with terrace and open-air bath

[HOTEL OOSADO]



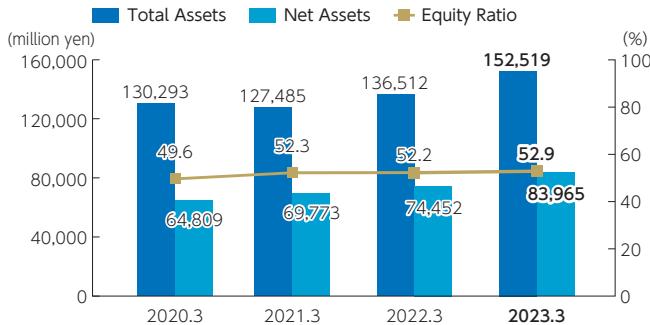
▲You can view the sun set over the Sea of Japan and spend a wonderful time at the "Water Terrace"



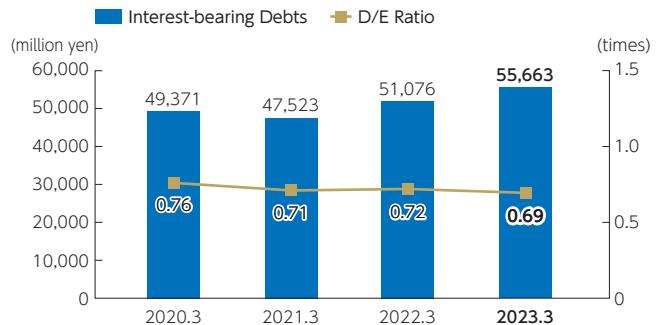
▲Premium suite with open-air bath on the top floor

Financial Highlights

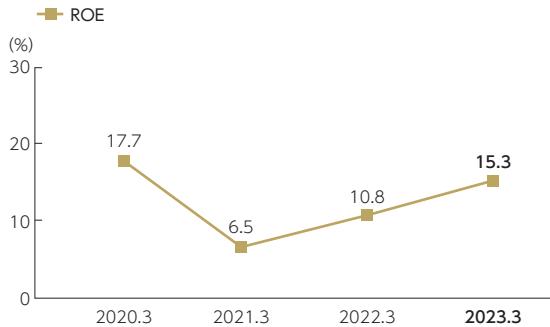
Total Assets, Net Assets, Equity Ratio



Interest-bearing Debts • D/E Ratio*1



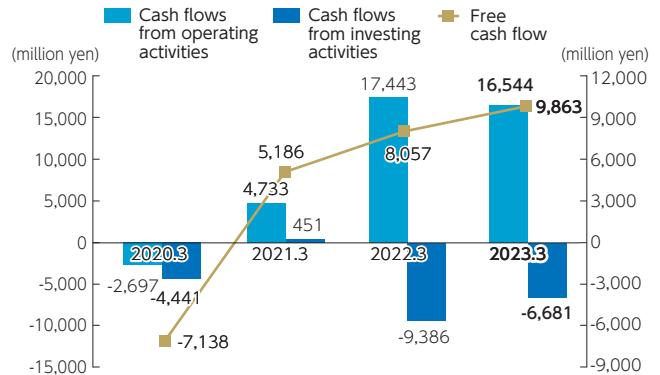
Return on Equity (ROE*2)



*1 D/E ratio is calculated by interest-bearing debts /equity capital, and is an indicator of financial soundness.

*2 ROE is calculated by net income/equity capital (average of year beginning and ending)× 100, and is an indicator for capital efficiency.

Cash Flows



Please refer to our homepage for the detailed financial information.



Notice of the Resolutions at the 24th Annual General Meeting of Shareholders

Please be informed that the following matters were reported and resolved at the 24th Annual General Meeting of Shareholders held on June 27, 2023.

Matters to be reported

- Business report, Consolidated Financial Statements for the 24th Fiscal Year (April 1, 2022 to March 31, 2023) and results of audits of the Consolidated Financial Statements by the Accounting Auditors and the Audit & Supervisory Committee
- Non-consolidated Financial Statements for the Company's 24th Fiscal Year
This matter was reported as described above.

Matters to be resolved

Proposal 1 Election of Eight (8) Directors who are not Audit & Supervisory Committee Members

Eight Directors, Tomoaki Horiguchi, Seiichi Saito, Izumi Nakamura, Yasushi Yamada, Mitsuhiro Ninomiya, Kenji Honda, Kazutaka Okubo, and Keiichi Asai (all reappointed) were elected as proposed and assumed office respectively. Kazutaka Okubo and Keiichi Asai are outside directors.

Corporate Information

(As of March 31, 2023)

Share Information

Total number of authorized shares	91,200,000
Total number of shares issued	48,755,500
Number of shareholders	13,971

■ Major Shareholders (Top 10)

Shareholder name	Number of shares held	Shareholding Ratio*
Houou	17,957,500	36.91
The Master Trust Bank of Japan, Ltd. (Account in trust)	4,115,100	8.46
Tomoaki Horiguchi	3,022,594	6.21
Custody Bank of Japan, Ltd. (Account in trust)	1,708,000	3.51
S Kawagoe Co., Ltd	1,566,400	3.22
THE BANK OF NEW YORK MELLON 140044	745,800	1.53
Morgan Stanley MUFG Securities Co., Ltd.	590,866	1.21
JPMorgan Securities Japan Co., Ltd.	549,872	1.13
DFA INTL SMALL CAP VALUE PORTFOLIO	422,998	0.87
Keiko Horiguchi	416,500	0.86

* Numbers displayed are rounded off to the second decimal place.
Shareholding ratio is calculated by subtracting the treasury stock
(108,869 shares).
The calculation for shareholding ratio includes the 128,300 shares of
our company held by Mizuho Trust & Banking as a trust account
according to the Japanese Employee Stock Ownership Plan (J-ESOP).

Shareholder Memo

Fiscal year	From April 1 to March 31 of the following year
Annual shareholder meeting	June
Date of record	March 31
Announcement listing method	Electronic public notice (the Company homepage) If an electronic public notice is not possible due to accident or any other unavoidable circumstances, the notice will be published in the Nihon Keizai Shimbun.
Shareholder registry	Mizuho Trust and Banking Co., Ltd.
Location for handling this business	1-3-3 Marunoichi, Chiyoda-ku, Tokyo Securities Agency Department, Head Office, Mizuho Trust and Banking Co., Ltd.
Contact address	[Number for inquiries only] ☎ 0120-288-324



Company Overview

Name Sun Frontier Fudousan Co., Ltd. (Code number: 8934)
Headquarters Toho Hibiya Building, 1-2-2, Yurakucho, Chiyoda-ku, Tokyo
100-0006
Tel.03-5521-1301 <https://www.sunfrt.co.jp>

Capital ¥11,965 million
Number of employees 702 (consolidated)

Executives	Executive	Tomoaki Horiguchi		
Chairperson				
Executive President	Seiichi Saito	President	Seiichi Saito*	
Executive Vice President	Izumi Nakamura	Executive Officer		
Managing Director	Yasushi Yamada	Vice President	Izumi Nakamura*	
Director	Mitsuhiro Ninomiya	Executive		
Director	Kenji Honda	Senior Executive Officer	Yasushi Yamada*	
Outside Director	Kazutaka Ohkubo	Executive Officer	Mitsuhiro Ninomiya*	
Outside Director	Keiichi Asai	Executive Officer	Kenji Honda*	
Director (Audit and Supervisory Board Member)	Shinichi Tominaga	Executive Officer	Kenji Wakao	
Outside Director (Audit and Supervisory Board Member)	Hidetaka Tanaka	Executive Officer	Shuhei Oda	
		Executive Officer	Kentaro Kawanishi	
		Executive Officer	Takeshi Hirahara	
Outside Director (Audit and Supervisory Board Member)	Tsuneko Murata	Executive Officer	Midori Kaneko	
		Executive Officer	Hiroyuki Takekawa	
		Executive Officer	Keiichiro Nishimoto	

* This means combined post with the director position.

Notice Billboard advertisement now posted at Tokyo Metro Hibiya Station

This ad has visualized Sun Frontier's hope of spreading SUN = radiant vigor (value creation) in local communities.



Location: Near Exit A5 of Hibiya Station on the Tokyo Metro Hibiya Line