

# Sun Frontier Fudousan Co., Ltd. Business Report

## Interim Shareholder Newsletter 2023

April 1, 2022 to September 30, 2022



Stock Code: 8934



SUN FRONTIER

# To our Shareholders

## Summary of the First Half of the 24th Fiscal Year

**Business performance is strong, driven by the revitalization of real estate.**

**Thanks to the recovery of flow of people, the hotel business is recovering and expected to turn up.**

We would like to thank our shareholders for their continued support.

During the first half of the 24th fiscal year (April 1, 2022 to September 30, 2022), our corporate group made steady progress in our operations amid the easing of activity restrictions, despite the impact of the third year and seventh wave of the COVID-19 pandemic. Business performance has remained solid as ordinary income has progressed over 60% toward the full-year forecast. In particular, in the office business domain, sales of replanning properties, which were converted into high-occupancy, high-value-added buildings through cross-departmental collaboration across the company, made progress and strongly drove overall performance. In addition, the real estate services business continued to grow steadily even during the COVID-19 pandemic, providing stable support for business performance. In addition, the hotel and tourism business, which had been severely affected by the COVID-19 pandemic, also showed signs of recovery. In addition to the start of nationwide travel support by the government and local governments, the demand from foreign visitors to Japan is rapidly recovering as a result of the easing of entry restrictions, and further recovery is expected in the second half of the year.

**A place to develop society and create happiness for people**

Our corporate group is currently implementing its medium-term management plan, which will end in the fiscal year ending March 31, 2025. Our basic policy is to provide the world with "places where people gather and communicate with each other, and create social development and happiness for people." Based on this policy, the office business will provide a place where tenant companies can accelerate their growth and create new industries and innovations. In the hotel business, we aim to provide a place that brings comfort, excitement and smiles to the faces of our guests. In the overseas condominium development business, a place where residents may live safely while maintaining a healthy mind. We are strongly promoting our business to create such places and opportunities.

**Increasing investment in human capital, digital, and marketing**

Since its founding, our corporate group has continued to run its business with its people as the key players. Going forward, we will continue to adhere to our belief that "human resources development is the key to sound management." In this context, our company has been making greater efforts to recruit and develop human resources in the current fiscal year. In addition, in order to further utilize the power of people, the company is striving to utilize digital technology and strengthen its marketing and brand development capabilities. Through these efforts, our company will enhance the quality of our services to customers, improve productivity, and provide differentiated value to the world.

**Sticking to the main policy in any environment**

In any environment, our corporate group will continue to pursue the main policy: "We seek trust, not profit. We change ourselves, and solve problems from the customers' point of view and exceed their expectations!" Under this policy, we will strive to solve our customers' problems 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.

December, 2022  
Sun Frontier Fudousan Co., Ltd.

President

**Seiichi Saito**

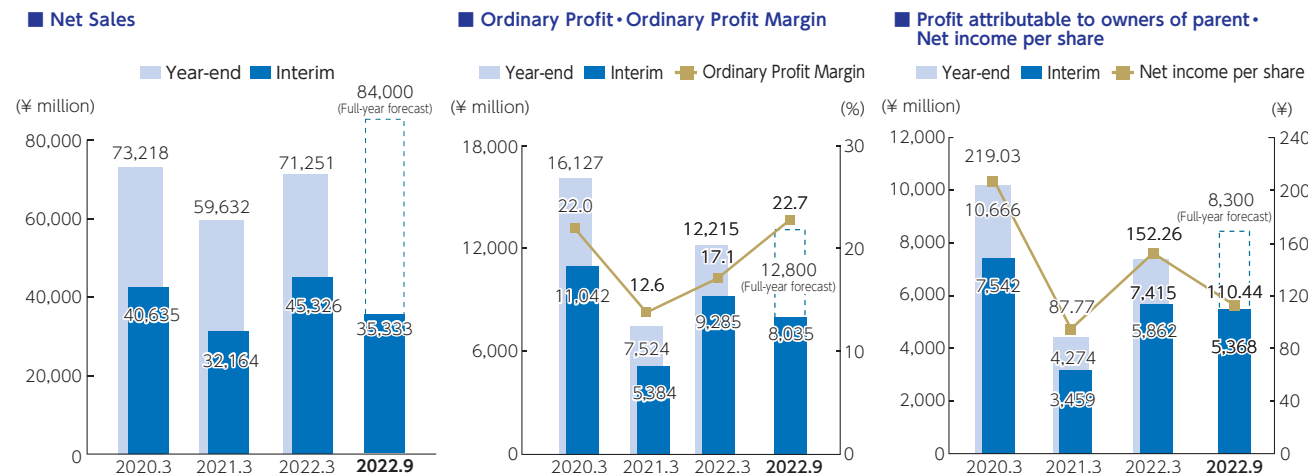


# Business Report for the First Half of FY March 2023 (Financial Highlights)

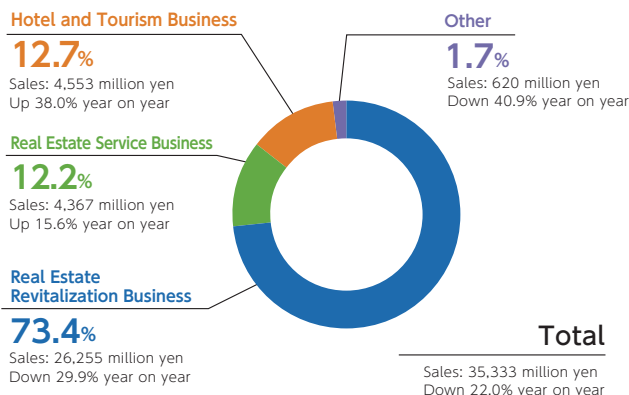
## Points of Consolidated Financial Results

- 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 YoY due to the concentration of sales of relatively large properties in the same period of the previous year, the business continued to strongly drive company-wide performance.
- In the hotel management business, occupancy rates and room rates are on a recovery trend due to the increased flow of people. Further recovery is expected in the second half, owing to positive factors such as government support for tourism and an increase of bookings by tourists visiting Japan. In the hotel development business, the sale of two hotels was completed at the end of October and will be posted in 3Q.

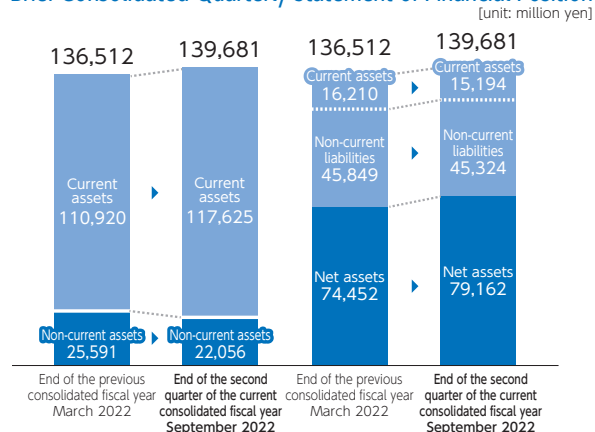
## Variations in Sales and Profit/Loss



## Composition of Sales by Segment



## Brief Consolidated Quarterly Statement of Financial Position





# Business Topics –Topics in First Half –

(Conference Room Rental Business)

## VC Shinagawa, One of the Largest in the Area, Opens



Vision Center (VC) is expanding its services to meet the needs of changing and diversifying workstyles, such as web conferencing and online streaming. In September 2022, Vision Center Shinagawa opened its doors for the first time in the Shinagawa area. With a total floor space of 2,000 m<sup>2</sup>, it is one of the largest rental conference rooms operated by our corporate group, and the 3rd floor offers a venue with a floor space of 600 m<sup>2</sup>, making it the largest rental conference room in the Shinagawa area in terms of floor space per room.

(Specified Joint Business for Real Estate)

## Property for Multiple Owners No. 4 Has Been Sold Out, and the Sale of No. 5 Has Begun.



Property No. 4, "Newly-built Medical and Educational Mall in Ota-ku, Tokyo," whose ownership was divided into small shares for multiple owners, was sold out in November 2022. In addition, we have commenced the

sale of a "Newly-built Licensed Nursery School in Ueno, Tokyo" as our No. 5 project. By investing in real estate that is occupied by tenants that support the local community, we will contribute to improving the comfort of living and building secure social infrastructure together with more investors. (Photo: Exterior view of No. 5)

(Office Leasing)

## Started Collaboration with estie to Promote DX



We have initiated collaboration with estie, Inc. to promote DX in office leasing operations. The real estate industry lags behind in digitalization, with back-office operations accounting for much of the current business. It is difficult to accumulate and analyze data in a timely manner, making it difficult to make decisions quickly and distribute information efficiently both internally and externally. Through this collaboration, we promote DX in real estate industries that enables the visualization of property states and timely management decisions.

(New York Real Estate Revitalization Project)

## The First Property Sale in New York Completed



We have completed the sale of a Manhattan apartment building that was being commercialized as part of our real estate revitalization business in New York City (NY), the United States. This is the first sale in this business in New York, which has a large economy, high population density, and a high concentration of real estate, and we sell the property after increasing the value of the property as we do in Japan. We will continue to evolve our business by updating our business model based on the know-how gained from this sale.

(Specified Joint Business for Real Estate)

## Ongoing Support for Ukrainian Evacuees



Since May, we have held a total of 18 support events for evacuees from Ukraine to Japan. The Ukraine Café HIMAWARI, operated by the Japan YMCA Alliance, provides livelihood support, job

guidance, consultation on problems and concerns, and Ukrainian Sunday School "Khrobachok." Our corporate group cooperates by providing the venue, inviting artists, and managing the event on the day with a total of more than 100 employee volunteers.

(Volunteer Activities)

## Protecting the Beautiful Sea of Sado Island "BEACH CLEAN UP 2022"



We collaborated with local people and children to clean up Sumiyoshi Beach, which is recognized for its lovely sandy beaches, on the Sado Island, where we are doing a community development project. There were a total of 24 people who gathered 60 bags of flotsam. We will continue to work on social concerns while being firmly rooted in the community. We collaborated with an artist team, Little Artists League, and presented a flotsam workshop at this event.

(Sustainability)

## Specific Measures and KPIs Set and a Dedicated Website Opened



In March 2022, we defined "environmental protection," "regional revitalization," and "human resources development" as key issues in our sustainability activities. In addition to establishing specific measures and KPIs to address these key issues, we have launched a dedicated website to enhance the dissemination of sustainability information and expand our sustainability information. <https://www.sunfrt.co.jp/sustainability/>

(Blog)

## Launched FRONTIER JOURNEY, a Blog That Captures "People's Thoughts" and "People's Stories"



We started producing and publishing our own blog, "FRONTIER JOURNEY" in July. We publish weekly articles about "people" and "thoughts." We will expose and report on what we value and think about in running our company and the different stories of our industry that emerge at the frontlines every day through interviews with the "people" involved in our business. <https://www.sunfrt.co.jp/blog/>

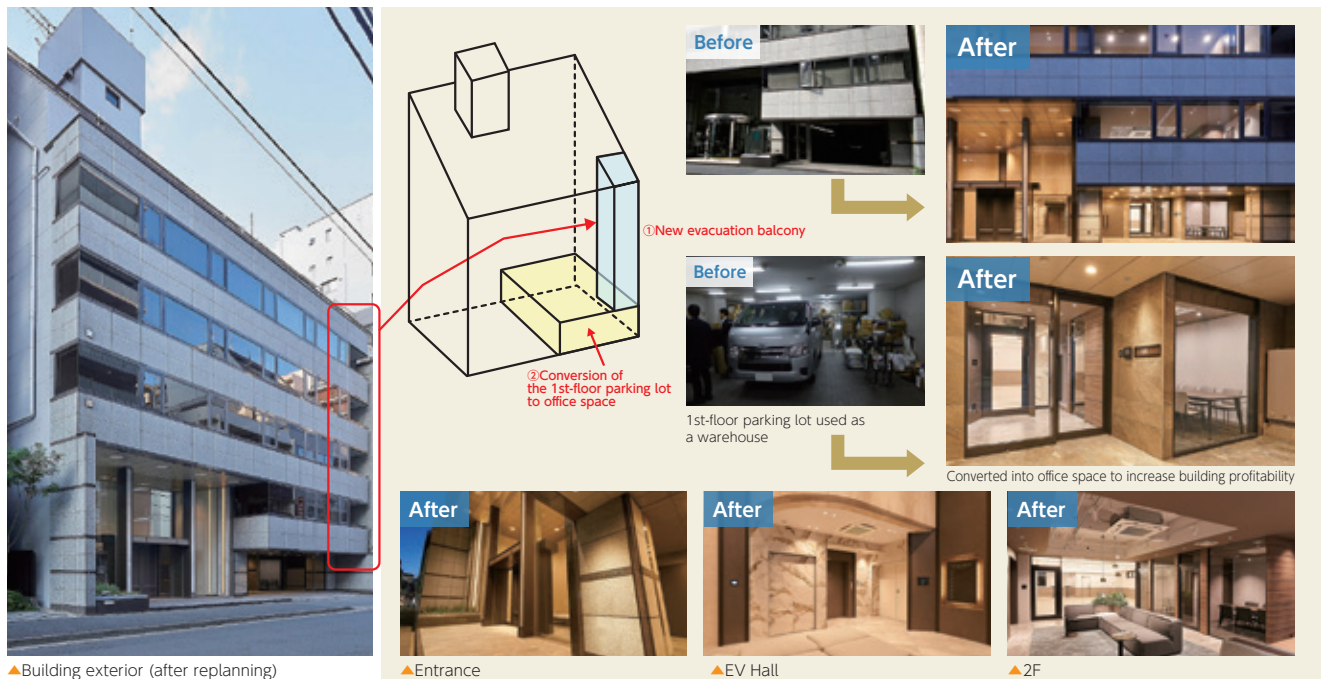
## Real Estate Revitalization Case Study

### Full Renovation of a Single Building, Revitalization of a Legally Compliant and Profitable Building **THE GATE Nihonbashi Ningyocho**

The parking lot on the first floor was being utilized for storage at the time of the purchase, and the floor-area ratio was exceeded. By building evacuation balconies on the second through fifth stories, the extra floor-area ratio was addressed. In order to increase profitability, the first-floor parking lot was converted into office space. Furthermore, with a trendy interior and set-up offices with pre-installed furnishings and conference spaces, the building has been created to be competitive in terms of leasing.

#### — Equipment Repairs Were Completed Across the Whole Facility, Eliminating a “Source of Concern” in Building Operations and Making It a Safe and Secure Office Structure. —

Because the previous owner had been using the property as their corporate building, all floors were unoccupied when our company purchased it, and we performed considerable repair work in locations that would be hard to work on if the building was occupied by tenants. In addition to interior work, we carried out repair and renewal work in unseen areas such as new water supply and drainage pipes, exterior wall repairs, rooftop waterproofing, air conditioning renewal, and EV renewal, all of which will be a "source of concern" for the next owner as he or she operates the building.



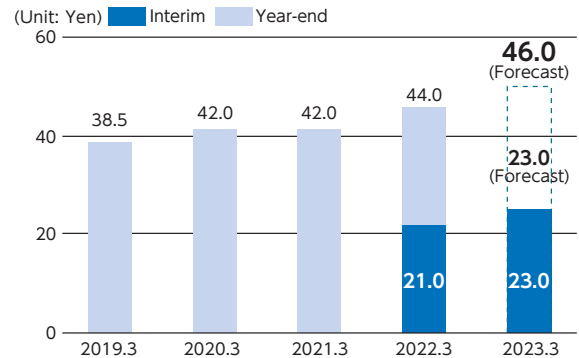
# Information on Shareholder Benefits

## 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 office building business and overseas business for future growth, and (3) taking into consideration strengthening financial stability.

For the current fiscal year, we plan to increase the dividend for the full year from the previous year, and have decided to pay an interim dividend of 23.0 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	—	Discount coupon worth 5,000 yen	2
1,000 shares or more			4
500 shares or more and less than 1,000			4
1,000 shares or more	3 years or longer		8

Please see here for detailed information  
[https://www.sunfrt.co.jp/ir\\_info/stockholder\\_benefit\\_plan/](https://www.sunfrt.co.jp/ir_info/stockholder_benefit_plan/)

### "Shijo Kawaramachi Onsen Soraniwa Terrace Kyoto," and "Shijo Kawaramachi Onsen Bettei Kamogawa" opened on June 20, 2022



▲ Rooftop lounge "Soraniwa Terrace" where guests can enjoy a panoramic view of the Higashiyama mountain range while relaxing in the footbath.



▲ View from the deep bath in the open-air bath "Yasaka-no-yu"



▲ Guest room (moderate double room)

# Corporate Information

(As of September 30, 2022)

## Share Information

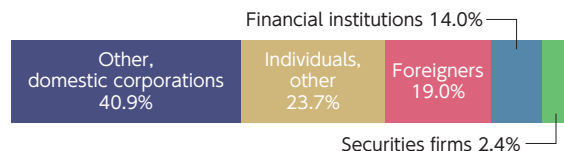
Total number of authorized shares	91,200,000
Total number of shares issued	48,755,500
Number of shareholders	12,313

### Major Shareholders (Top 10)

Shareholder name	Number of shares held	Shareholding Ratio*
Houou Co., Ltd.	17,957,500	36.91
The Master Trust Bank of Japan, Ltd. (Account in trust)	4,384,500	9.01
Tomoaki Horiguchi	3,020,394	6.21
Custody Bank of Japan, Ltd. (Account in trust)	1,691,800	3.48
S Kawagoe Co., Ltd	1,566,400	3.22
THE BANK OF NEW YORK MELLON 140044	1,035,400	2.13
NORTHERN TRUST CO.(AVFC) SUB A/C NON TREATY	633,835	1.30
STATE STREET BANK AND TRUST COMPANY 505001	439,764	0.90
Keiko Horiguchi	416,500	0.86
DFA INTL SMALL CAP VALUE PORTFOLIO	411,200	0.85

\*1 Numbers displayed are rounded off to the second decimal place.  
Shareholding ratio is calculated by subtracting the treasury stock (108,480 shares).  
The calculation for shareholding ratio includes the 56,500 shares of our company held by Mizuho Trust & Banking as a trust account according to the Japanese Employee Stock Ownership Plan (J-ESOP).

### Breakdown of Shareholders (by share number)



## 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 Administrato	Mizuho Trust and Banking Co., Ltd. 1-3-3 Marunoichi, Chiyoda-ku, Tokyo
Location for handling this business	Securities Agency Department, Head Office, Mizuho Trust and Banking Co., Ltd.
Contact address	[Number for inquiries] ☎ 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 <a href="https://www.sunfrt.co.jp">https://www.sunfrt.co.jp</a>
Branches	Ginza, Nihonbashi, Kodenmachi, Kanda, Kojimachi, Hamamatsucho, Shinjuku, Shibuya, Gotanda, Yokohama
Capital	¥11,965 million
Number of employees	732 (consolidated)

Please see here for detailed information on the company.



Principal Consolidated Subsidiaries	SF Building Support Inc. SF Building Maintenance Co., Ltd. Sun Frontier Space Management Co., Ltd. SF Engineering Inc. Sun Frontier Hotel Management Co., Ltd. Sky Heart Hotel Co., Ltd.
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