

Financial Results for the Second Quarter of Fiscal year ending March 31, 2023

We are aiming to be the visionary company of the world's most loved by clients.

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November 10, 2022

Securities Code : 8934



SUN FRONTIER

Overview of the 2Q Results for FY ending March 2023



**Strong Performance in Real Estate Revitalization Business and Real Estate Service Business.
Hotel and Tourism Business is in recovery.**

(Unit: million yen)

	Results	Profit margin	Year-on-year	Growth rate	Full-year Forecast	Progress rate
Net Sales	35,333	—	-9,992	-22.0%	84,000	42.1%
Operating Profit	8,044	22.8%	-1,356	-14.4%	13,300	60.5%
Ordinary Profit	8,035	22.7%	-1,250	-13.5%	12,800	62.8%
Profit *	5,368	15.2%	-493	-8.4%	8,300	64.7%

*"Profit" represents profit attributable to owners of parent.

Performance Highlights

1) Replanning Business remained strong and drove performance

- In the Replanning Business, the number of units sold was 14 (14 units in the same period of the previous year) as planned. Both net sales and gross profit saw year-on-year declines due to the sale of three properties owned over the medium- to long-term in the first quarter of the previous year. However, profit margin increased compared to the same period of the previous year and results were solid.
- Although the vacancy rates in central Tokyo office are flat, rents are on a gradual downward trend. However, the real estate market remains active. We continue to sell properties with high added value in high profit margin.

2) Real Estate Service Business is steady, and Hotel and Tourism Business is up

- While restrictions on economic and social activities were eased, the Real Estate Service Business responded flexibly to changes and grew steadily in all areas including brokerage, management, rent guarantee, and rental conference room. High growth rates in net sales (+ 15.6% YoY) and profits (+ 19.8% YoY).
- Despite the 7th wave of the pandemic of COVID-19, unrestricted movement has returned, and the performance of hotel operation in the Hotel and Tourism Business has recovered. Losses have decreased compared to the same period of the previous year.

Consolidated Income Statement



(Unit: million yen)

	FY ended March 2022 Apr - Sep	FY ending March 2023 Apr - Sep	Year-on-year Change	Composition Ratio
Net Sales	45,326	35,333	-22.0%	100.0%
Real Estate Revitalization Business	37,472	26,255	-29.9%	73.3%
Replanning Business	36,404	25,255	-30.6%	70.6%
Rental Buildings Business	1,067	1,000	-6.3%	2.8%
Real Estate Service Business	3,777	4,367	15.6%	12.2%
Hotel and Tourism Business	3,300	4,553	37.9%	12.7%
Other Business	1,050	620	-40.9%	1.7%
Adjustments	-275	-463	-	-
Gross Profit (Loss)	12,988	11,798	-9.2%	100.0%
Real Estate Revitalization Business	11,519	9,618	-16.5%	78.3%
Replanning Business	11,222	9,391	-16.3%	76.4%
Rental Buildings and Sub-leases	296	226	-23.6%	1.8%
Real Estate Service Business	2,138	2,557	19.6%	20.8%
Hotel and Tourism Business	-646	-203	-	-
Other Business	117	110	-5.5%	0.9%
Adjustments	-140	-284	-	-
Selling, General and Administrative Expenses	3,587	3,753	4.6%	
Operating Profit (Loss)	9,400	8,044	-14.4%	
Non-operating Income	161	271	68.3%	
Non-operating Expenses	276	281	1.8%	
Ordinary Profit (Loss)	9,285	8,035	-13.5%	
Profit	5,862	5,368	-8.4%	
Ordinary Profit Margin	20.5%	22.7%		

Income Statement Points

<Real Estate Revitalization Business>

14 properties were sold at high profit margin (including one in New York), the same number as the same period of the previous year although the size of the property is not larger than the previous year. The formation of small-lot real estate is also progressing steadily.

<Real Estate Service Business>

Brokerage is doing well, partly due to strong real estate investment by foreign investors. Demand in the Conference Room Rental Business is recovering thanks to increased flow of people, and the Company is focusing on opening new sites. Various services showed solid performance growth.

<Hotel and Tourism Business>

With the lifting of social behavior restrictions, occupancy rate and unit prices started to rise in increased flow of people, reducing losses compared to the previous year. Hotel sale planned for the third quarter.

* Non-operating income was mainly due to foreign exchange gains.

Consolidated Balance Sheet - Assets -



<Cash and deposits> Increased 6 billion yen due to realization of cash, mainly from sale of RP properties.

<Inventories> Sales in RP properties exceeded those in purchase, resulting in a decrease of 1 billion yen.

<Non-current assets> Decreased 3.6 billion yen due to the reclassification of part of property plant and equipment to inventory.

(Unit: million yen)	As of End of March 2021	As of End of March 2022	As of End of September 2022	Increase/Decrease (compared to the end of March 2022)
Current assets	110,785	110,920	117,625	+6,704
Cash and deposits	21,508	30,053	36,093	+6,040
Inventory assets	86,087	77,340	77,153	-186
Breakdown) RP	71,348	63,424	62,347	-1,077
Hotel	13,916	13,516	13,867	+351
Overseas, etc.	821	399	938	+538
Other current assets	3,189	3,527	4,377	+849
Non-current assets	16,700	25,591	22,056	-3,534
Property plant and equipment	10,528	18,796	15,142	-3,653
Intangible assets	701	572	658	+86
Investments and other assets	5,470	6,222	6,255	+32
Total assets	127,485	136,512	139,681	+3,169

Consolidated Balance Sheet

- Liabilities/Equity -



<Interest-bearing debt> Decreased 2.4 billion yen due to repayment for sale of property exceeding borrowing for purchase.

Interest-bearing debt balance: 48.6 billion yen.

<Net assets>

Increased 4.7 billion yen due mainly to profit (5.4 billion yen), etc. despite the payment of dividends (-1.1 billion yen).

Changes of Equity Ratio

End of March 2021	End of March 2022	End of September 2022
52.3%	52.2%	54.3%

(Unit: million yen)	As of End of March 2021	As of End of March 2022	As of End of September 2022	Increase/Decrease (compared to the End of March 2022)
Current liabilities	13,358	16,210	15,194	-1,015
Short-term borrowings, etc.	5,530	6,904	5,241	-1,663
Income taxes payable, etc.	901	3,528	2,802	-726
Other current liabilities	6,926	5,777	7,150	+1,373
Non-current liabilities	44,354	45,849	45,324	-525
Long-term borrowings and bonds payable	41,991	44,169	43,413	-756
Other noncurrent liabilities	2,363	1,680	1,910	+230
Total liabilities	57,712	62,060	60,518	-1,541
Shareholders' equity	66,916	71,260	75,394	+4,133
Other	2,856	3,191	3,768	+576
Total net assets	69,773	74,452	79,162	+4,710
Total liabilities and net assets	127,485	136,512	139,681	+3,169

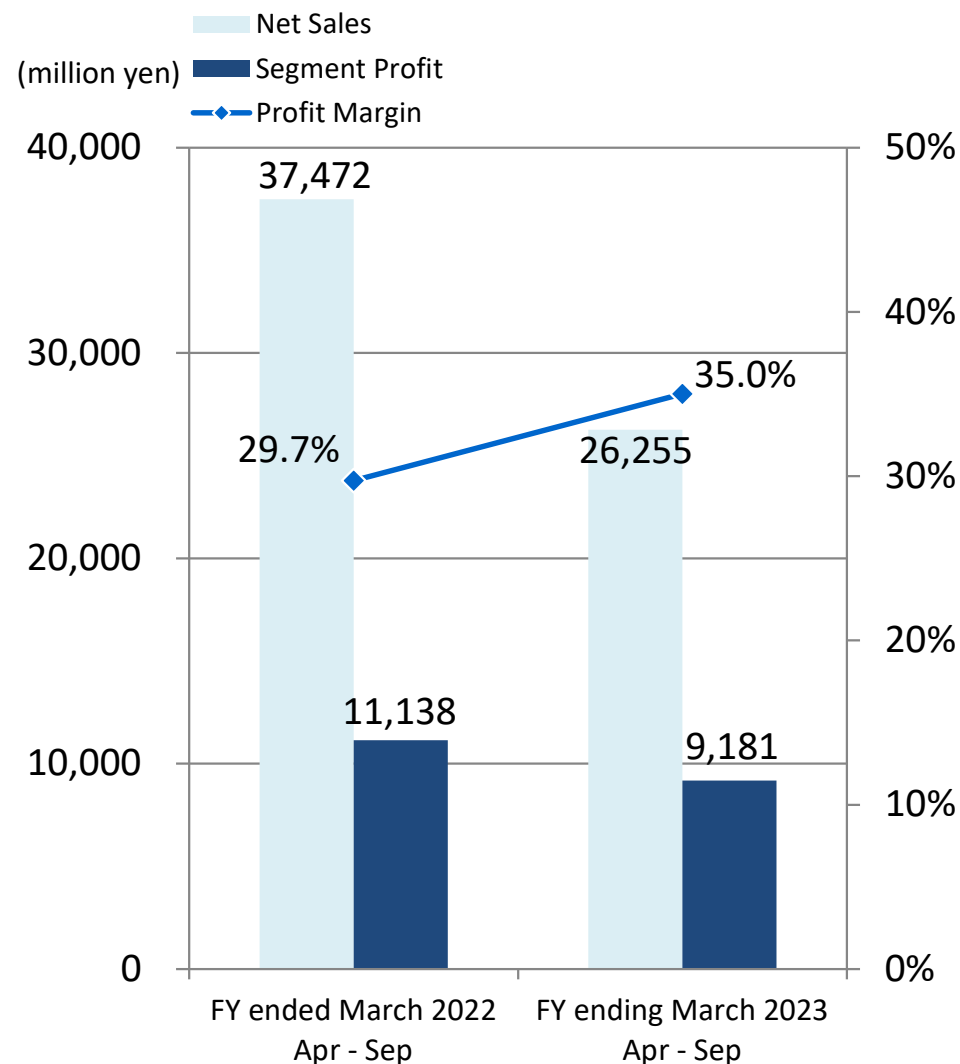
Operating Results by Business Segment

Real Estate Revitalization Business (Replanning and Rental building)

<Replanning Business>

- Number of sales was 14. The same number of properties was sold as in the same period of the previous year. The formation of small-lot products is also progressing steadily. Sales and profits declined year-on-year, but segment profit margin was up 5.2% pt year-on-year to 35.0%.
- Average business period was 549 days (down 122 days year-on-year). The business period of the properties sold in the current fiscal year has been shortened due to a reaction to the sale of properties over the medium- to long-term in the same period last year. We are focusing on leasing and continuing our efforts to shorten the operating period.

	FY ended March 2022 Apr - Sep	FY ending March 2023 Apr - Sep	Increase/ Decrease
(Unit: million yen)			
Net Sales	37,472	26,255	-29.9%
Replanning Business	36,404	25,255	30.6%
Rental Building Business	1,067	1,000	6.3%
Segment Profit (Note 1)	11,138	9,181	17.6%
Replanning Business	10,842	8,954	17.4%
Rental Building Business	296	226	23.6%
Profit Margin	29.7%	35.0%	+5.2%pt
Replanning Business	29.8%	35.5%	+5.7%pt
Rental Building Business	27.8%	22.6%	5.1%pt
Number of properties sold	14 cases	14 cases	+0 cases
Number of stocks at the end of FY	49 (Note 2)	48 (Note 2)	-1 cases



(Note 1) "Segment profit" is calculated by deducting specific costs of each segment, including interest expenses, sales commission and amortization of goodwill from gross profit.

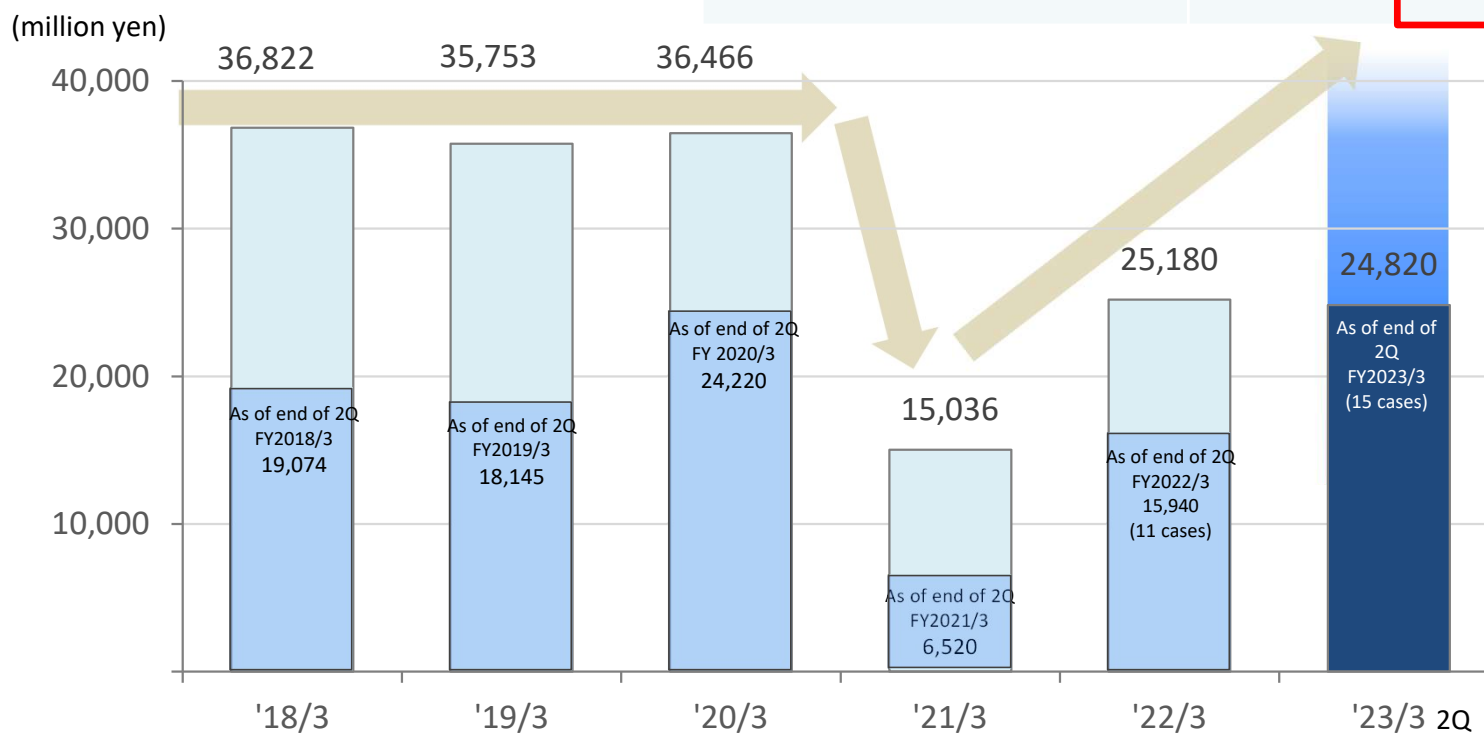
(Note 2) Projects of land purchase and development are included.

Real Estate Revitalization Business (Progress of purchase)

<Purchase of RP properties>

Purchase of RP properties was 24.8 billion yen (including contracted and unsettled properties), up 8.8 billion yen from the previous period. We are continuing to strengthen purchase activities toward the level prior to the pandemic of COVID-19.

(Unit: million yen)	FY ended March 2022 Apr - Sep	FY ending March 2023 Apr - Sep	Increase/Decrease
Number of items purchased	11 cases	15 cases	+4 cases
(of which, contracted and unsettled)	0 cases	4 cases	+4 cases
Purchase amount	15,940	24,820	+8,880
(of which, contracted and unsettled)	0	15,840	+15,840



Note) Including non-current assets

Operating Results by Business Segment

Real Estate Service Business



(Property Management, Building Maintenance, Sales Brokerage, Leasing Brokerage, Rental Conference Room, Rent Guarantee, etc.)

<Property Management/Building Maintenance>

- Sales and profits increased in the PM business due to an increase in the number of entrusted buildings.
- While the BM business was flat in net sales, the profits increased due to an improved profit margin.

<Brokerage>

- Sales and profits increased in Sales Brokerage due to the steady conclusion of projects introduced by other divisions. Sales Brokerage for overseas (Taiwan) clients by group companies also contributed to earnings.
- Sales and profits in Leasing Brokerage increased due to market recovery.

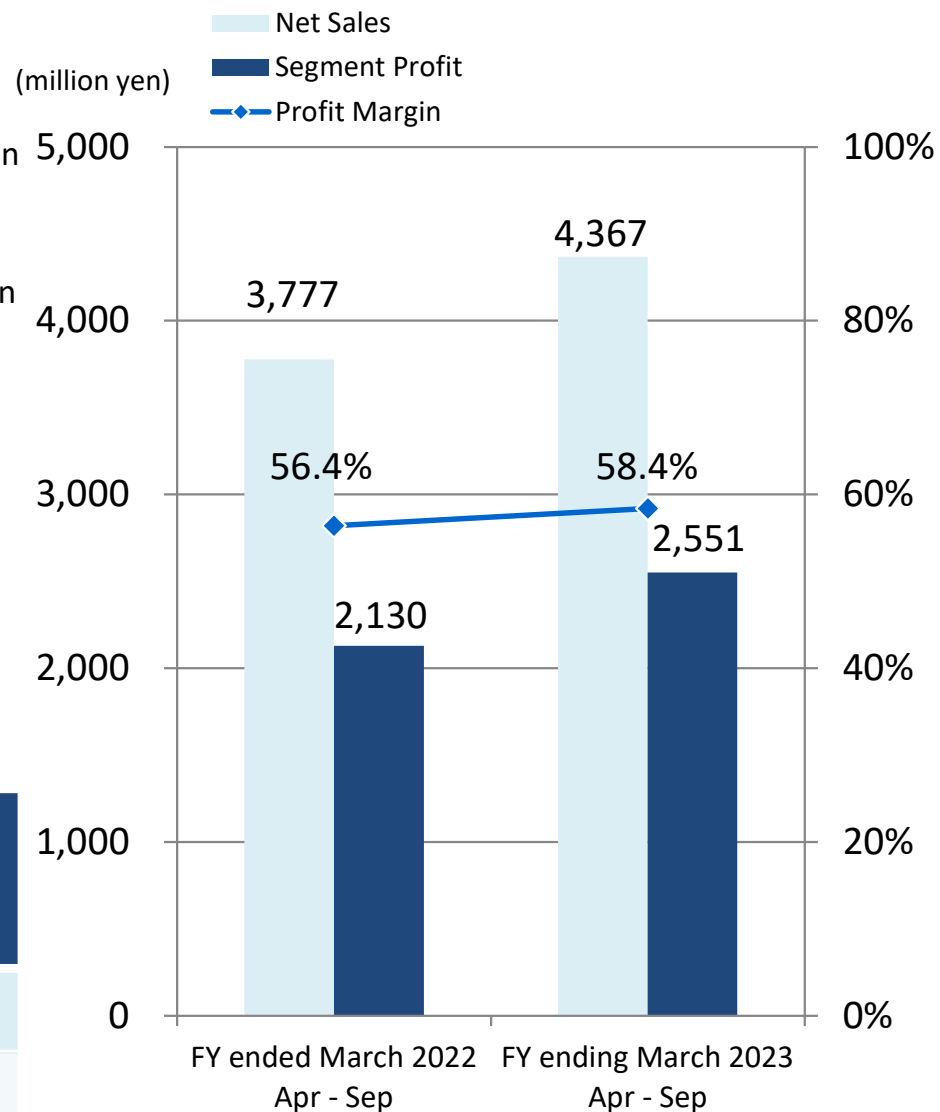
<Rental Conference Room>

- Demand recovered and both sales and profits increased due to improvement in occupancy rate and large-scale projects, although there was a temporary increase in expenses due to the opening of a new site.

<Rent Guarantee>

- Sales and profits increased due to an increase in the number of new contracts compared to the previous year.

(Unit: million yen)	FY ended March 2022 Apr - Sep	FY ending March 2023 Apr - Sep	Increase/ Decrease
Net Sales	3,777	4,367	+15.6%
Segment Profit	2,130	2,551	+19.8%
Profit Margin	56.4%	58.4%	+2.0%pt



(Note) "Segment profit" is calculated by deducting specific costs of each segment, including interest expenses, sales commission and amortization of goodwill from gross profit.

Operating Results by Business Segment



Hotel and Tourism Business (Hotel Development, Hotel Operation, etc.)

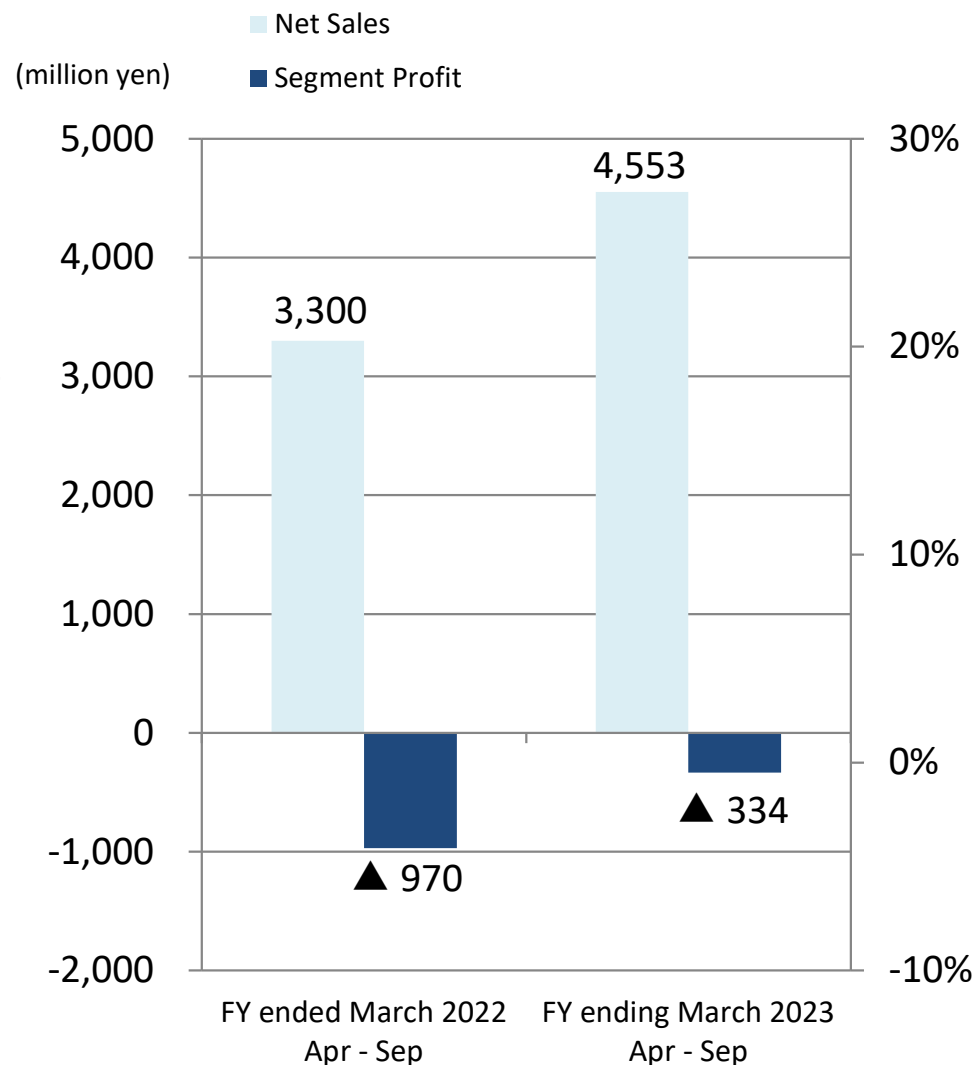
<Hotel Development Business>

- Sales decreased due to a reaction from the sale of 43 HIYORI OCEAN RESORT OKINAWA lots in the previous year. The sale of hotel properties planned for the current fiscal year has been completed at the end of October and will be recorded in 3rd quarter (already included in Full-year Forecast).

<Hotel Operation Business>

- Due to the relaxation of restrictions, demand for domestic tourism has been recovering. Compared with the same period of the previous year, sales have increased and loss has decreased.

(Unit: million yen)	FY ended March 2022 Apr - Sep	FY ending March 2023 Apr - Sep	Increase/ Decrease
Net Sales	3,300	4,553	+37.9%
Hotel Development Business	1,398	0	
Hotel Operation Business, etc.	1,902	4,553	+139.3%
Segment Profit	-970	-334	-
Hotel Development Business	207	-61	-
Hotel Operation Business, etc.	-1,177	-273	-
Profit Margin	-	-	-
Hotel Development Business	14.8%	-	-
Hotel Operation Business, etc.	-	-	-



(Note) "Segment Profit" is calculated by deducting specific costs of each segment, including interest expenses, sales commission and amortization of goodwill from gross profit.

Other Business (Construction Business, Overseas Development Business, etc.)

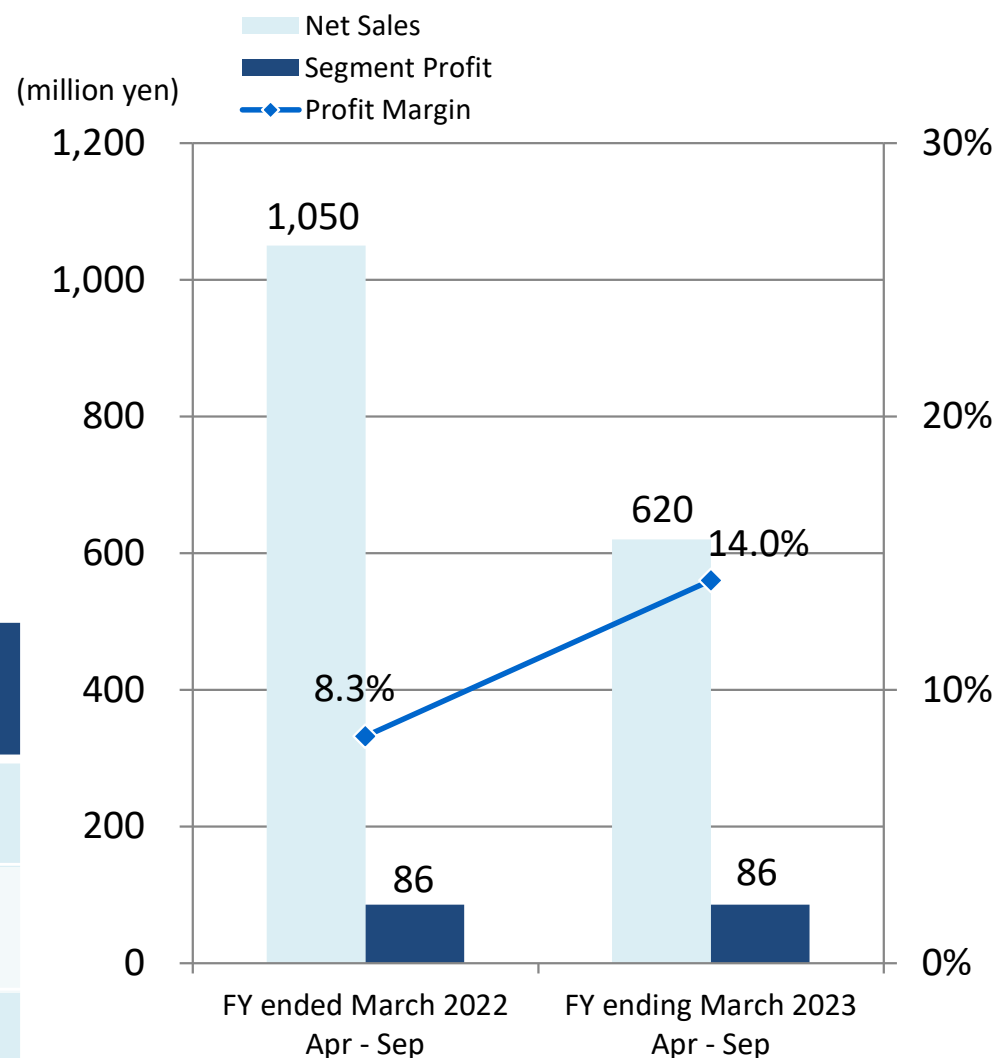
<Construction Business>

- While sales decreased due to a decline in the number of construction projects in the industry, the profit margin improved as some group companies completed amortization of goodwill at the end of the previous fiscal year.

<Overseas Development Business>

- Sales decreased due to the sale of properties in both Vietnam and Indonesia in the same period of the previous year. Profits increased in Vietnam due to condominium management.

(Unit: million yen)	FY ended March 2022 Apr - Sep	FY ending March 2023 Apr - Sep	Increase/ Decrease
Net Sales	1,050	620	-40.9%
Segment Profit	86	86	+0.2%
Profit Margin	8.3%	14.0%	+5.8%pt



(Note 1) "Segment Profit" means gross profit to interest expenses, sales commission calculated by deducting specific expenses such as goodwill amortization.

Business Environment Awareness and Business Performance

Business Environment Awareness

1. Global economy is increasingly concerned about a slowdown due to inflation and interest rate hikes in various countries and slowing growth in China.

- ◆ The IMF predicts that global economic growth will slow from 6.0 % in 2021 to 3.2 % in 2022 and 2.7 % in 2023.
- ◆ In the United States, where inflation has not subsided, the Federal Reserve continues to raise interest rates, and a recession from next year is expected.

2. Prices are rising in the Japanese economy due to the weak yen and soaring resource prices. Both infection prevention and economic revitalization are expected.

- ◆ While many countries raise interest rates to curb inflation, the Bank of Japan continues to ease monetary policy and yen continues to weaken due to interest rate differences with other countries.
- ◆ With the number of people infected with COVID-19 on the decline, social and economic activities are expected to be revitalized by the easing of restrictions of movement.

3. In the central Tokyo office building market, hybrid work styles are spreading and roles required of offices are becoming more sophisticated.

- ◆ Vacancy rate of central Tokyo offices remains flat. While rents are gradually decreasing, many new buildings will be completed in the next fiscal year.
- ◆ While foreign investment in Japanese real estate is positively affected by the weak yen, rising interest rates need to be watched.

4. Business environment in Hotel and Tourism Business is improving due to easing of restrictions following the decline in the number of COVID-19 cases.

- ◆ Although demand is on a recovery trend as restrictions are eased in the seventh wave of COVID-19, we need to watch out for the eighth wave.
- ◆ As the number of infected people decreases, demand is expected to recover through nationwide travel support and increase in the number of visitors to Japan due to the easing of immigration restrictions.

Progress against Forecast for Fiscal Year ending March 31, 2023



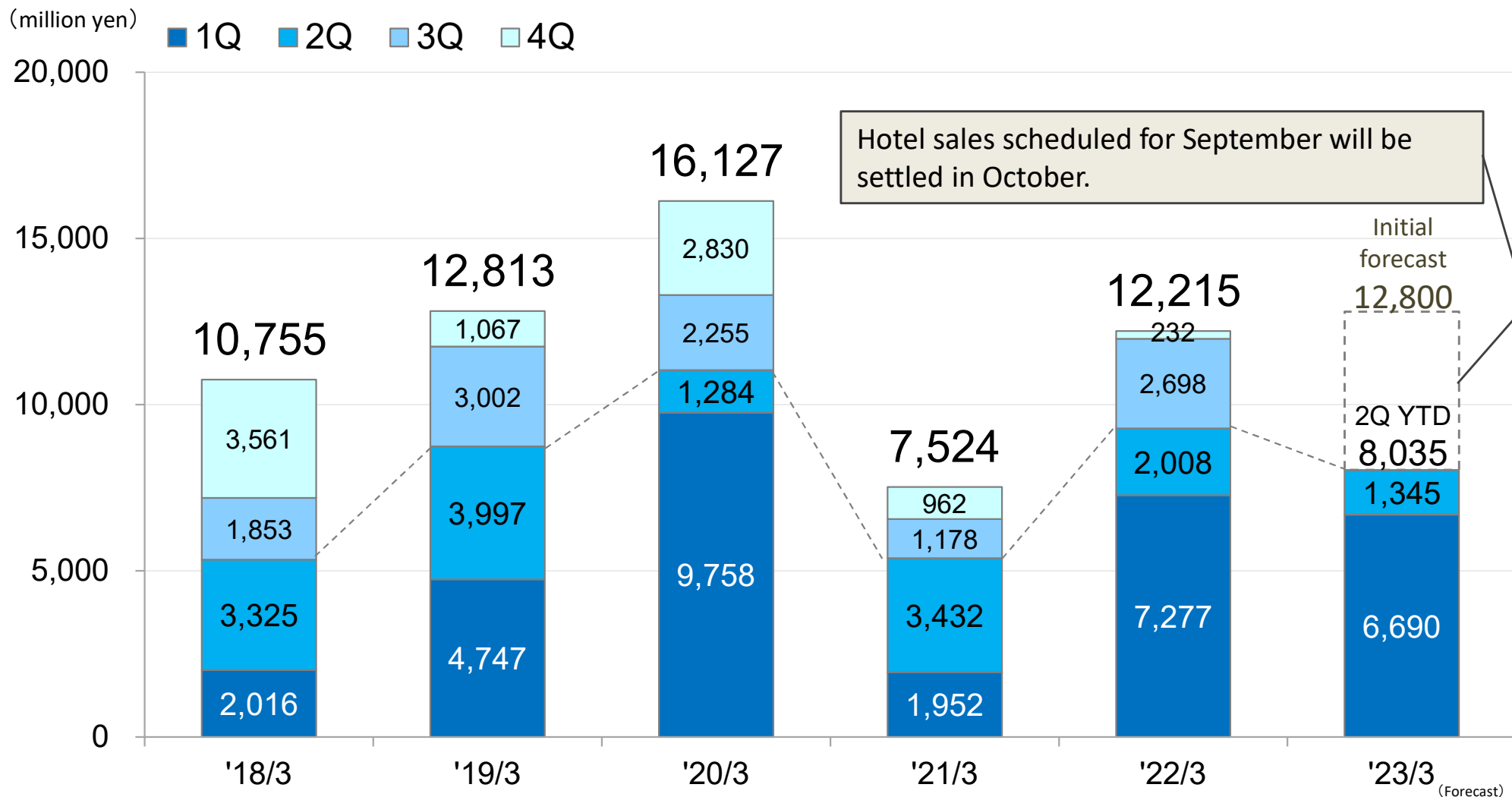
Steady progress in the Real Estate Revitalization Business and the Real Estate Service Business.
In the Hotel and Tourism Business, hotel operation is recovering. Hotel sale to be recorded in 3Q.

(Unit: million yen)	FY ending March 2023 Earnings Forecast	FY ending March 2023 2Q Results	Progress Rate
Net sales	84,000	35,333	42.1%
(1) Real Estate Revitalization Business	56,700	26,255	46.3%
Replanning	54,700	25,255	46.2%
Rental Buildings	2,000	1,000	50.0%
(2) Real Estate Service Business	7,300	4,367	59.8%
(3) Hotel and Tourism Business	18,600	4,553	24.5%
(4) Others	1,900	620	32.6%
Adjustments	-500	-463	-
Gross profit	22,000	11,798	53.6%
(1) Real Estate Revitalization Business	16,000	9,618	60.1%
Replanning	15,500	9,391	60.6%
Rental Buildings	500	226	45.2%
(2) Real Estate Service Business	3,900	2,557	65.6%
(3) Hotel and Tourism Business	1,800	-203	-
(4) Others	300	110	36.7%
Adjustments	0	-284	-
Selling general and administrative expenses	8,700	3,753	43.1%
Operating profit	13,300	8,044	60.5%
Ordinary profit	12,800	8,035	62.8%
Profit	8,300	5,368	64.7%
EPS (profit per share)	170.76 yen	110.44 yen	64.7%

Changes in Ordinary Profit over the Last Five Years



Strong sales in RP properties and steady growth in the Service Business.

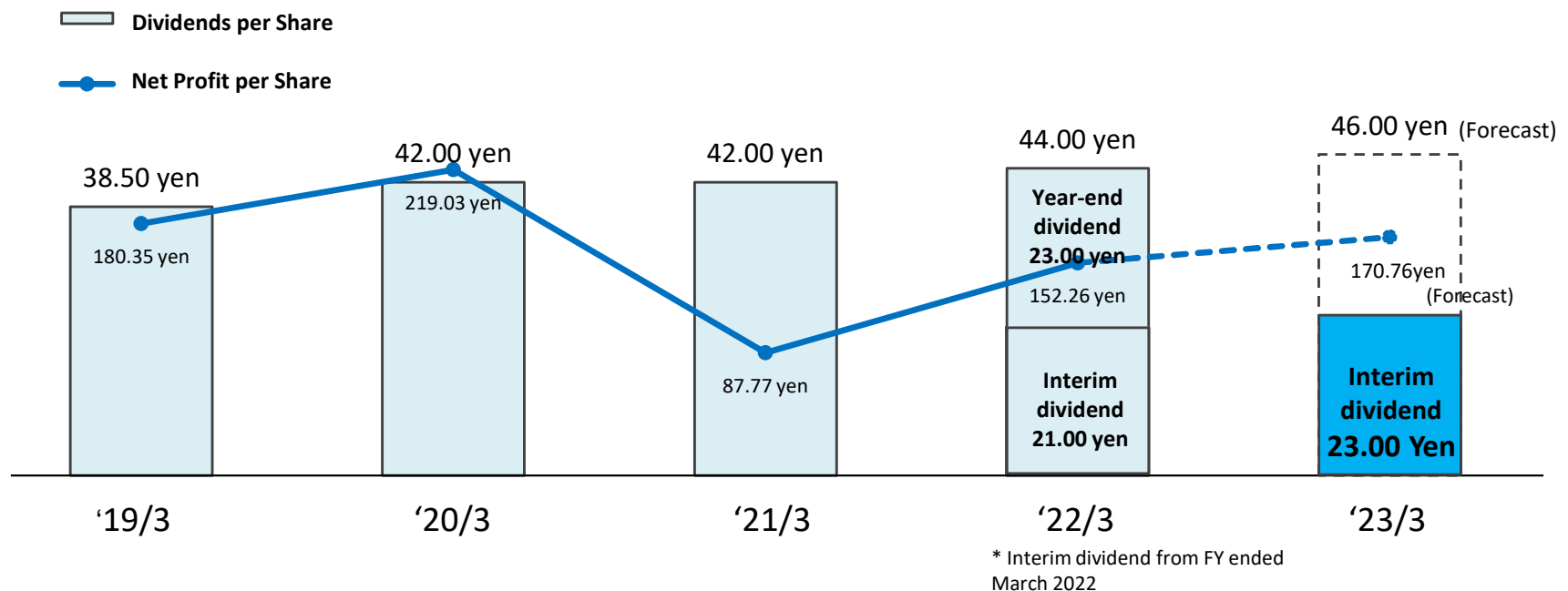


Shareholder Return (Interim Dividends)

Basic policy for the profit returns to shareholders

1. Strive to provide long-term and stable profit returns to shareholders
2. Secure investment funds to aggressively take on challenges for future growth
3. Maintain the stability of financial base

Trends in Net Profit per Share and Dividends per Share



Effective Date of Interim Dividends: Tuesday, December 6, 2022

Business Progress and Initiatives

Replanning Business, Examples of Initiatives (1)

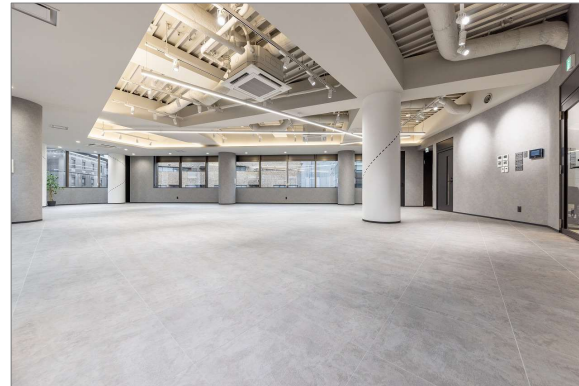
Value-added office chosen by start-ups seeking a hybrid work style



[Building appearance (after replanning)]
 Ichibancho, Chiyoda-ku, Tokyo
 One building profit building
 Deck roof, steel-framed reinforced concrete,
 7 stories high with 1 basement



Each floor has a reception with soft colors and a large lounge.



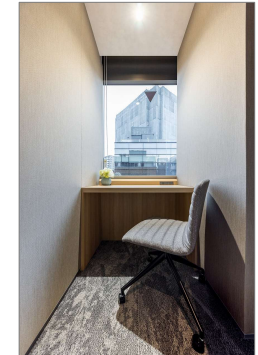
Office with high ceilings and a sense of openness



Entrance equipped with an information board that allows users to check the security status (office presence or absence) of the destination floor



Multiple installations of teleconference booths to focus on online meetings on each floor



A building that was constructed and used as a company-owned building before increasing value
 → Reception and lounge on each floor with multiple teleconference booths.
 → Many start-up venture companies seeking a hybrid work style have moved in.
 ⇒ Sold as a high-occupancy building and entrusted with management after sale.

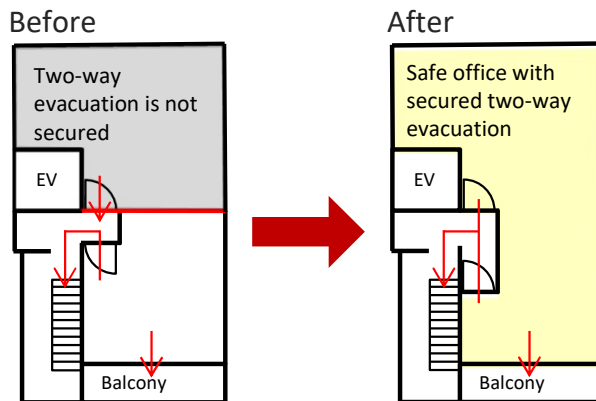


Replanning Business, Examples of Initiatives (2)

Value-added building with high design and liquidity in compliance with the Building Standards Law



[Building appearance (after replanning)]
 Kanda Sarugakucho, Chiyoda-ku, Tokyo
 One building profit building
 Steel-framed reinforced concrete and reinforced concrete structure
 Deck roof, 7 stories



Some floors did not ensure "two-way evacuation" as required by the Building Standards Law, but this has been corrected and the building has increased in value as a highly liquid building suitable for compliance with laws and regulations.



Wide and safe office space



Versatile Sofa Booth



Lounge with warm lighting



Entrance with distinctive illumination

Interior with illumination that makes the most of the brick-like appearance.
 Increased the value to a safe and secure office building compliant with the Building Standards Law.
 → Companies with many visitors move in in search of a well-designed office.
 ⇒ Entrusted management after sale and contribute to the operation of the building for the buyer.



Deepening and Diversifying Replanning Business

Continue to create new added value through changes and challenges, such as land utilization and overseas business development

◆ New office building brand “1/1” (One)

A new office brand that creates new value by fusing buildings and art. Arrange the art of Cyril Congo, a modern French artist active around the world, and hold a one-man exhibition at the opening of the building.

The “1/1 32117” office building, which combines art with buildings, opens in Jingumae, Shibuya-ku, Tokyo!



New office building “1/1 32117”
External appearance

First one-man exhibition in Japan

Mr. Cyril Congo (left) and Mr. Saito (right), President of the Company next to one of the works displayed in the façade of the building.



New office building under project
External appearance

Completed new office buildings

Left: +SHIFT NOGIZAKA
Right: +SHIFT KANDA

Completed and opened in April, 2021
Completed and opened in August, 2021

◆ New office building +SHIFT

With the concept of “choosing an office like fashion”, we are developing the brand “+SHIFT” that goes beyond the traditional concept of office and pursues a “rich working style” required in the new era.

A new project is underway in Minato-ku, Tokyo!

◆ NY Real Estate Revitalization Business

A business that contributes to long-term asset formation and the happiness of families by increasing the value of real estate properties with Japanese-style comfort and having them owned mainly by Japanese Clients in New York City, the center of arts, fashion, culture, entertainment, politics, economy, and finance.

Value-up sale of apartment in Manhattan, New York



Value-up building appearance



Interior after value-up

Promote Sales of Small-lot Real Estate Property

Sales of a nursery school, and a medical and educational mall that contribute to the lives of local communities as small-lot products



Fully sold on November 1!

Compass Magome

Ota Ward new medical and educational mall

2-28-4 Kitamagome, Ota-ku, Tokyo
 2-minute walk from Magome Station on Toei Subway Asakusa Line
 3-story building with a total floor area of 1,274.89 square meters

A new mall with the theme of “medical care and education”, in which after-school childcare, English conversation school, etc. enter as tenants, centered on a drugstore with a large medical corporation and a dispensing pharmacy that has strengths in hemodialysis



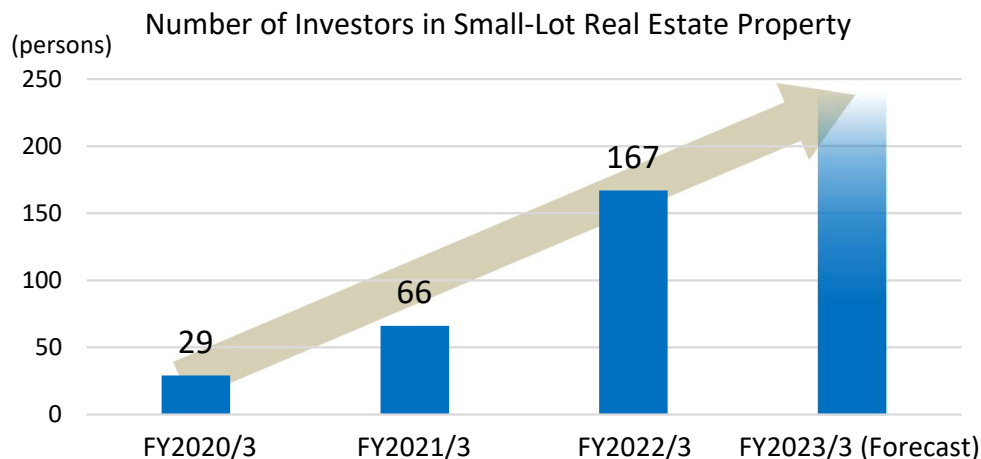
Second period on sale

Compass Ueno

A newly built licensed nursery school, Ueno, Tokyo

3-45 Taito, Taito-ku, Tokyo
 2-minute walk from Naka-okachimachi Station on Tokyo Metro Hibiya Line
 6-minute walk from Okachimachi Station on JR Yamanote and Keihin-Tohoku Lines
 4-story building with a total floor area of 546.77 square meters

A newly built licensed nursery school that is in line with SDGs and ESG investments, including eliminating the problems of children waiting for admission and promoting women’s activities



Increasing number of clients are investing in small-lot products to meet real estate investment needs

Sales network (tax accountants and financial institutions)

Over 180 companies

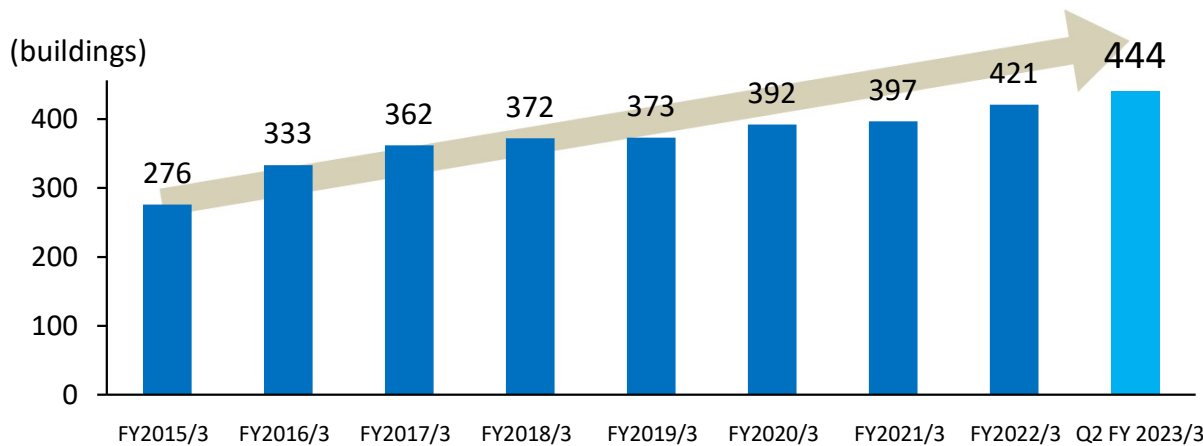
Expanding, aiming to reach over 200 companies

Real Estate Service Business Continues to Expand Its Customer Base

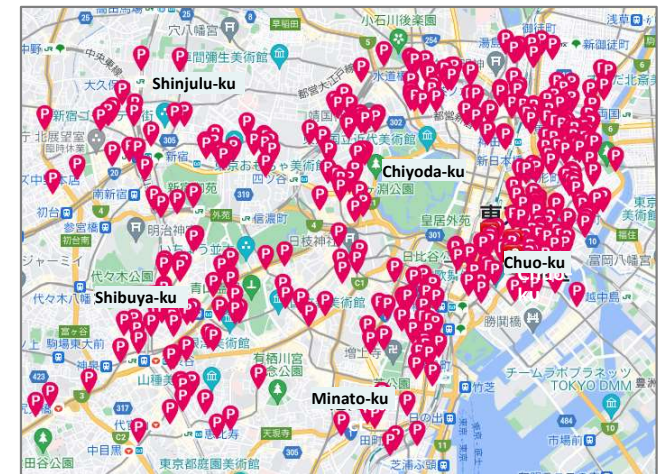


Real Estate Service Business, which specializes in the central Tokyo area, increases clients and strengthens its operating base

Number of Entrusted Buildings in Property Management

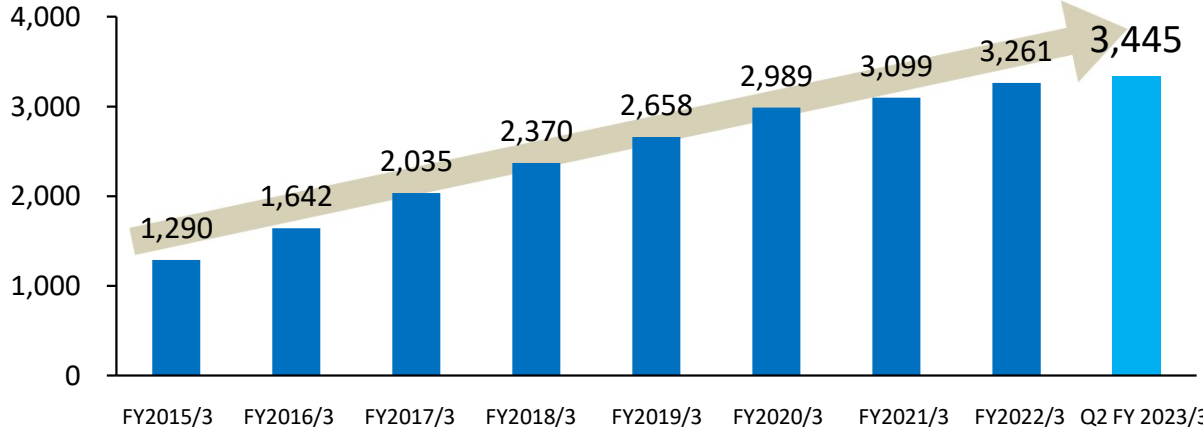


[Property Management entrusted property distribution]

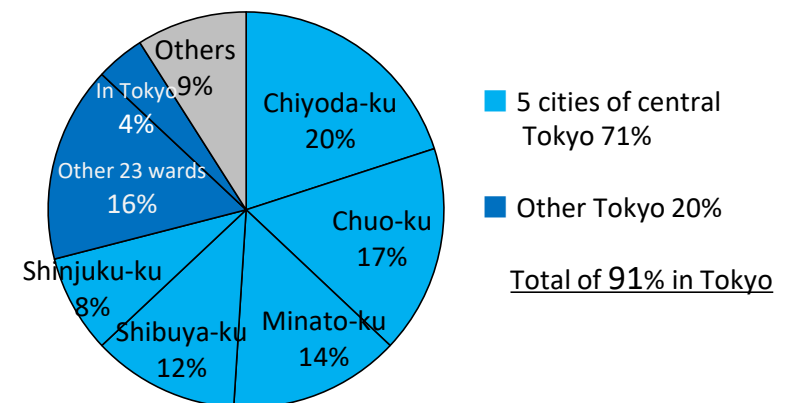


Entrusted properties of the Company

Changes in the Number of Rent Guarantee Contracts



【Rent Guarantee Percentage of new contracts * by area】



* As of March 31, 2022 : 652 new contracts

Site Development to Meet Diverse Needs

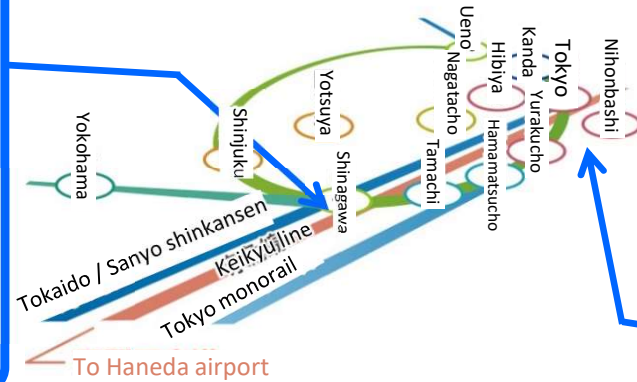
In line with the diversification of work styles, we are fully compatible with web conferencing and online distribution, meeting the needs of group training and conferences through our site network with excellent access.

September 1, 2022
Vision Center Shinagawa Open



- 3 minutes walk from Shinagawa Station
- Large facility with a total area of 2,000 square meters
- With a large hall that can accommodate 500 people

◆ Vision Center Site Network

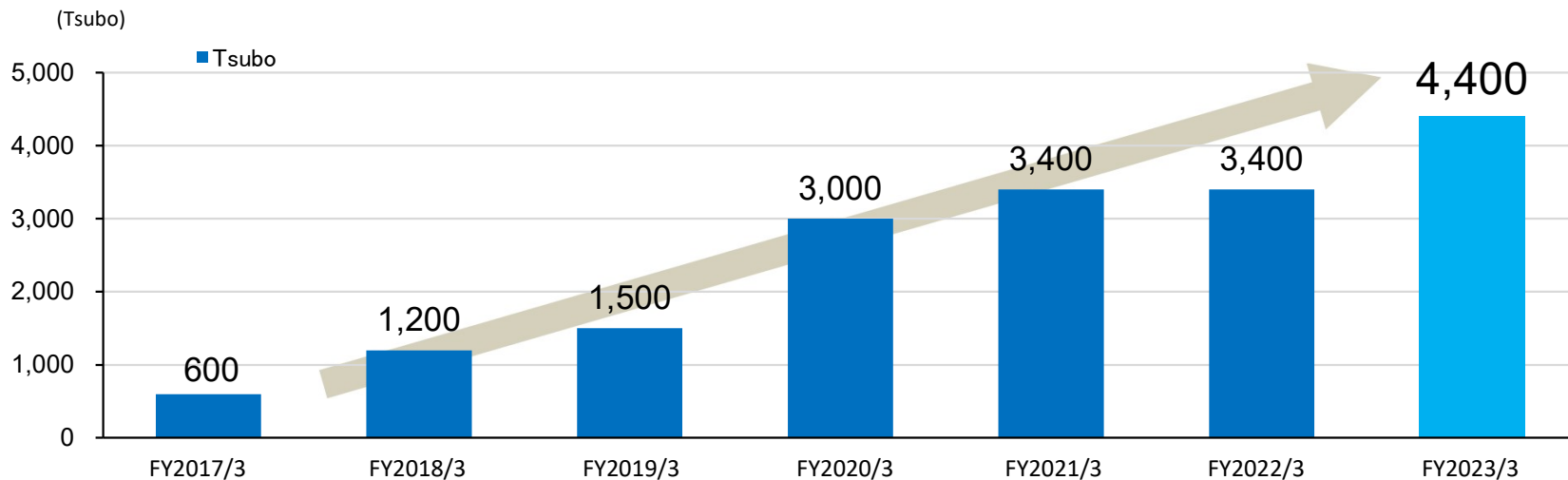


November 1, 2022
Vision Center Tokyo Kyobashi Open



- Direct connection to Kyobashi Station
- Best location
- With a large hall that can accommodate 600 people

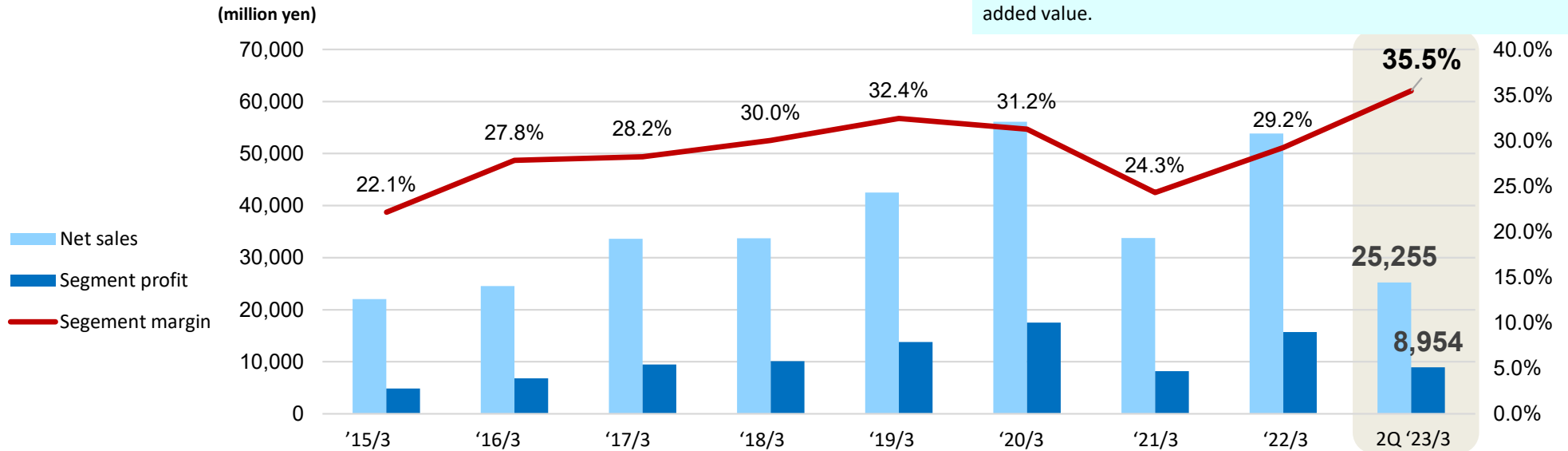
◆ Changes in Vision Center operating area



Continue High Profitability in Office Building Business

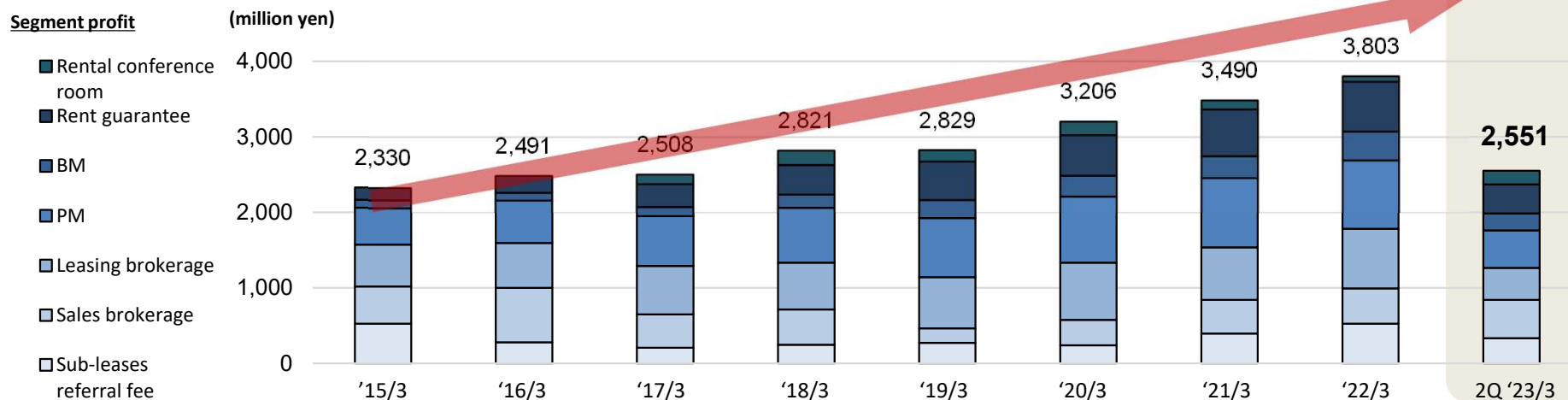
● Replanning Business maintains high profit margin

Following 1Q, properties with high profit margin were sold in 2Q ahead of schedule, driving performance as highly profitable business with high added value.



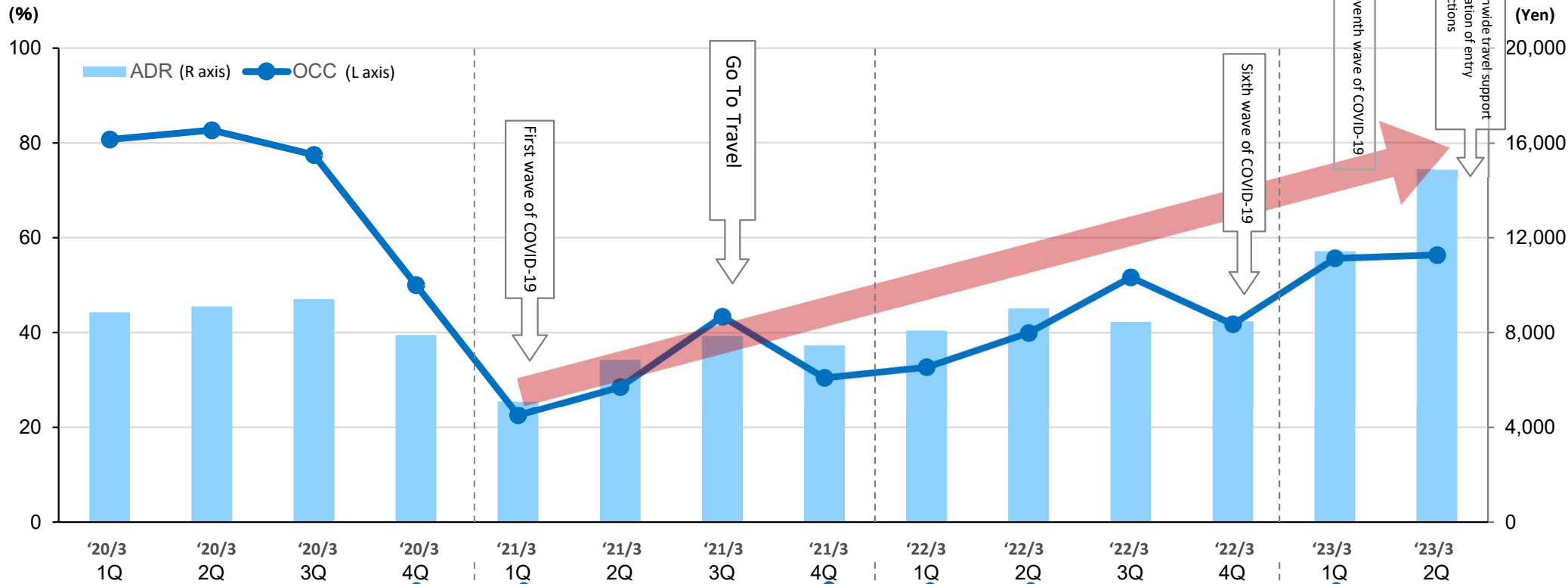
● Real Estate Service Business continues to grow steadily

Sales Brokerage maintained strong performance. Real Estate Service Business including Leasing, PM posted solid performance.



Hotel Operations Recovering

We continue to open new hotels even in the pandemic of COVID-19, improving our services to become the hotel of choice for our clients, and our performance is improving.



◆ Newly opened hotels
8 hotels opened in two and a half years
in the pandemic of COVID-19



February 2020
Tabino Hotel Kurashiki Mizushima



April 2020
Tabino Hotel Kashima



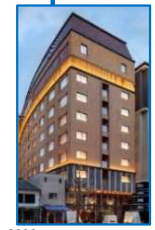
February 2021
HIYORI OCEAN RESORT OKINAWA



June 2021
Tabino Hotel Lit Miyakojima



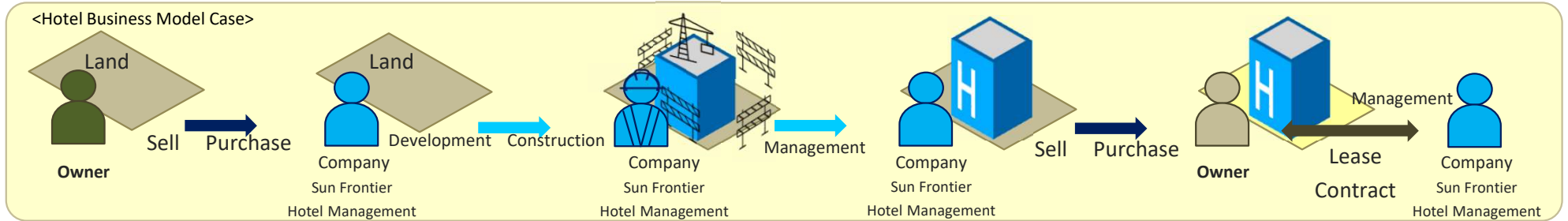
July 2021
Tabino Hotel Lit Matsumoto



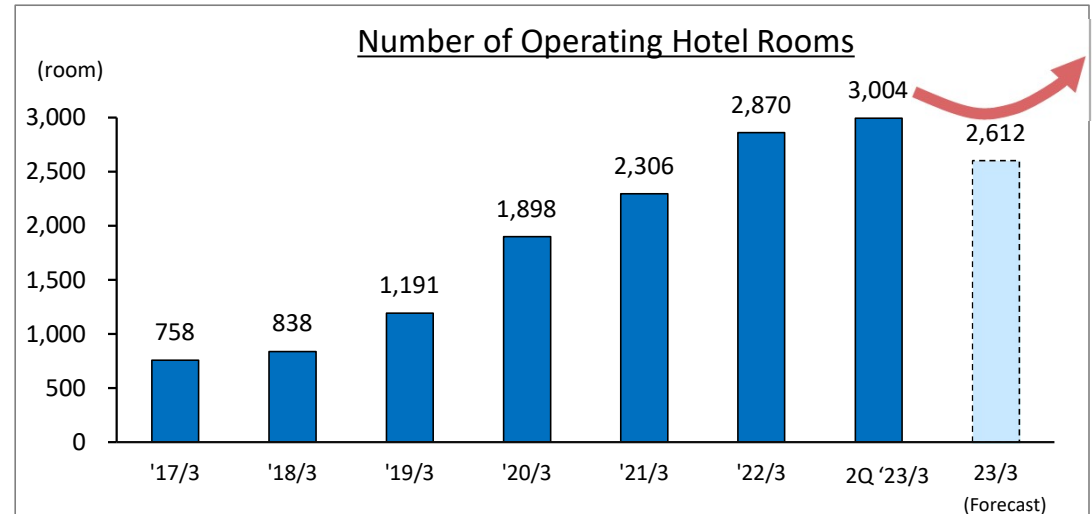
June 2022
Shijo Kawaramachi Onsen Sora Niwa Terrace
Kyoto
Shijo Kawaramachi Onsen Bttee Kamogawa

Business Models for Hotel Business Growth

Increase value by developing and acquiring some properties in addition to operating revenues and aim for growth through synergies with sales revenues.



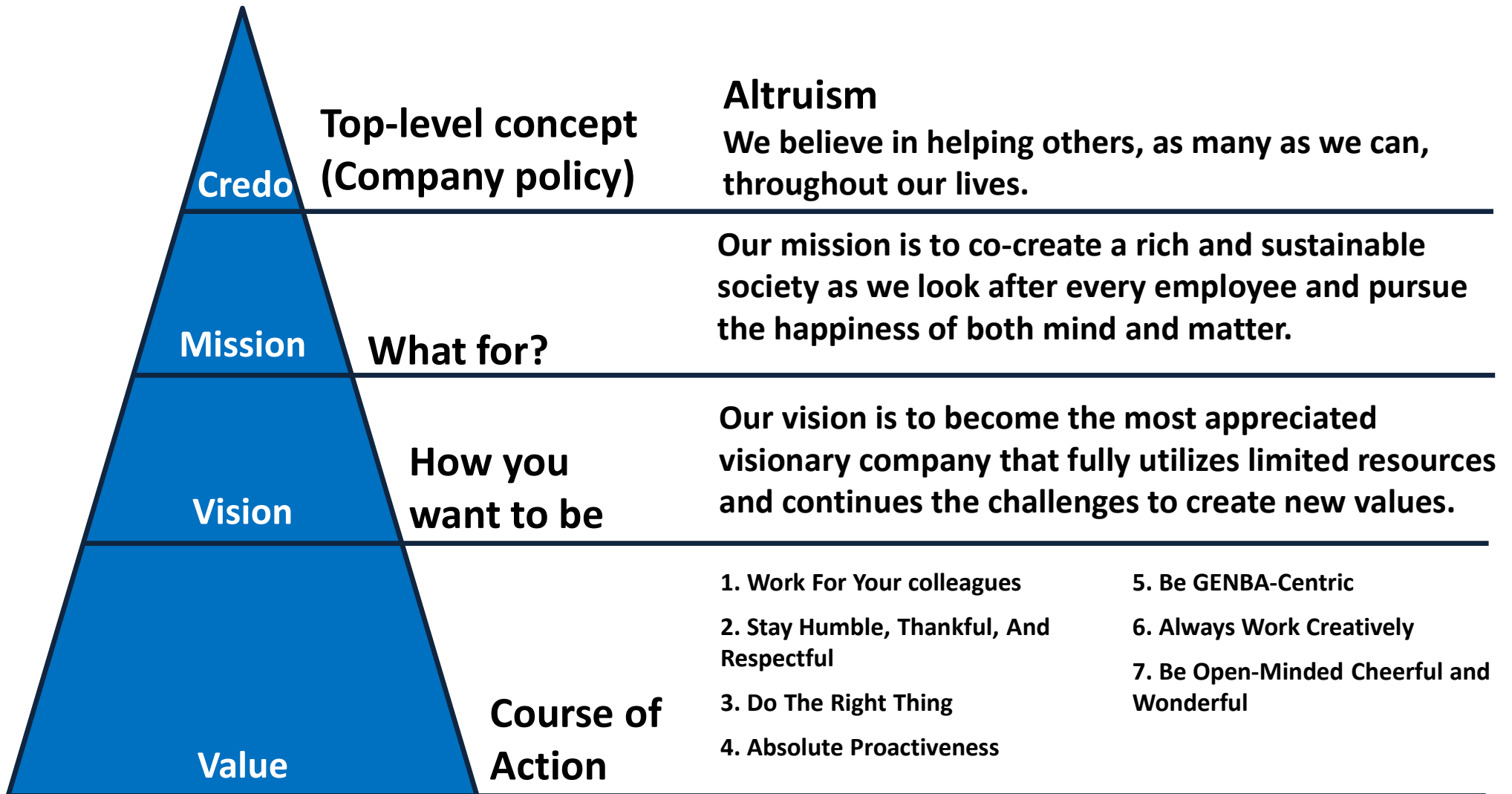
Hotel name and location	Number of rooms	Acquisition and opening		Status
Spring Sunny H Nagoya Tokoname Station	194	2016.4	Acquired	Own
4 Sky Heart Hotels (excluding Shimonoseki)	564	2016.12	Acquired	Lending and leasing
HIYORI Hotel Maihama	80	2017.4	Newly constructed	Sold leaseback
Sado Resort Hotel AZUMA	57	2018.4	Acquired	Own
Tabino Hotel Hida-Takayama	80	2018.5	Newly constructed	Own (leased)
SKY HEART Hotel Shimonoseki	105	2018.6	Acquired	Own
Tabino Hotel Sado	111	2018.7	Newly constructed	Lending and leasing
HIYORI Hotel Osaka Namba Ekimae	224	2019.5	Newly constructed	Lending and leasing
COURTYARD BY MARRIOTT Osaka Honmachi	193	2019.10	Newly constructed	Sold in Oct 2022
Hiyori Hotel Tokyo Ginza East	135	2019.12	Newly constructed	Scheduled to be sold in April 2023
Tabino Hotel Kurashiki Mizushima	155	2020.2	Newly constructed	Lending and leasing
DONDEN HIGHLAND LODGE	11	2020.4	Entrusted	Lending and leasing
Tabino Hotel Kashima	194	2020.4	Newly constructed	Own (leased)
HIYORI OCEAN RESORT OKINAWA	203	2021.2	Newly constructed	Sold leaseback
Hotel Osado	74	2021.4	Acquisition	Own
HIYORI Chapter Kyoto	203	2021.6	Newly constructed	Sold in Oct 2022
Tabino Hotel Lit Miyakojima	111	2021.6	Newly constructed	Lending and leasing
Tabino Hotel Lit Matsumoto	176	2021.7	Newly constructed	Lending and leasing
Shijo Kawaramachi Onsen Soraniwa Terrace Kyoto Villa Kamogawa	134	2022.6	Newly constructed	Lending and leasing
Tabino Hotel Villa Miyakojima NEW	4	2022.11	Entrusted	Lending and leasing



We will collect development funds by selling three hotels and invest in the next project.

From now on, we plan to develop and operate the Tabino Hotel series and small luxury hotels. We will also focus on M&A.

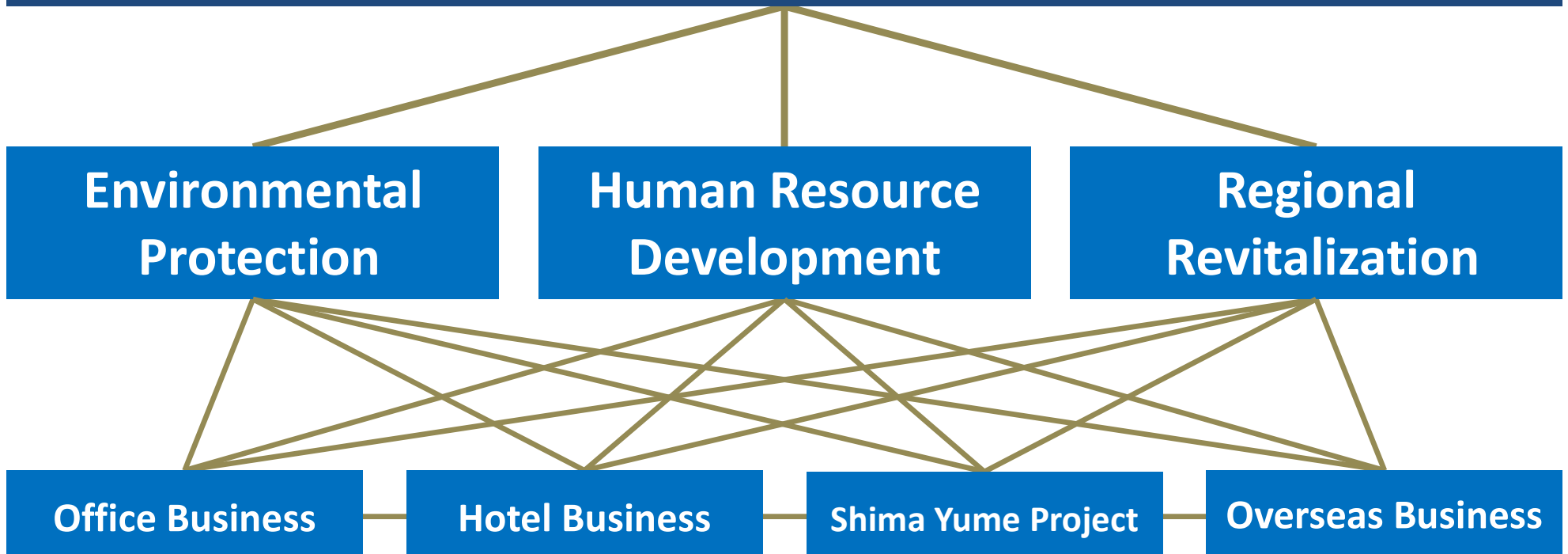
Systematize and further promote the Sun Frontier Philosophy



Business area

Contribute to solving social issues through real estate utilization, the core business

Realization of a Sustainable Society



Sustainability Issues and Targets

Sustainability Vision

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

Important Issues	Social issues to be solved	Policy	Goal (KPI)
Environmental protection	Small and medium-sized buildings that can still be used with increased value are being demolished. = Waste of resources	<ul style="list-style-type: none"> ■ Extend the life and health of real estate ■ Energy conservation and reduction of environmental impact by the Real Estate Revitalization Business 	<ul style="list-style-type: none"> • Extend economic estimated useful lives by at least 30% • Occupancy rate of buildings over 30 years old to be 90% or more • Retention of management after sale of replanning property to be 90% or more • Reduce carbon dioxide emissions by an average of at least 12% compared to a building reconstruction project • 100% carbon offset
	Revitalization of regional economies	<ul style="list-style-type: none"> ■ Create buildings, offices, and spaces with “job satisfaction” and “creativity” that contribute to economic growth 	<ul style="list-style-type: none"> • Establish internal standards by the end of FY2022 • Percentage of new supply of replanning properties that exceed the established internal standards to be 30% or more in FY2023 • Implement tenant satisfaction surveys (for Company-owned properties)
Regional revitalization	Response to massive natural disasters	<ul style="list-style-type: none"> ■ Prevent and mitigate disaster through regional cooperation 	<ul style="list-style-type: none"> • At least five lots by FY2023 • Post disaster prevention information on the dedicated website 100% in FY2023 (for Company-owned properties)
	Elimination of the decline in the working-age population due to low birthrate and aging population (real decrease in labor force) and the gender gap	<ul style="list-style-type: none"> ■ Respect and utilize diversity ■ Create workplaces with job satisfaction, creativity and growth opportunities 	<ul style="list-style-type: none"> • Ratio of female management to be 12% or more by April 2025 (Sun Frontier Fudousan Co., Ltd.) • Training hours as a percentage of prescribed working hours to be 10% or more • Increase hourly recurring profit in FY ending March 2023 year-on-year (per regular employee of Sun Frontier Fudousan Co., Ltd.)

ESG Data

Environment

As of September 30, 2022

Actual number of RP buildings



Total **453** buildings

Carbon Offset Cumulative total **2,502** tons



RE100 **12** buildings
2,113 tons



Mori no Denki **7** buildings
128 tons



RP construction **12** buildings
261 tons

Establishment of SF Ocean Power Generation Co., Ltd.

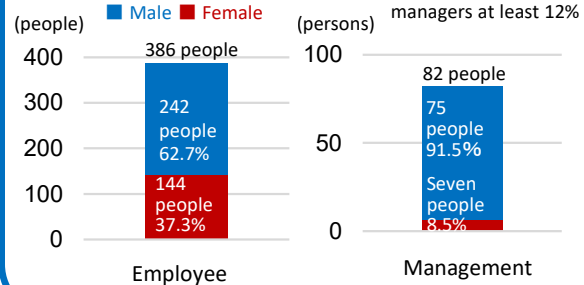


Research and study for the realization of new-energy infrastructure

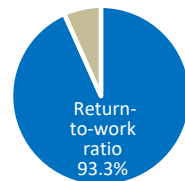
Social

As of April 1, 2022

Ratio of male and female employees in managerial positions

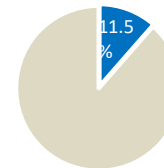


Childcare leave Utilization rate 100%



From childcare leave 93.3% return to work

Human resource development Training at least 10% of set working hours



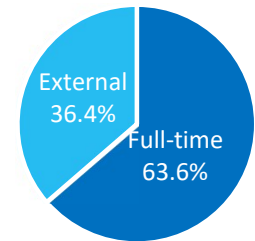
Governance

As of September 30, 2022

Transition to an Audit & Supervisory Committee system



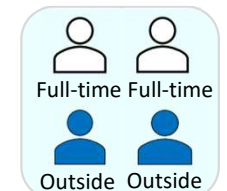
Ratio of outside directors 1/3 or more



Female Directors 1 out of 11



Nomination and remuneration committee (optional) 2 out of 4 Outside Directors



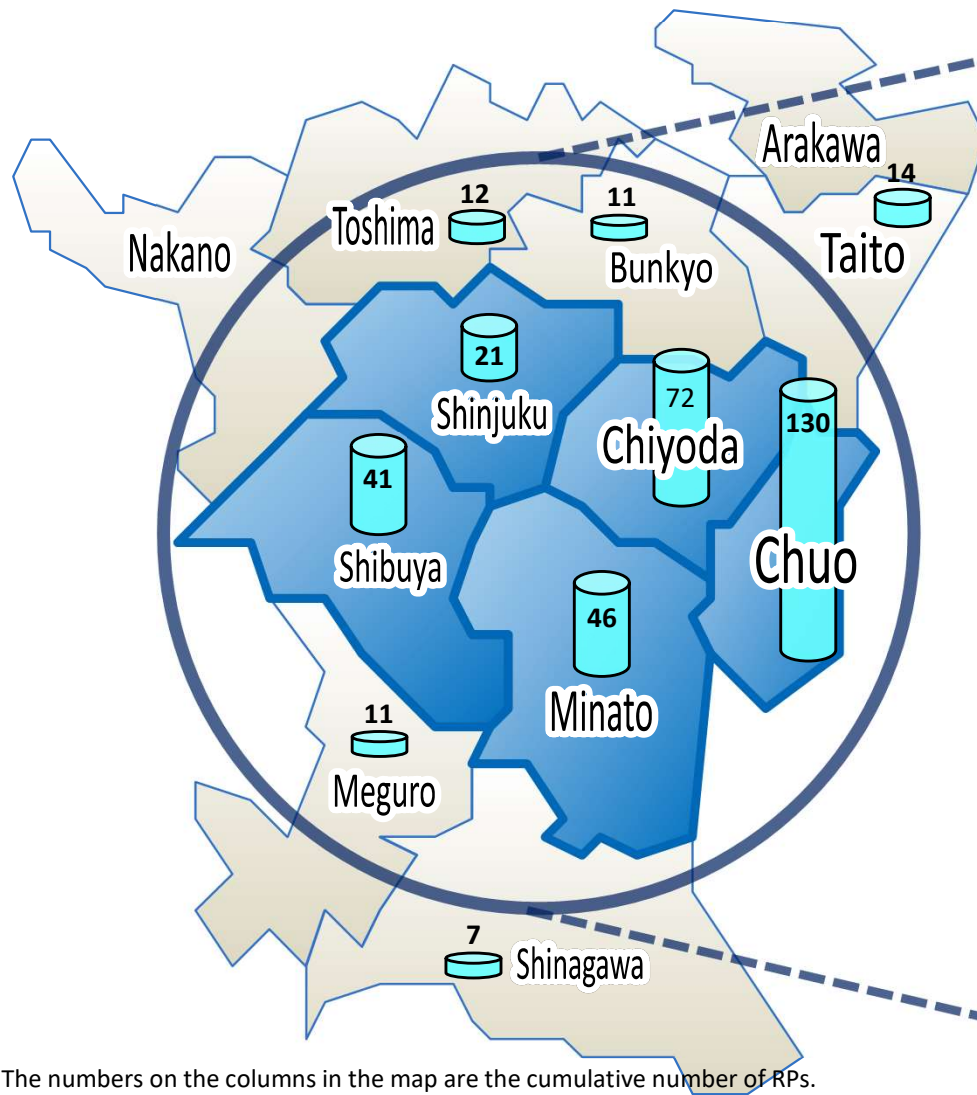
Ensuring transparency and soundness

• RE100 Carbon offset using J-credit derived from renewable energy. Initiatives to become the first in Japan to introduce this system on each floor. Achieve 0 Co2 emissions per tenant company.
• "Mori no Denki" Carbon offset using J-credit derived from forests. We can feel that we are supporting forests side-by-side and moving into the building will contribute to the environment.

For more information, please refer to our sustainability website → <https://www.sunfrt.co.jp/sustainability/>

Strategy in Office Business

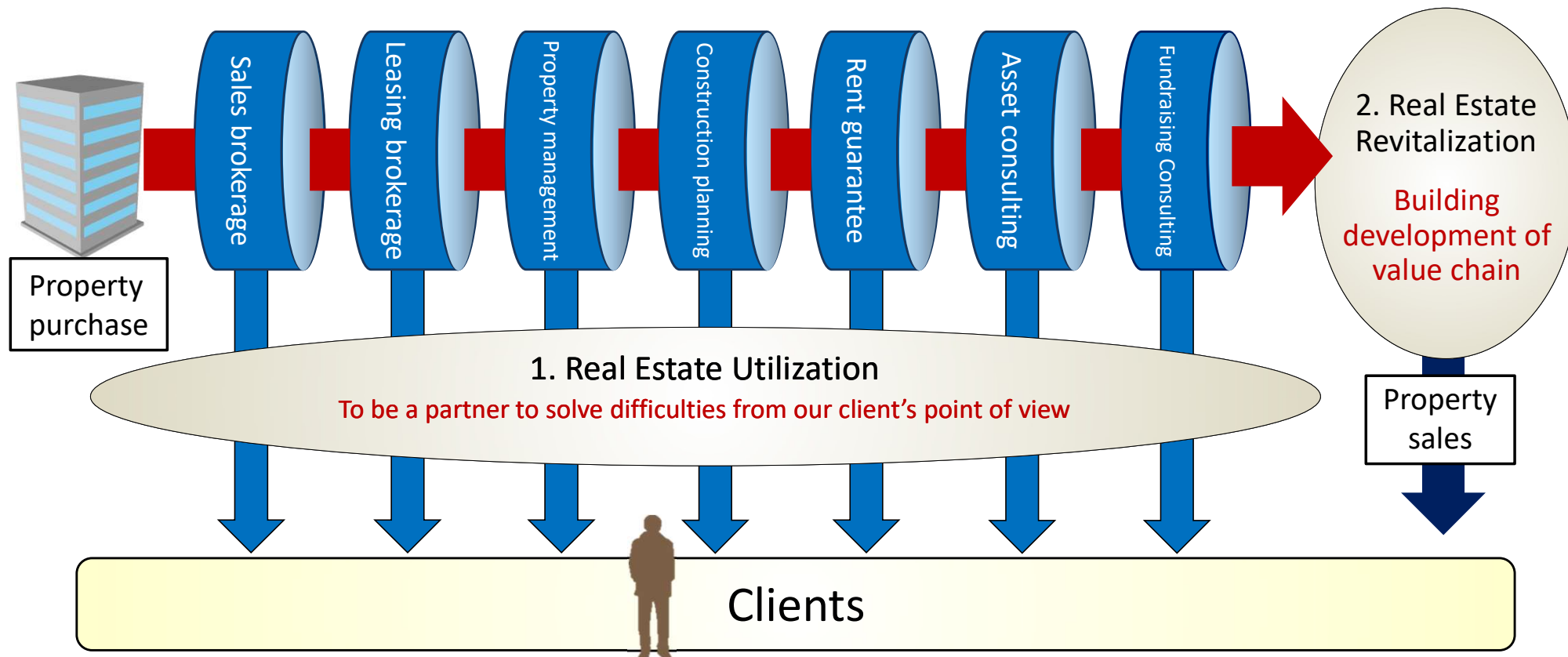
Provide services to solve client's every problem, mainly in the five cities of central Tokyo.



R P	Of the total number of RPs over 453 properties, 80% are located in the five cities of central Tokyo and adjacent cities. *As of the end of September 2022
Leasing Brokerage	A community-based network ten branches Ginza, Kanda, Nihonbashi, Kodemmacho, Kojimachi, Shinjuku, Shibuya, Gotanda, Hamamatsucho, Yokohama
P M	More than 80% of the 444 entrusted properties are located in the five cities of central Tokyo. *As of the end of September 2022
B M	Of the 214 buildings under comprehensive management, 85% are located in the five cities of central Tokyo. *As of the end of September 2022
Rent Guarantee	Of the 652 new contracts signed, 90% are in the five cities of central Tokyo. *As of the end of September 2022
Rental Conference Room	20 of the 21 sites are located in the five cities of central Tokyo. *As of the end of September 2022/One site in Yokohama

Strengths in Office Business

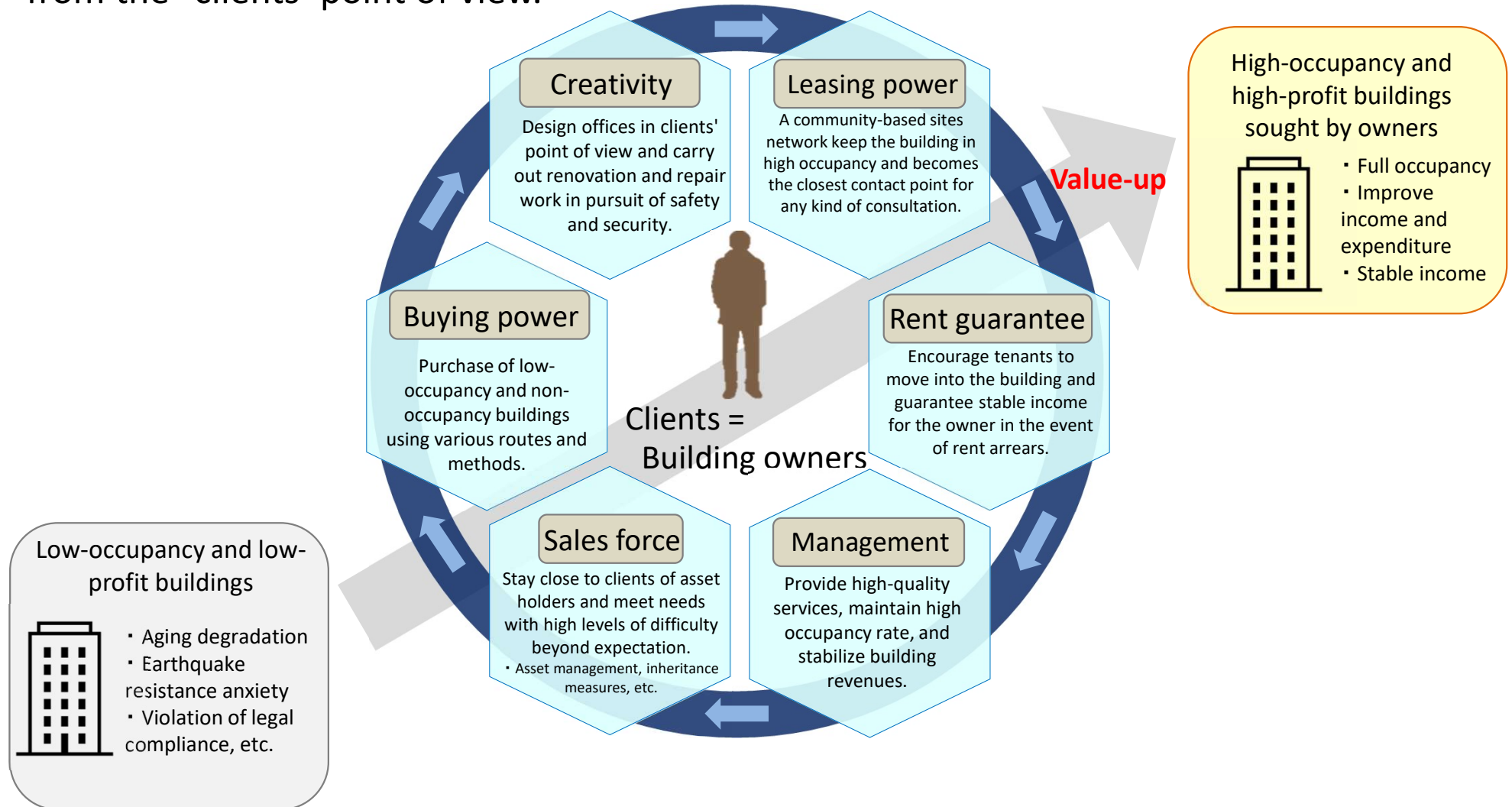
Solve various problems by in-house manufacturing from purchase to development, occupancy, sales and support, and by understanding the client's intentions in detail.



1. Real estate utilization: Get close to clients at the site and solve problems. Capture the source of added value from clients' voices.
2. Real estate revitalization: Reflect our expertise to increase asset value and the needs we have identified in revitalized buildings to increase their value and sell them.

Business Model for Replanning Business

Value-up of office buildings in need of large-scale repairs due to declining occupancy rates into high-value-added real estate that is sought after by society through renovation from the “clients’ point of view.”

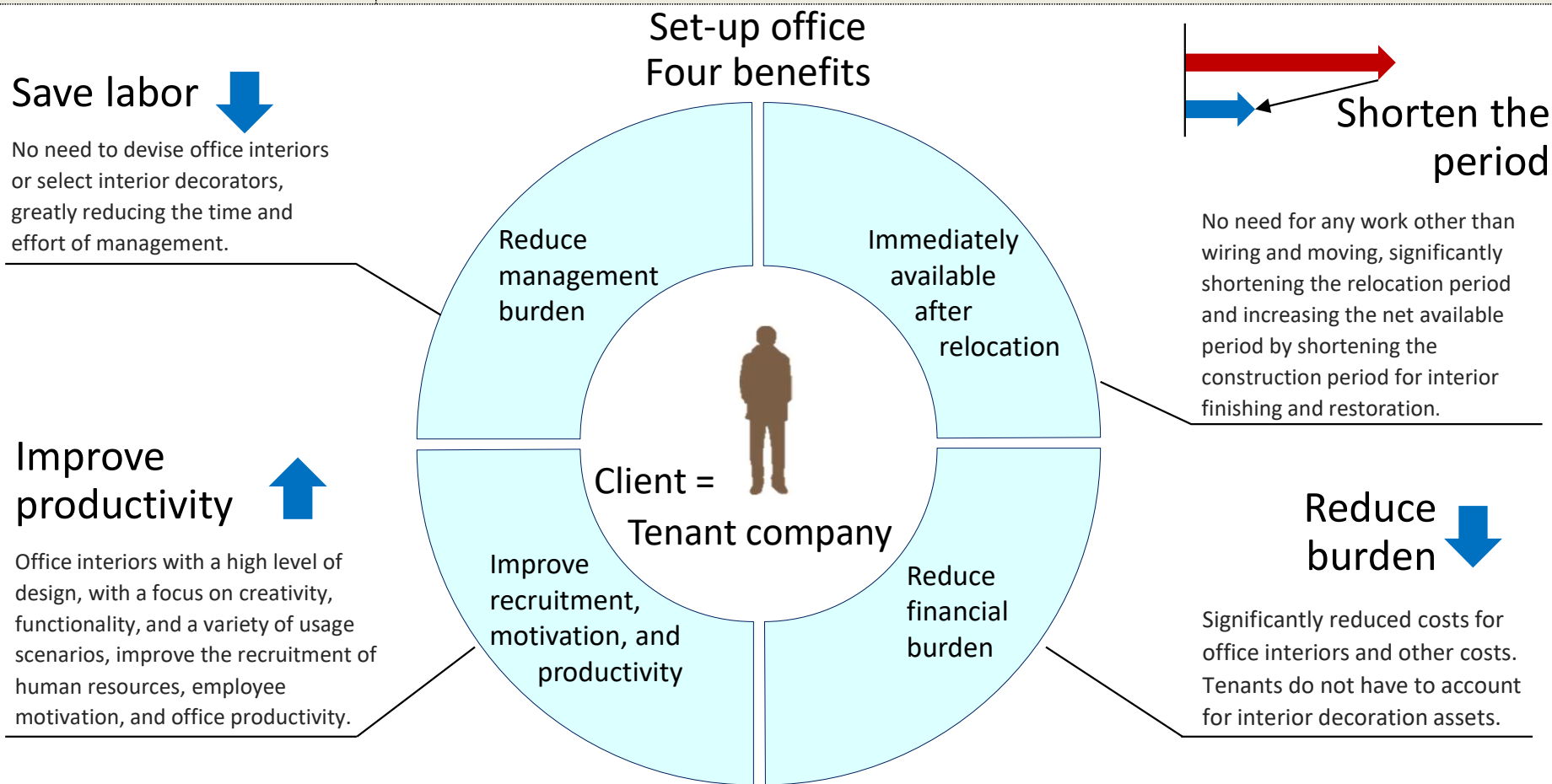


Accelerate the Growth of Tenant Companies

Set-up offices focusing on the clients' point of view accelerate business growth.

Set-up office

An office that differs from the interior of a normal rental office in that it has a reception area, reception room, and other facilities, as well as highly design-oriented interior construction in the office area, with some facilities and fixtures already installed.



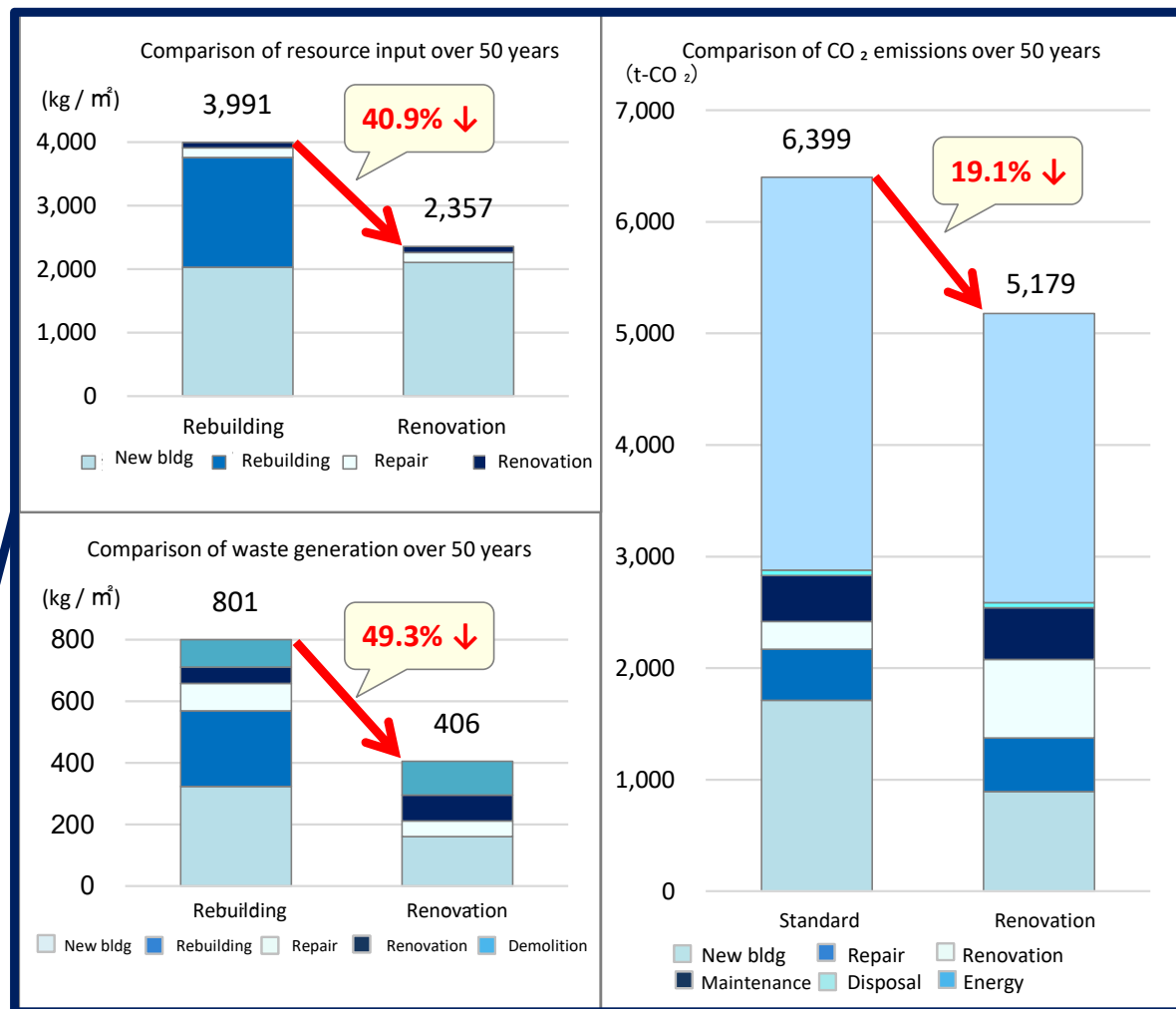
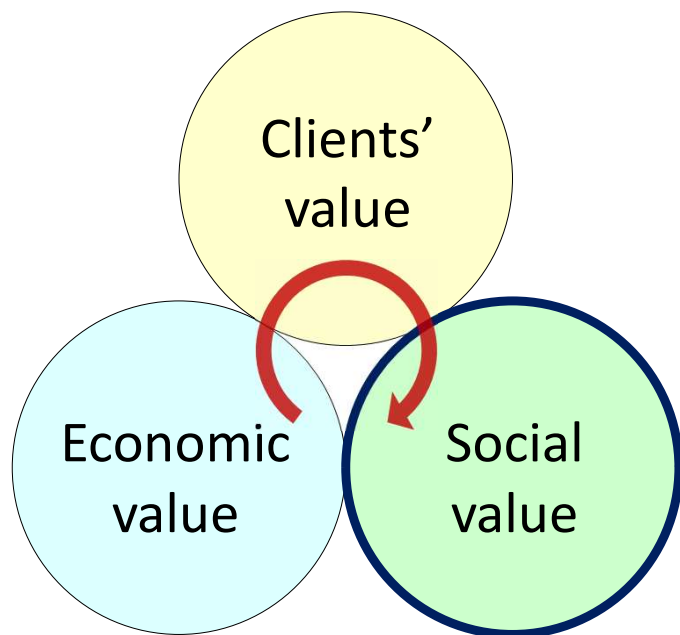
Create both Customer Value and Social Value

Contribute to the resolution of social issues through contributions to our clients' businesses.

Contribute to the business growth of building owners and tenant companies through the Replanning Business.

II

Reduce the waste of non-reproducible resources and contribute to the prosperity of humankind, plants and animals on the earth.



<Assumptions and rationale> Assuming a 30-year-old office building of approximately 3,000 square meters, the environmental contribution over a 50-year period (the service life of SRC office buildings) was estimated based on the Architectural Institute of Japan's LCA Tool (*).
 • Rebuilding: "In the case of rebuilding every 35 years" • Renovation: "Regeneration without destroying old buildings (long-life buildings)" • Standard: "Assuming a 30-year-old unrenovated building"
 *Architectural I "LCA Tool for Buildings Ver5.0 - Evaluation Tool for Global Warming, Resource Consumption and Waste Management", estimated with the cooperation of Engineering Research Institute of Japan.

Focus on Creating Enthusiastic Fans

With the theme of “a heartwarming and fun hotel”, we aim to be the only hotel in the world.



Brand development



HIYORI
HOTELS & RESORTS

Luxury Class
Shijo Kawaramachi Onsen Bettei Kamogawa
HIYORI OCEAN RESORT OKINAWA

Upper Middle Class
HIYORI Hotel Tokyo Ginza East
HIYORI Hotel Maihama
HIYORI Hotel HIYORI Hotel Osaka Namba Ekimae

Upper Class
Kasugazaki Onsen Hotel Osado
Sado Resort Hotel AZUMA
Shijo Kawaramachi Onsen Soraniwa Terrace Kyoto

Tabi no Hotel Lit Matsumoto
Tabi no Hotel Lit Miyakojima
Tabino Hotel Villa Miyakojima NEW
Spring Sunny H Nagoya Tokoname Ekimae

Economy Class
DONDEN Highland Lodge Natural Resort Sado
Tabino Hotel Sado
Tabino Hotel Hida-Takayama
Tabino Hotel Kashima
Tabino Hotel Kurashiki Mizushima

Budget Class
SKY HEART Hotel Narita
SKY HEART Hotel Koiwa
SKY HEART Hotel Kawasaki
SKY HEART Hotel Hakata
SKY HEART Hotel Shimonoseki

(As of November 2022)

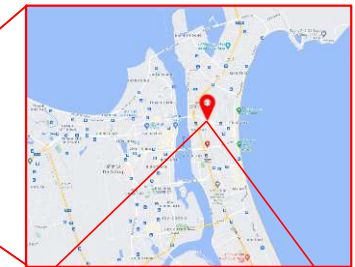
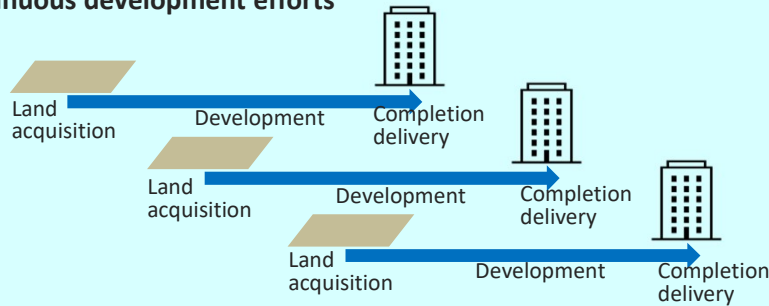
Business Model of Overseas Business

Contributing to the development of local communities by creating client's joy and happiness through the creation of new businesses.

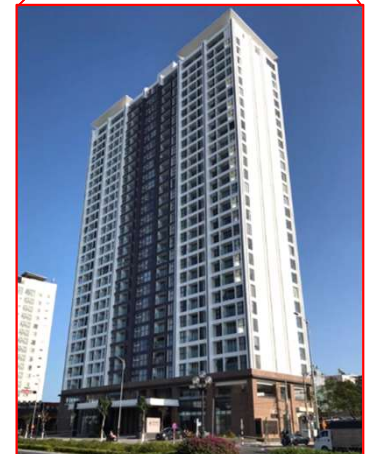
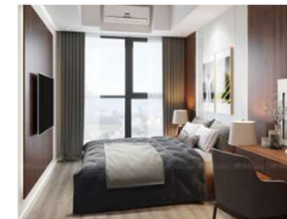
A total business that includes acquisition of land, development and construction, delivery after completion, and management and mediation.



Contribute to future performance through systematic and continuous development efforts



Rooted in the local community in Vietnam, we work together with local partners to ensure high construction quality, a safe, organized, and beautiful construction site.



Next project in progress!

Regional Revitalization Business Dream Project

We will energize islands through tourism!

When rural areas are energized, so Japan as a whole will be. As the number of visitors to Japan rapidly increases, spurred by fascination (culture, history, nature, food, hot spring, hospitality and others) that Japan is proud of, we will take on the challenge of regional revitalization projects that focus on the attractiveness and features unique to regions, in particular the regions that possess the "Wonderfulness of Japan."

SADO

Sado Island,
Niigata Prefecture



Tabino Hotel Sado



Donden Kogen Lodge

Port of Ryotsu



Miyako Shimoji Airport Restaurant
Coral port
Operation starts on October 1, 2022.



Tabino Hotel Lit
Miyakojima



Hotel Osado



Sado Outdoor Base

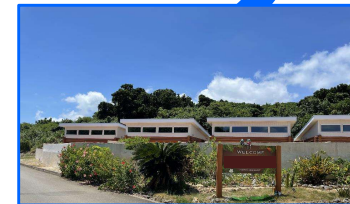
Miyako Shimojishima
Airport



Hotel AZUMA



LE BLUE
SADO SAWANE



Tabino Hotel Villa Miyakojima
New Operation starts on November 3, 2022.

MIYAKO

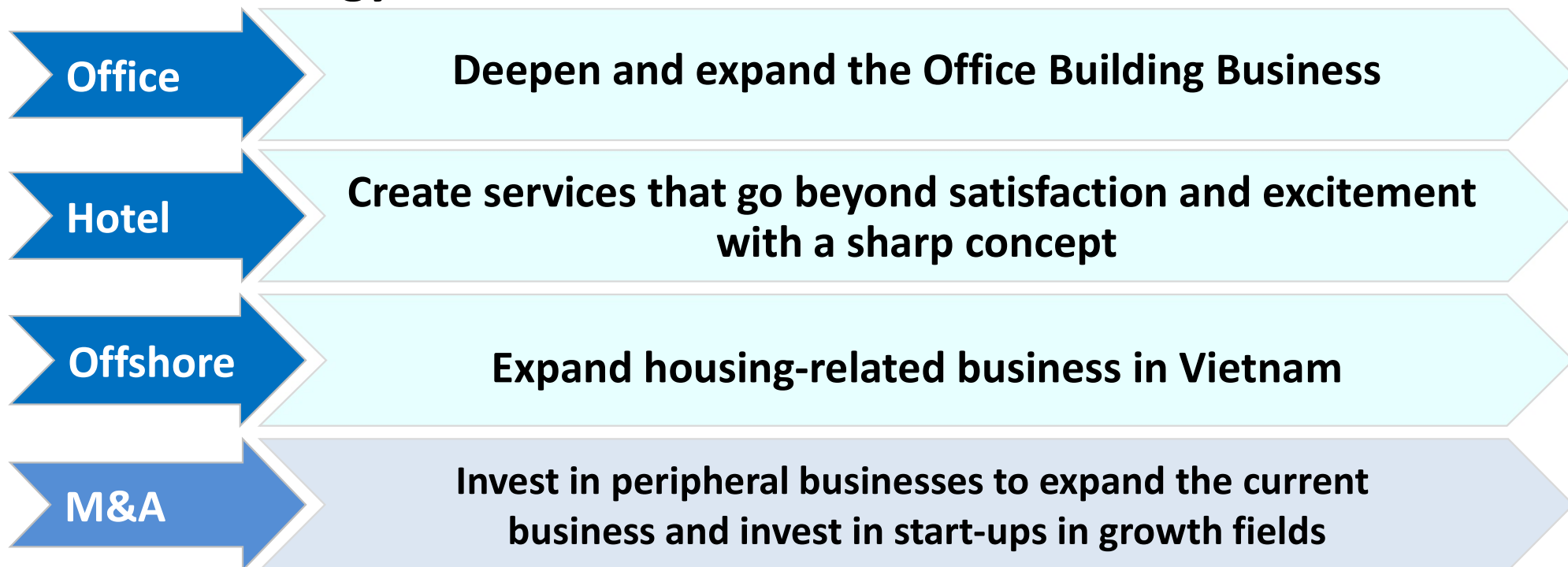
Miyako Island,
Okinawa

Basic Policy and Growth Strategies

Basic Policy

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

Growth strategy



Key Points

ESG

Digital

Cash flow

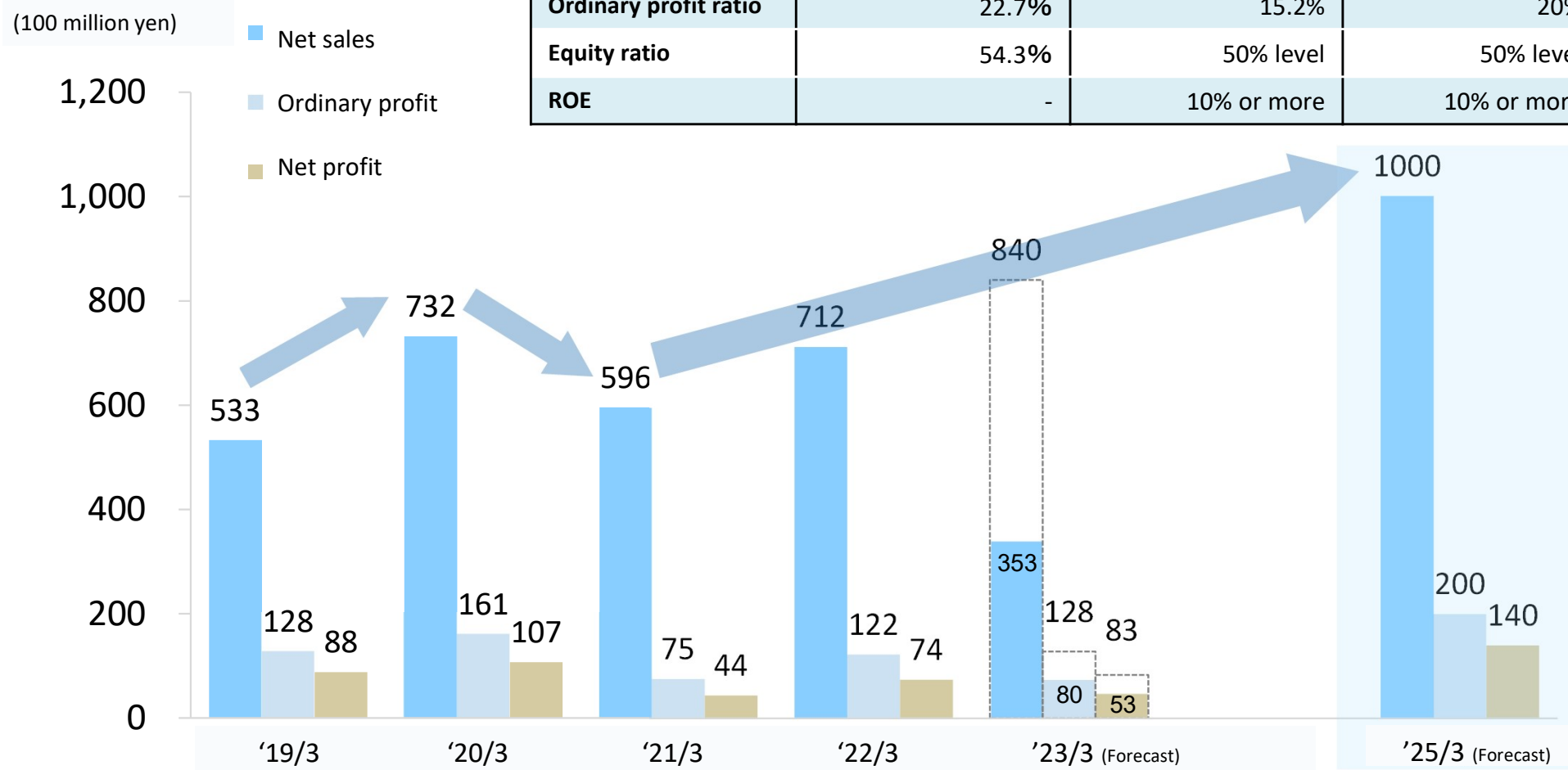
Marketing

Medium-term Management Plan

Targets and Progress



	FY ending March 2023 Second quarter Result	FY ending March 2023 Forecast	FY ending March 2025 Target
Net sales	35.3 billion yen	84 billion yen	100 billion yen
Ordinary profit	8 billion yen	12.8 billion yen	20 billion yen
Net profit	5.3 billion yen	8.3 billion yen	14 billion yen
Ordinary profit ratio	22.7%	15.2%	20%
Equity ratio	54.3%	50% level	50% level
ROE	-	10% or more	10% or more



Medium-term Investment Plan

(FY ended March 2022 – FY ending March 2025)

Office Business

Balance at the end of March 2021	72.8 billion yen
Investment amount	200 billion yen
Amount collected	182.8 billion yen
Balance at the end of March 2025	90 billion yen

Plan procurement and development to achieve business growth while recovering investments at a constant turnover rate.

Refocus on purchasing properties while holding back during the confusion caused by the pandemic of COVID-19.

Make sound investments in short-term, medium- to long-term, and new construction development.

Hotel Business

Balance at the end of March 2021	21.8 billion yen
Investment amount	7 billion yen
Amount collected	5.8 billion yen
Balance at the end of March 2025	23 billion yen

Complete the hotels under construction. Aim to achieve profitability in operating existing hotels. Collect funds through the sale of land and buildings, operating them effectively.

Planned hotel completed. Sell, collect, and reinvest.

Overseas Business

Balance at the end of March 2021	0.6 billion yen
Investment amount	8 billion yen
Amount collected	2.5 billion yen
Balance at the end of March 2025	6.1 billion yen

Continuously and systematically invest in condominium development projects for the future.

Land acquisition procedure is in progress for the next development projects.

Digitalization 3 billion yen

Continue to actively invest in data-driven management

Building databases
Developing drone image analysis AI

M&A 5 billion yen

Systematically invest in peripheral businesses and growth areas to expand existing businesses

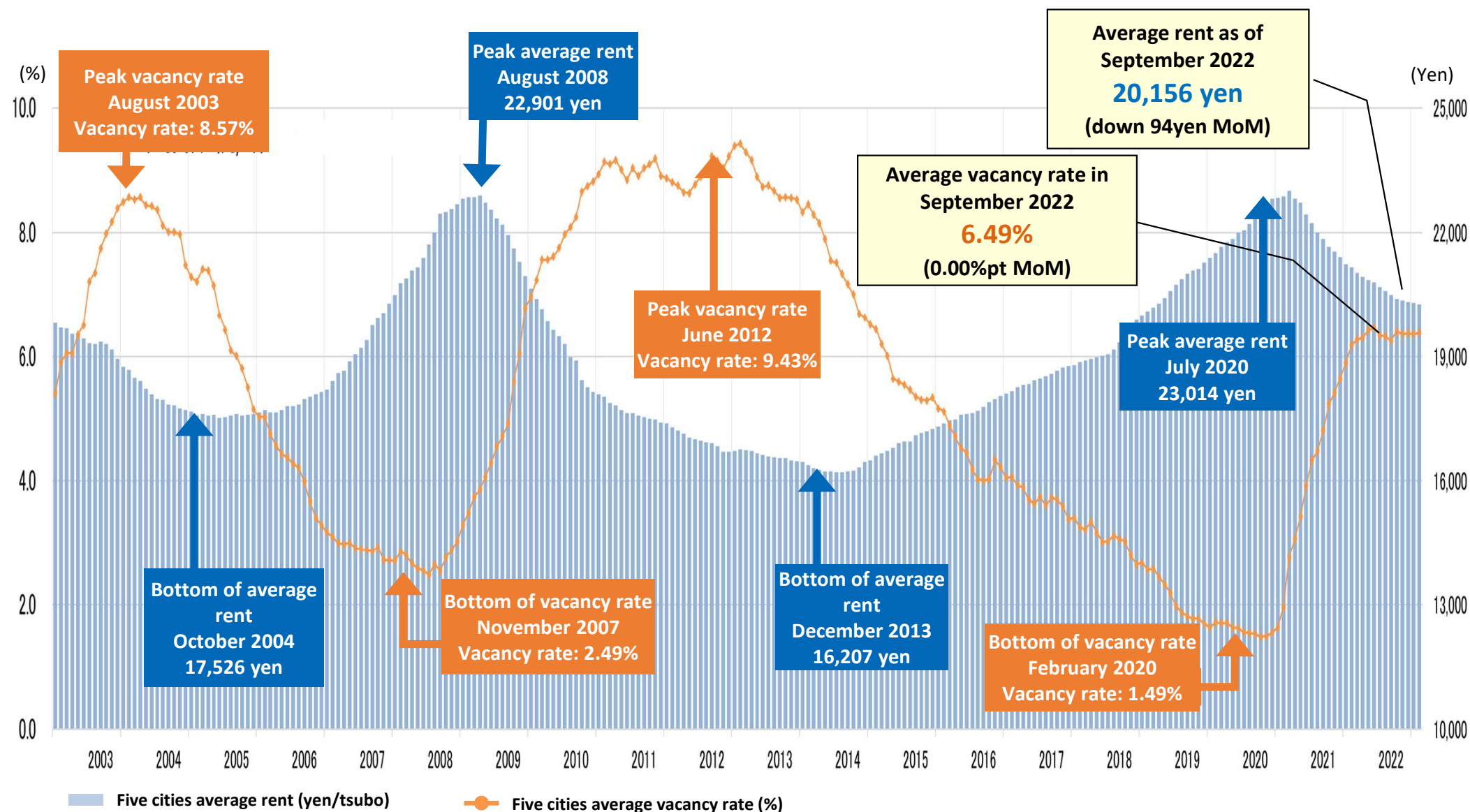
Diversification and customer expansion to create business synergies



Generate free cash flow

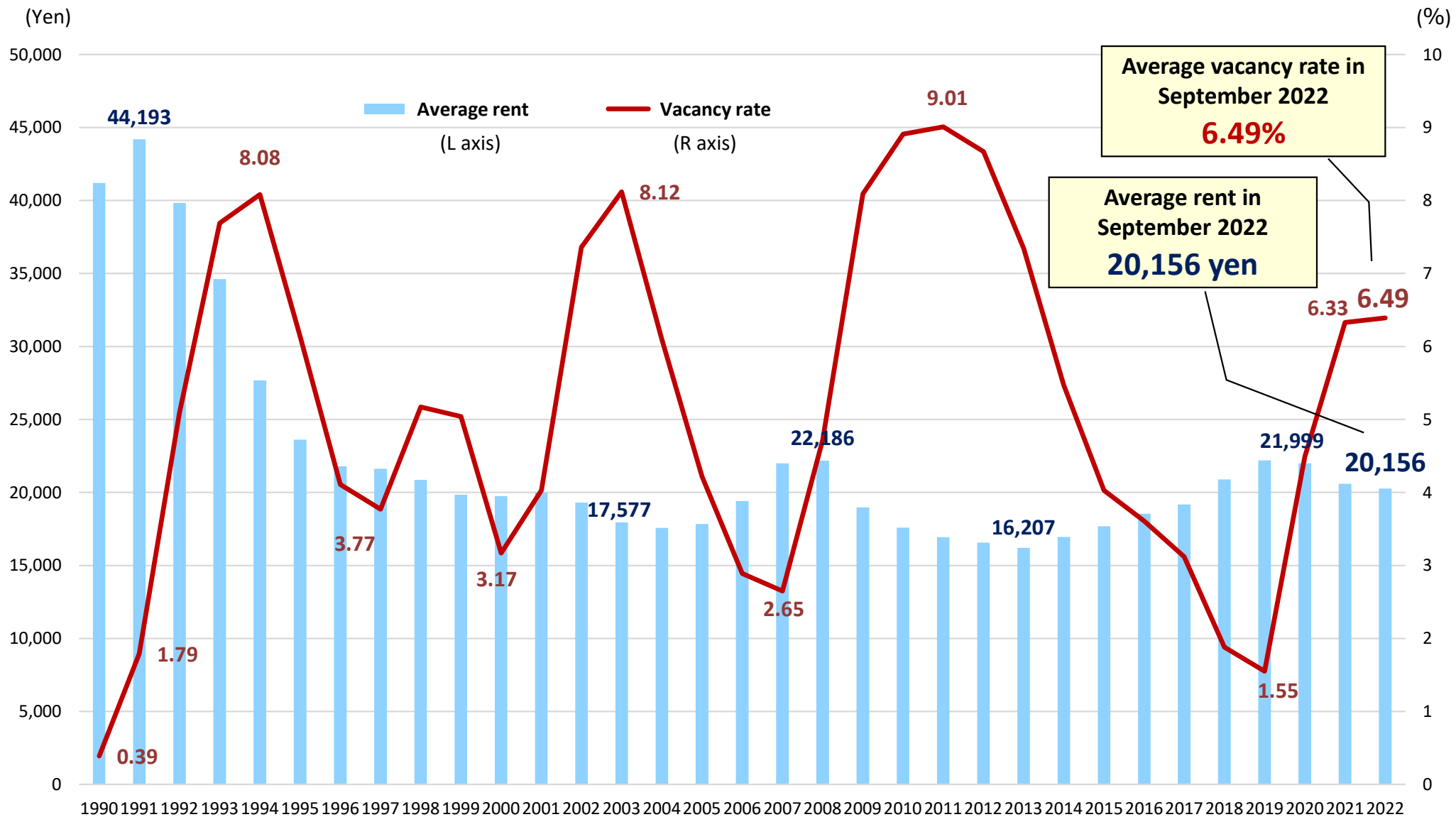
Ensuring positive free cash flow through systematic investment and recovery

Trends in Office Vacancy Rates and Rents In Five Cities of Central Tokyo



* Source: Compiled by the Company based on Miki Shoji's "Office Report". Office buildings with a standard floor area of 100 tsubo or more in five central cities of Tokyo are covered.

Long-term Trends in Office Vacancy Rate and Rent

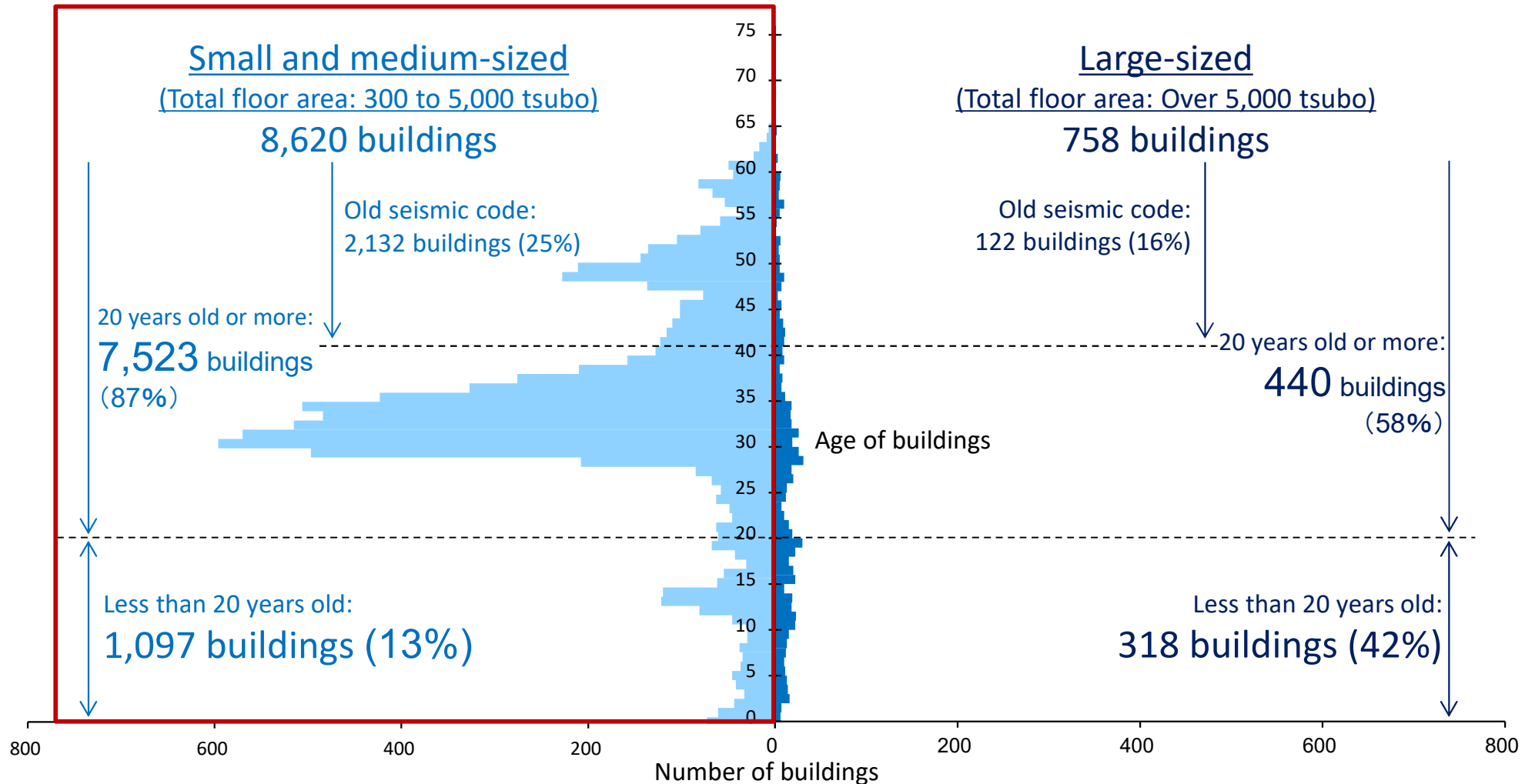


Source: Compiled by the Company based on Miki Shoji's "Office Report"
 Target office buildings with a standard floor area of 100 tsubo or more in five central cities of Tokyo are covered.
 Figures for 2021 and earlier are taken as of December of each year.

Age Distribution of Office Buildings in Tokyo's 23 Cities

Solving social issues through the revitalization and utilization of aging small-to- medium-sized buildings

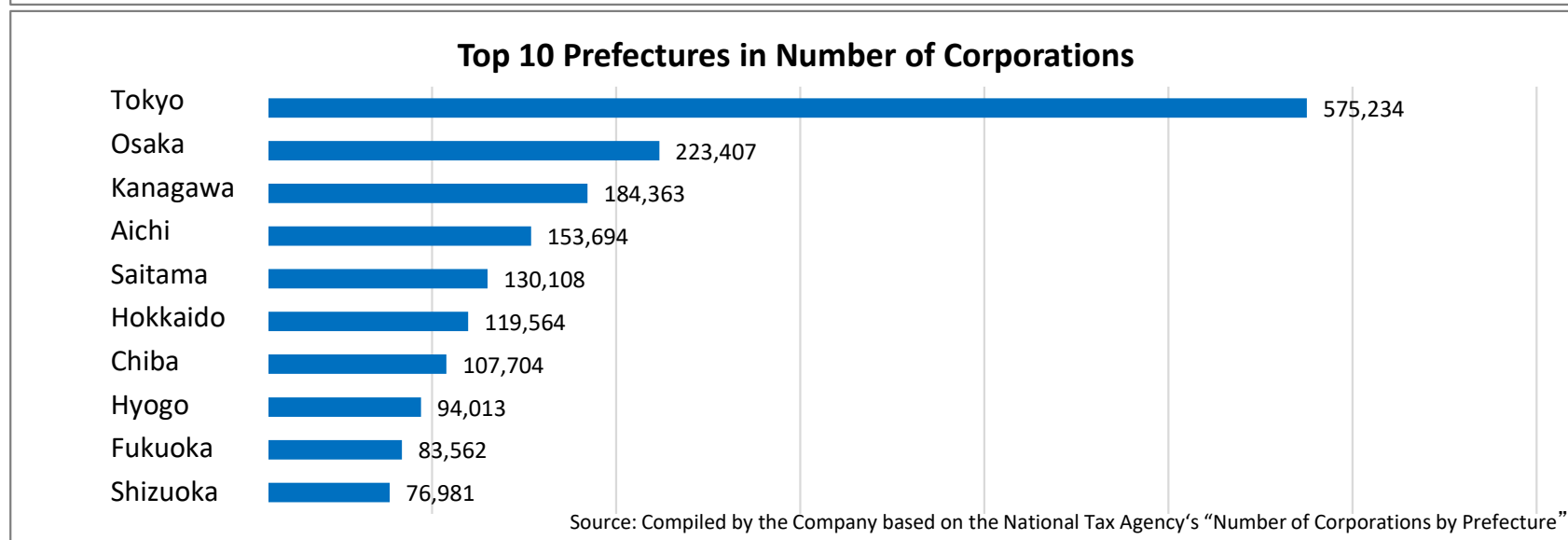
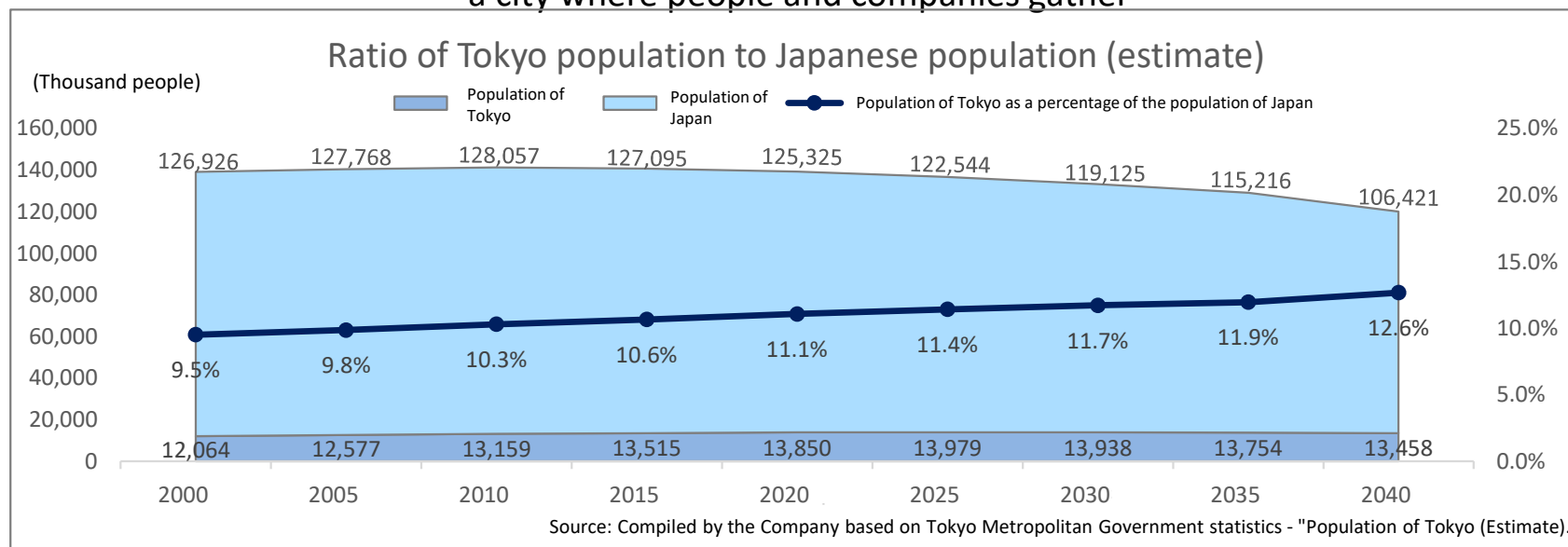
Tokyo 23 cities 9,378 buildings



Source : Created by us based on "Tokyo 23 cities Office Pyramid 2022 (based on the number of buildings)" (Xymax Real Estate Institute)

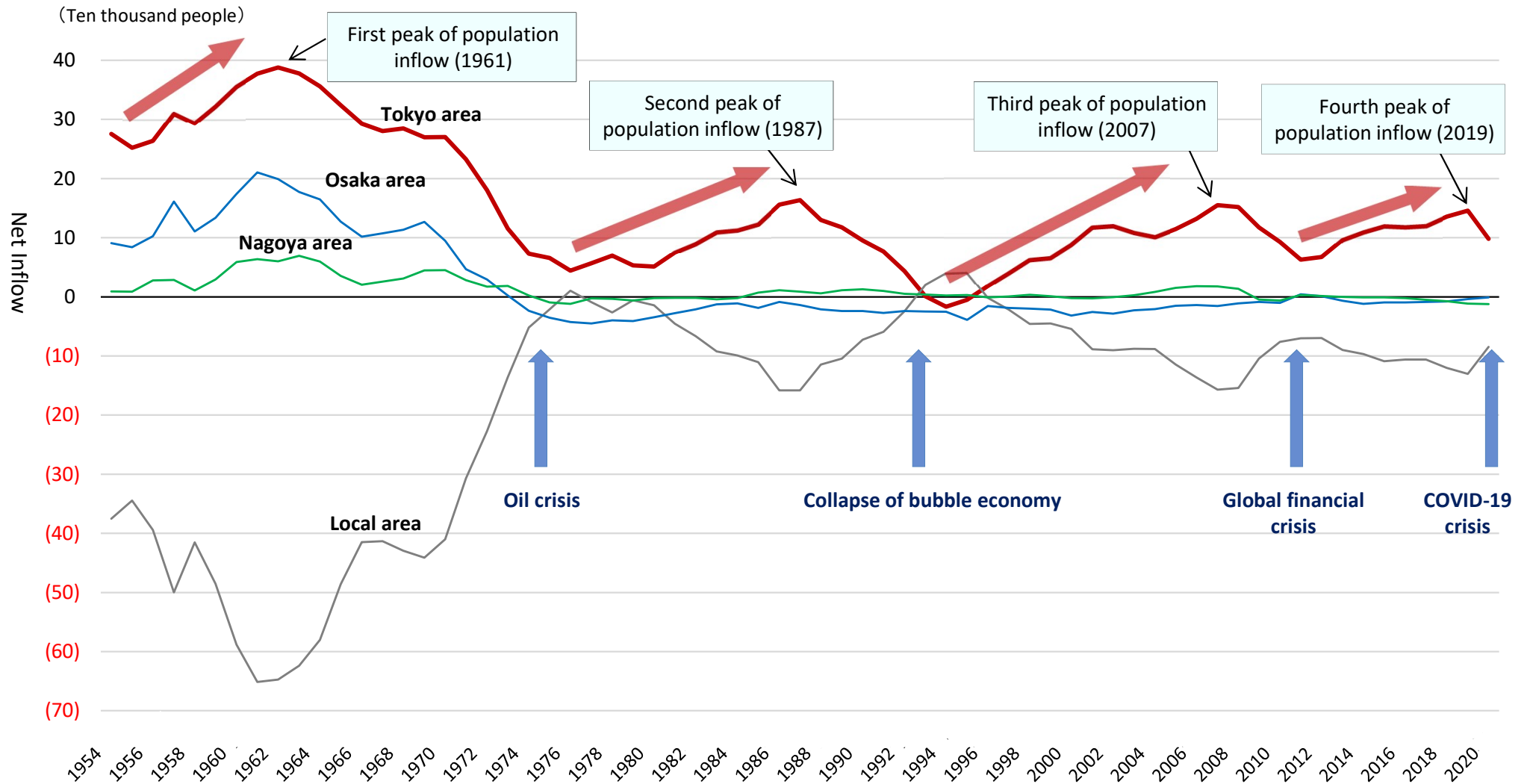
Market Size and Number of Corporations in Tokyo

Contributing to the development of society and the happiness of people in Tokyo,
a city where people and companies gather



Population Movement in the Three Major Metropolitan Areas and Local Areas

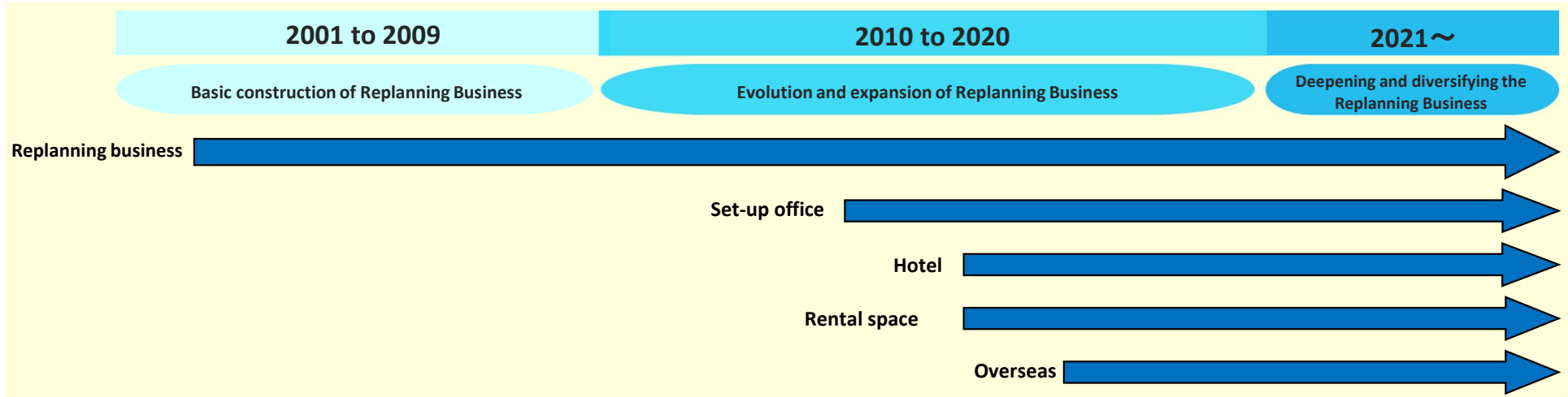
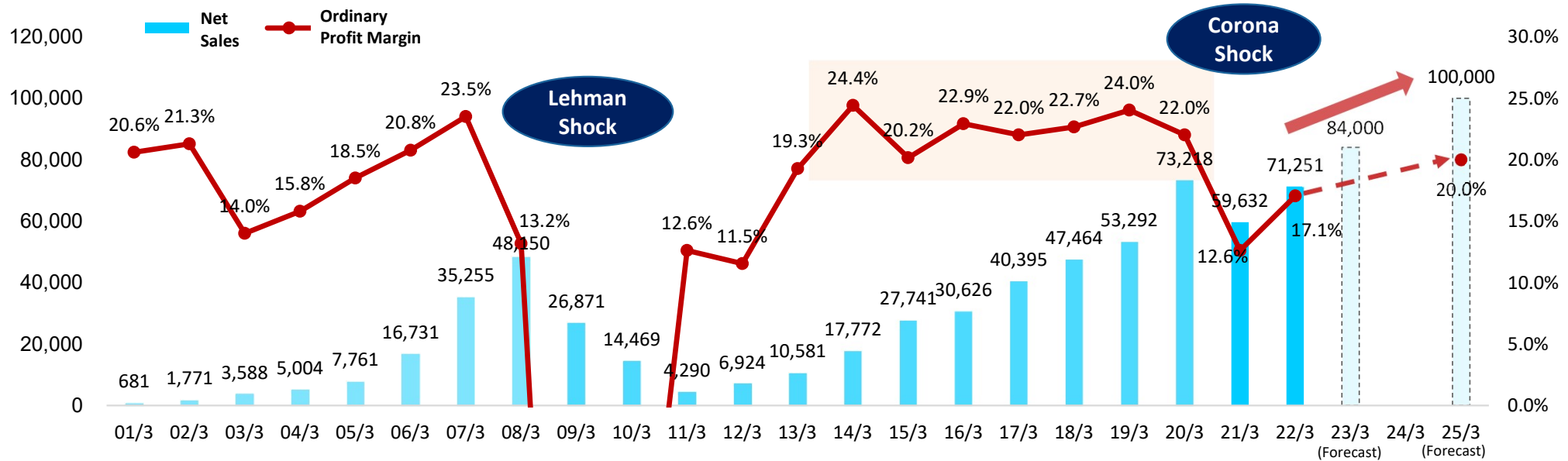
The past economic crisis was the starting point for the number of people moving into the Tokyo area to increase.



Source: Compiled by the Company based on "Number of people moving in by place of residence before the move and number of people moving out by place of residence after the move" from the Statistics Bureau of the Ministry of Internal Affairs and Communications.

Transition and Present

Change, challenge and create new value with the Sun Frontier Spirit



Company Profile

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 (Currently Tokyo Stock Exchange Prime)
Capital Stock *	11,965 million yen
Representative	Tomoaki Horiguchi, Chairman Representative Director Seiichi Saito, President Representative Director
Number of Consolidated Employees *	732 full-time employees (1,353 including part-timers and temporary workers)
Average Age of Employees*	36.0 years old
Business Profile	<p>Real estate revitalization</p> <p>Real estate service { Real estate management, brokerage, construction planning, non-payment guarantee, operation of rental buildings, asset consulting }</p> <p>Hotel and tourism</p>
Accounting Month	March
Listed Market	Tokyo Stock Exchange Prime (Code number: 8934)

* As of the end of September 2022



Full-time directors
 From the left in the front row : Seiichi Saito, President and Representative Director ; Tomoaki Horiguchi, Chairman and Representative Director.
 From the left in the back row: Mitsuhiro Ninomiya, Director; Yasushi Yamada, Senior Managing Director; Izumi Nakamura, Executive Vice President; Kenji Honda, Director.

Thank you for your continued support.

- ◆ The purpose of this document is to provide information that can be used as a reference, not for soliciting or promoting you to purchase a specific product. Please make your decision by your own discretion and responsibility when you make an investment. If you want to purchase shares of our Company, please contact securities companies.
- ◆ The information provided in this document is not necessarily in compliance with the Financial Instruments and Exchange Act, the Building Lots and Buildings Transaction Business Act, the Listing Rules for the Tokyo Stock Exchange and other related laws and regulations.
- ◆ Forward-looking statements included in this document do not guarantee future performance.
- ◆ Although we have made every effort to ensure the contents of this document, we can not guarantee their accuracy or certainty. Please note that they are subject to change or removal without notice.

<Inquiries about this document>

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Mail : ir-contact@sunfrt.co.jp



SUN FRONTIER