

Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2024

We are aiming to be the most appreciated visionary company in the world.

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November 9, 2023



SUN FRONTIER

Securities Code : 8934

Overview of the Results of FY2024/3 2Q



Office Business made progress more than planned. Hotel and Tourism Business remained strong due to the expansion of domestic demand and the recovery of inbound demand. As a result, both net sales and profit increased.

(Unit: million yen)

	Results	Profit margin	Year-on-year	Growth rate
Net sales	48,998	—	+13,664	+38.7%
Operating profit	12,022	24.5%	+3,977	+49.4%
Ordinary profit	11,944	24.4%	+3,909	+48.7%
Profit*	8,463	17.3%	+3,094	+57.7%

Forecast	Achievement rate
83,000	59.0%
16,500	72.9%
16,000	74.7%
11,000	76.9%

*The profit attributing to owners of parent.

Performance Highlights

- Regarding Real Estate Revitalization Business, the sale of properties progressed ahead of schedule. As a high profitable business remaining a high level of profit margin, it has been a strong driver of the Group's performance.
- Regarding Real Estate Service Business, Rental Conference Room Business remained strong by expanding new sites and floor space, and all businesses grew steadily.
- Regarding Hotel and Tourism Business, Hotel Operation Business contributed to the Group's performance due to both occupancy rate and average daily rate improved as demand for domestic tourism expanding and inbound tourism recovered.

Consolidated Income Statement



(Unit: million yen)

	FY2023/3 Apr. - Sep.	FY2024/3 Apr. - Sep.	YoY increase/ decrease	YoY change rate
Net Sales	35,333	48,998	+13,664	38.7%
Real Estate Revitalization Business	26,255	31,984	+5,729	21.8%
Replanning Business	25,255	30,728	+5,473	21.7%
Rental Buildings Business	1,000	1,256	+256	25.6%
Real Estate Service Business	4,367	5,172	+805	18.4%
Hotel and Tourism Business	4,553	11,329	+6,776	148.8%
Hotel Development Business	0	5,270	+5,270	—
Hotel Operation, etc	4,553	6,059	+1,506	33.1%
Other Business	620	996	+376	60.7%
Adjustments	-463	-484	-21	—
Gross Profit (Loss)	11,798	16,357	+4,558	38.7%
Real Estate Revitalization Business	9,618	10,161	+543	5.6%
Replanning Business	9,391	9,873	+482	5.1%
Rental Buildings Business	226	287	+61	27.0%
Real Estate Service Business	2,557	2,914	+357	14.0%
Hotel and Tourism Business	-203	3,432	+3,635	—
Hotel Development Business	0	2,200	+2,200	—
Hotel Operation, etc	-203	1,232	+1,435	—
Other Business	110	155	+45	40.5%
Adjustments	-284	-306	-22	—
Selling, General and Administrative Expenses	3,753	4,334	+580	15.5%
Operating Profit (Loss)	8,044	12,022	+3,977	49.4%
Non-operating Income	271	193	-78	-28.8%
Non-operating Expenses	281	271	-10	-3.6%
Ordinary Profit (Loss)	8,035	11,944	+3,909	48.7%
Profit	5,368	8,463	+3,094	57.7%

Keynotes of Income Statement

<Real Estate Revitalization Business>

The total number of sales was 14 (included 1 in New York) in FY2024/3 2Q which is the same as year-on-year. However, the scale of properties increased, and the sales of small-lot real estate property was on progress, both net sales and profit increased.

<Real Estate Service Business>

Performance was driven by Rental Conference Room Business, which performance was strong due to the expand of new sites and continued high occupancy, and the Property Management Business, which both net sales and profit increased due to an increase in number of entrusted buildings.

<Hotel and Tourism Business>

The sale of hotel was completed in FY2024/3 1Q. In addition, net sales and profit increased in hotel operation business due to the expansion of domestic demand and the recovery of inbound demand which improved the occupancy rate and average daily rate.

<Selling, General and Administrative Expenses>

Increased year on year due to the investment in human capital (including training) and in systems as planned.

Consolidated Balance Sheet

- Assets -



<Cash and deposits> Increased by 5.0 billion yen as the sale of Replanning properties progressed ahead of schedule.

<Inventory assets> Increased by 2.1 billion yen as the purchase of Replanning properties and constructions progressed over the sale.

(Unit: million yen)	As of End of March 2022	As of End of March 2023	As of End of September 2023	Increase/decrease (compared to the End of March 2023)
Current assets	110,920	125,886	132,923	+7,037
Cash and deposits	30,053	42,016	47,110	+5,094
Inventories	77,340	80,182	82,329	+2,147
Breakdown) RP	63,424	70,327	74,641	+4,314
Hotel	13,516	9,750	7,527	-2,223
Overseas, etc.	400	105	161	+56
Other current assets	3,527	3,688	3,484	-203
Non-current assets	25,591	26,633	26,691	+57
Property, plant and equipment	18,796	20,410	20,705	+294
Intangible assets	572	815	887	+72
Investments and other assets	6,222	5,406	5,097	-308
Total assets	136,512	152,519	159,615	+7,095

Consolidated Balance Sheet

- Liabilities/Equity -



<Interest-bearing debt> Decreased by 1.3 billion yen as the repayment from sales were higher than the borrowings from purchases. Short-term borrowings temporary increased due to the increase of loan repaid within one year.

<Shareholders' equity> Increased by 7.2 billion yen due to the profit (8.4 billion yen), etc., despite the payment of dividends (-1.2 billion yen).

Changes of Equity Ratio		
As of End of March 2022	As of End of March 2023	As of End of September 2023
52.2%	52.9%	55.4%

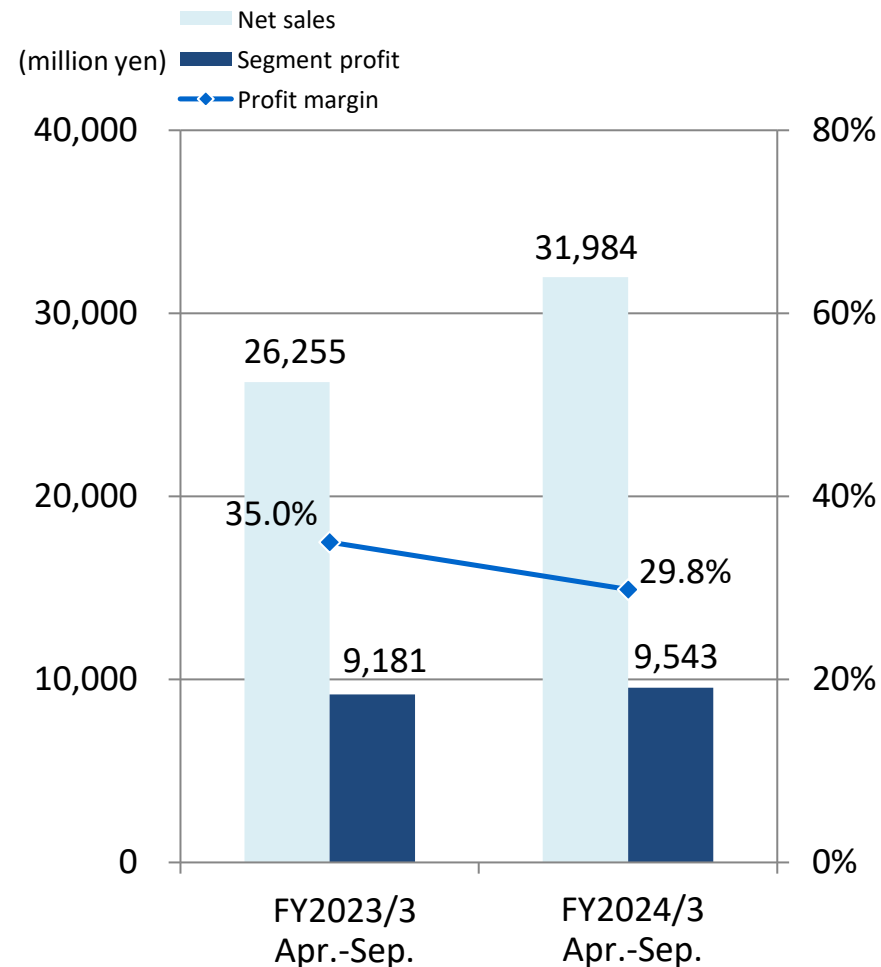
(Unit: million yen)	As of End of March 2022	As of End of March 2023	As of End of September 2023	Increase/decrease (compared to End of March 2023)
Current liabilities	16,210	16,363	21,186	+4,822
Short-term borrowings, etc.	6,904	5,492	9,668	+4,176
Income taxes payable	3,528	1,699	3,060	+1,361
Other current liabilities	5,777	9,172	8,456	-715
Non-current liabilities	45,849	52,190	46,594	-5,595
Long-term borrowings and bonds payable	44,169	50,170	44,648	-5,522
Other non-current liabilities	1,680	2,019	1,946	-72
Total liabilities	62,060	68,553	67,781	-772
Shareholders' equity	71,260	80,430	87,728	+7,298
Other	3,191	3,535	4,105	+569
Total net assets	74,452	83,965	91,833	+7,868
Total liabilities and net assets	136,512	152,519	159,615	+7,095

Real Estate Revitalization Business (Replanning and Rental Buildings)

<Replanning Business>

- The number of sales was 14 (included 1 in New York). Steady progress has also been made in the structuring of small-lot products. Both net sales and profit increased YoY. Segment profit margin maintained a high level of 30%.
- Average business period was 514 days (-116 days YoY). Shorten the business period and keep strengthening purchasing activity made the stocks at the end of Fiscal Year increased.

(Unit: million yen)	FY2023/3 Apr. – Sep.	FY2024/3 Apr. – Sep.	Increase/ decrease
Net sales	26,255	31,984	+21.8%
Replanning Business	25,255	30,728	+21.7%
Rental Building Business	1,000	1,256	+25.6%
Segment profit (Note 1)	9,181	9,543	+4.0%
Replanning Business	8,954	9,256	+3.4%
Rental Building Business	226	287	+27.0%
Profit margin	35.0%	29.8%	-5.1pt
Replanning Business	35.5%	30.1%	-5.3%pt
Rental Building Business	22.6%	22.9%	+0.3%pt
Number of properties sold	14 cases	14 cases	+0 cases
Number of stocks at the end of 2Q	48 cases (Note 2)	60 cases (Note 2)	+12 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.

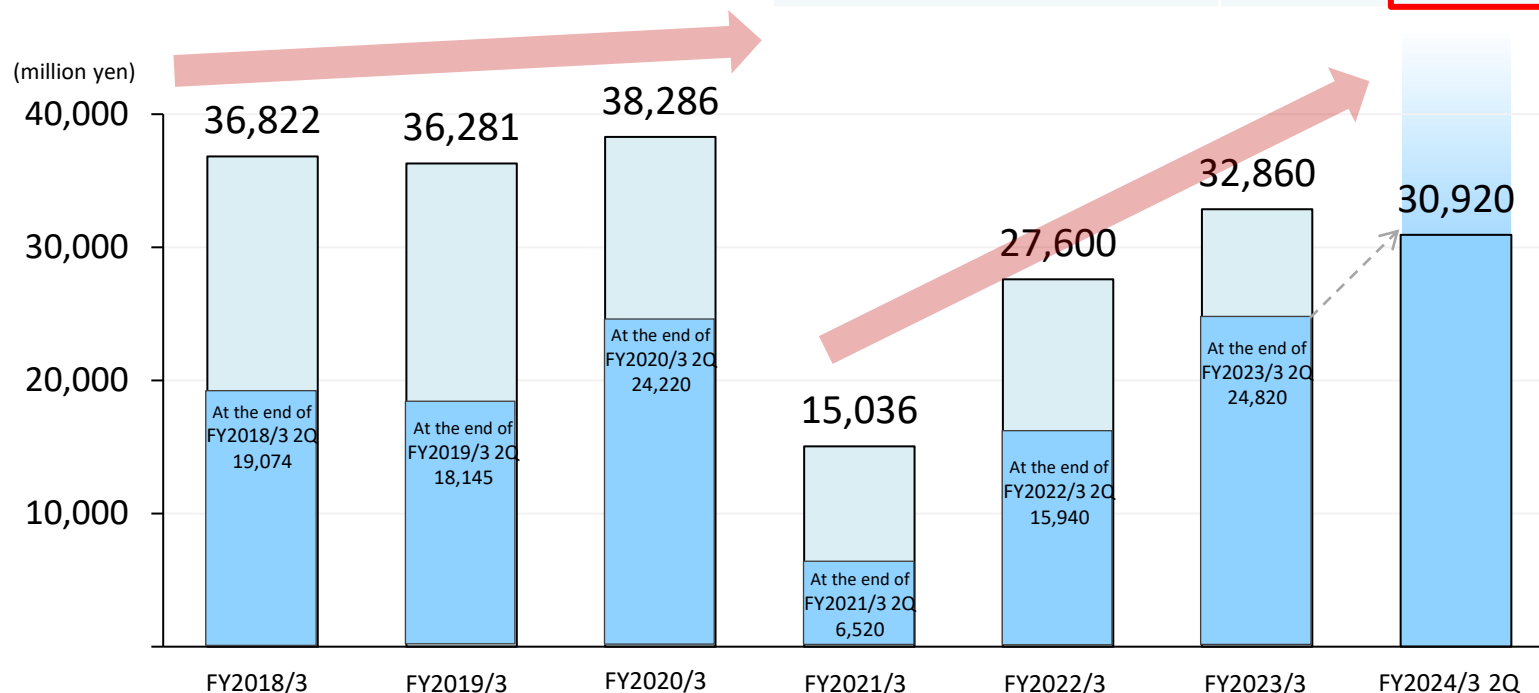
(Note 2) Land purchase and development projects are included.

Real Estate Revitalization Business

<Replanning Business>

Purchasing of properties is still being enhanced and was 30.9 billion yen (including contracted but unsettled properties), which is 6.1 billion yen increased YoY, closing to the level of the previous fiscal year.

(Unit: million yen)	FY2023/3 Apr. – Sep.	FY2024/3 Apr. – Sep.	Increase/ decrease
Number of properties purchased	15 cases	31 cases	+16 cases
(of which, contracted and unsettled)	4 cases	4 cases	0 cases
Purchase amount	24,820	30,920	+6,100
(of which, contracted and unsettled)	15,840	6,000	-9,840



Note : Includes properties in non-current assets, small-lot real estate properties and New York properties.

Performance for Each Business Segment



Real Estate Services Business

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

<Property Management and Building Maintenance>

- In PM Business, net sales and profit increased due to an increase in number of entrusted buildings.
- In BM Business, net sales increased but profit decreased due to the decrease of disinfection work and the increase of costs in personnel.

<Brokerage>

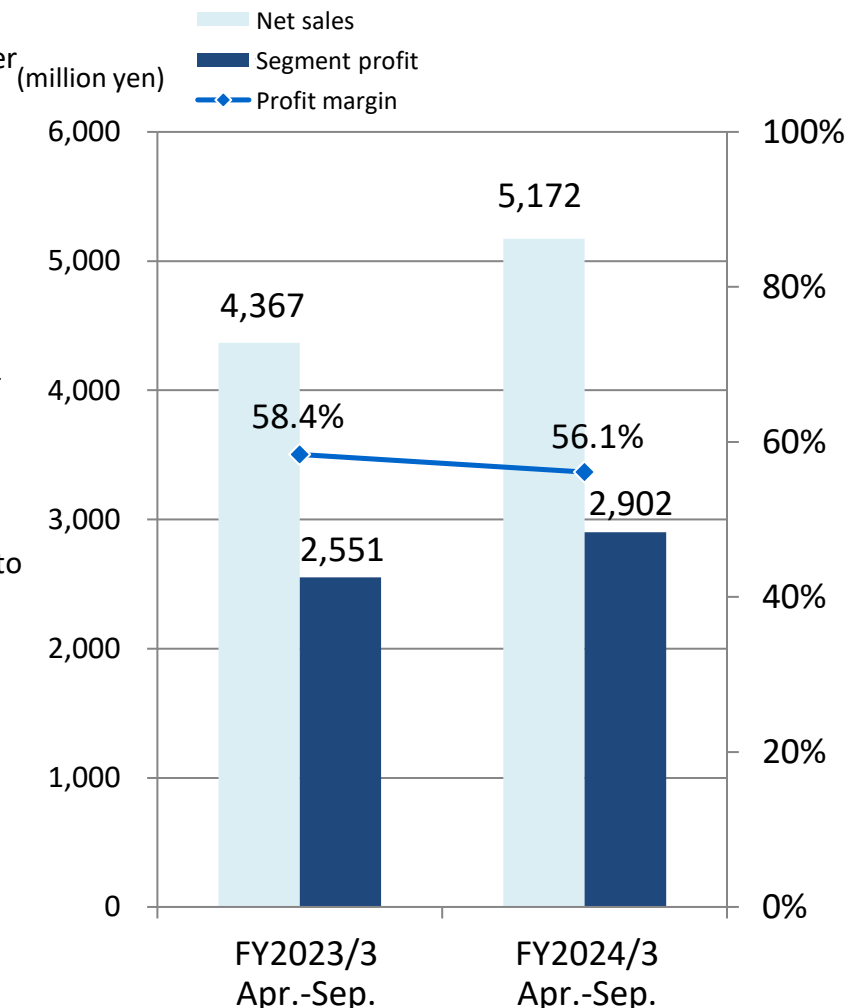
- In leasing brokerage, net sales and profit increased due to an increase in the number of leasing brokerage at entrusted properties.
- Sales brokerage remained steady despite a decline in reaction to the large-scale contracts in the previous year.

<Rental Conference Room>

- Along with the recovery in demand, the increase in the number of operating areas through expanding new sites and floor space contributed to the increase in both net sales and profits.

<Rent Guarantee>

- Net sales almost kept year-on-year. The net sales of the core business, Trust Guarantee Business, increased.



(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.

(Unit: million yen)	FY2023/3 Apr. – Sep.	FY2024/3 Apr. – Sep.	Increase/ decrease
Net sales	4,367	5,172	+18.4%
Segment profit	2,551	2,902	+13.8%
Profit margin	58.4%	56.1%	-2.3%pt

Performance for Each Business Segment

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

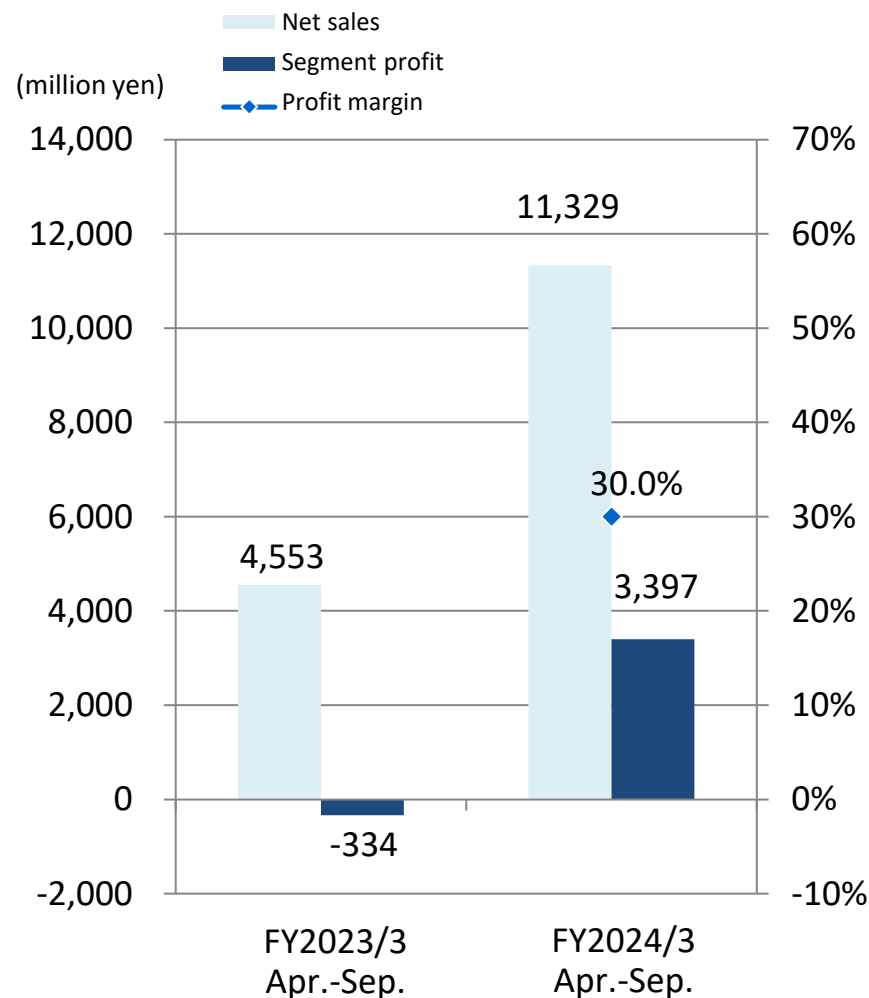
<Hotel Development Business>

- Completed the sale of hotel property in 1Q as scheduled, which contributed to the performance significantly.
- Land acquisition are progressing in Hakone and Atami. Other plans of hotel development are also on progress in other areas.

<Hotel Operation Business>

- Significant increase in both net sales and profit due to the increase in occupancy rate and average daily rate as a result of the continued expansion of domestic demand and recovery of inbound demand.

(Unit: million yen)	FY2023/3 Apr. – Sep.	FY2024/3 Apr. – Sep.	Increase/ decrease
Net sales	4,553	11,329	+148.8%
Hotel Development Business	0	5,270	—
Hotel Operation Business, etc.	4,553	6,059	+33.1%
Segment profit	-334	3,397	—
Hotel Development Business	-61	2,165	—
Hotel Operation Business, etc.	-273	1,232	—
Profit margin	—	30.0%	—
Hotel Development Business	—	41.1%	—
Hotel Operation Business, etc.	—	20.3%	—



(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.

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

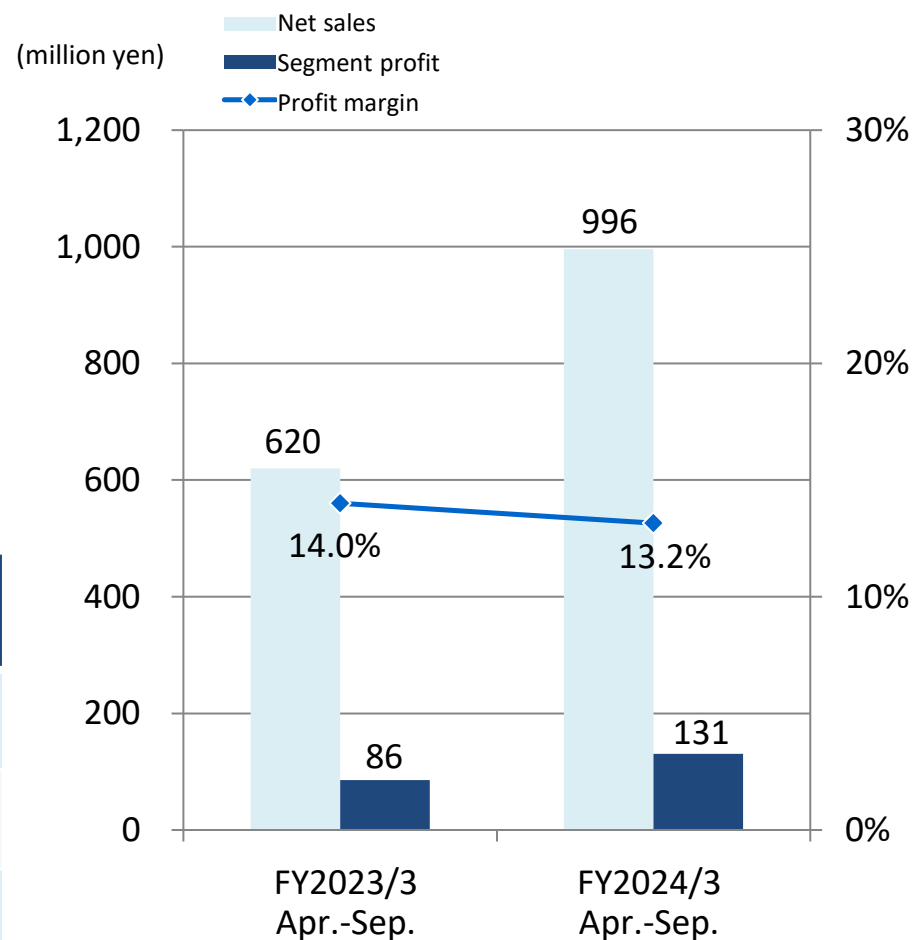
<Construction Business>

- Net sales and profit increased due to the increase of orders and smooth construction .

<Overseas Development Business>

- Continue to focus on arranging new project in Vietnam.

(Unit: million yen)	FY2023/3 Apr. – Sep.	FY2024/3 Apr. – Sep.	Increase/ decrease
Net sales	620	996	+60.7%
Segment profit	86	131	+51.6%
Profit margin	14.0%	13.2%	-0.8%pt



(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.

Business Environment Awareness and Performance Progress

Business Environment Awareness

1. There are concerns about a slowdown in the global economy due to slowing growth in China, geopolitical risks, and the impact of monetary tightening.

◆ IMF lowered its growth forecast for China, and the world's real GDP by 0.1%pt to 2.9% in 2024.

◆ Both FRB and ECB refrained from raising interest rates. The policy of raising interest rates to control inflation is at a turning point.

2. As Japanese economy is expected to recover through economic normalization, the impact in increasing the depreciation of the yen and the prices rise.

◆ As the Bank of Japan allowed long-term interest rates over 1%, the rates is rising, but the depreciation of the yen becomes normal due to the interest rate differentials with other countries.

◆ In addition to the activation of social and economic activities by the relaxation of restrictions, the recovery of inbound demand is remarkable.

3. In the office building market of central Tokyo, demand is returning while hybrid work styles taking hold.

◆ The average vacancy rate of central Tokyo offices remained flat, and the average rents continued to decline moderately due to an increase in the number of new-completed buildings.

◆ Foreign investors are eager to invest in Japanese real estate due to the depreciation of the yen, but there is a concern of interest rates rising.

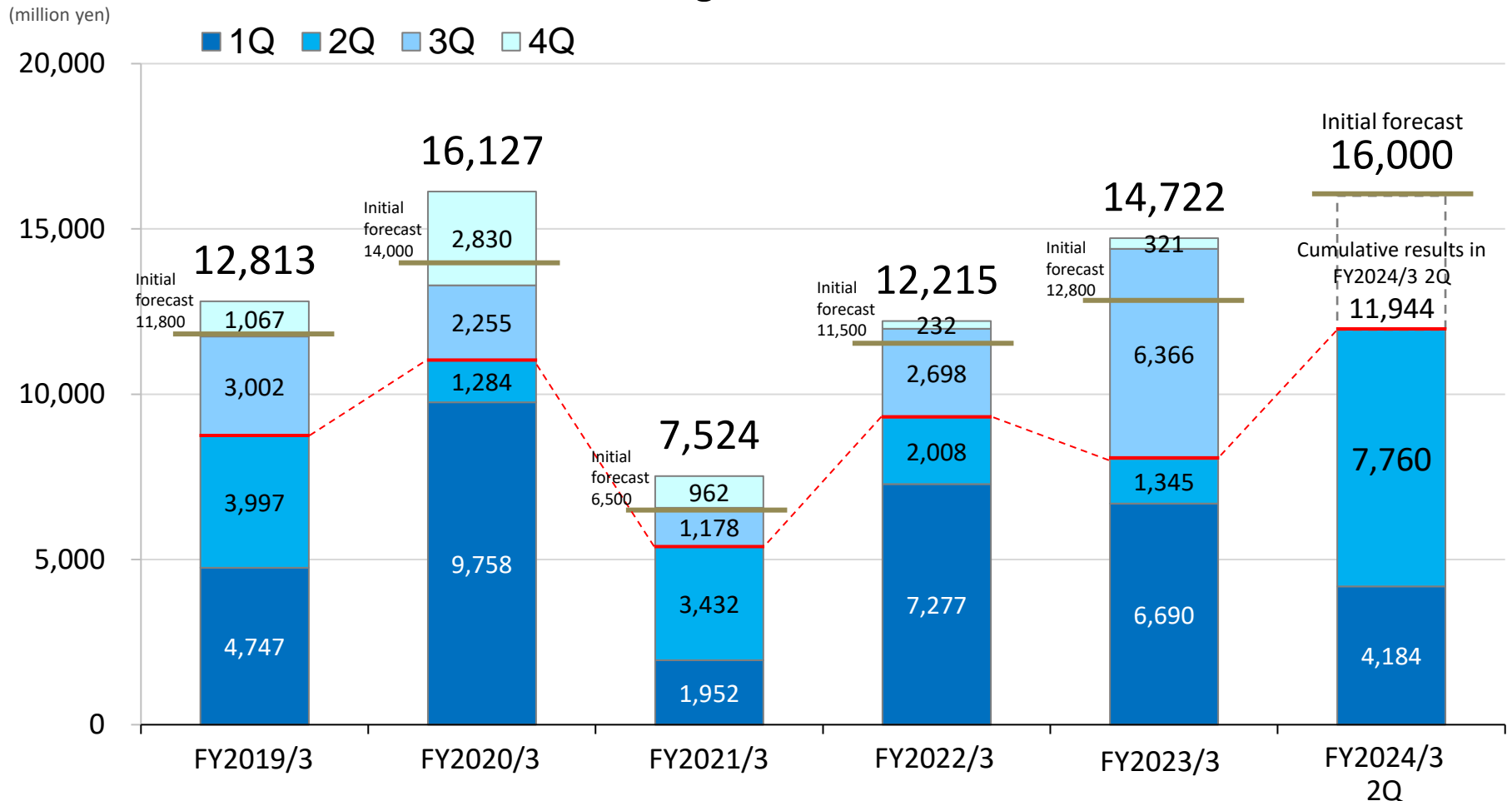
4. The market of hotel and tourism are active as the remarkable recovery of domestic and inbound demand.

◆ In addition to a recovery in domestic tourism demand, inbound demand also improved by the depreciation of the yen, so occupancy rates and average daily rates are increasing.

◆ As the rapid recovery of tourism demand, it is necessary to deal with labor shortages and over tourism.

Trends in Ordinary Profit for recently 5 fiscal years

Made progress ahead of schedule in 2Q. More-than-planned progress toward achievement of earnings forecasts.



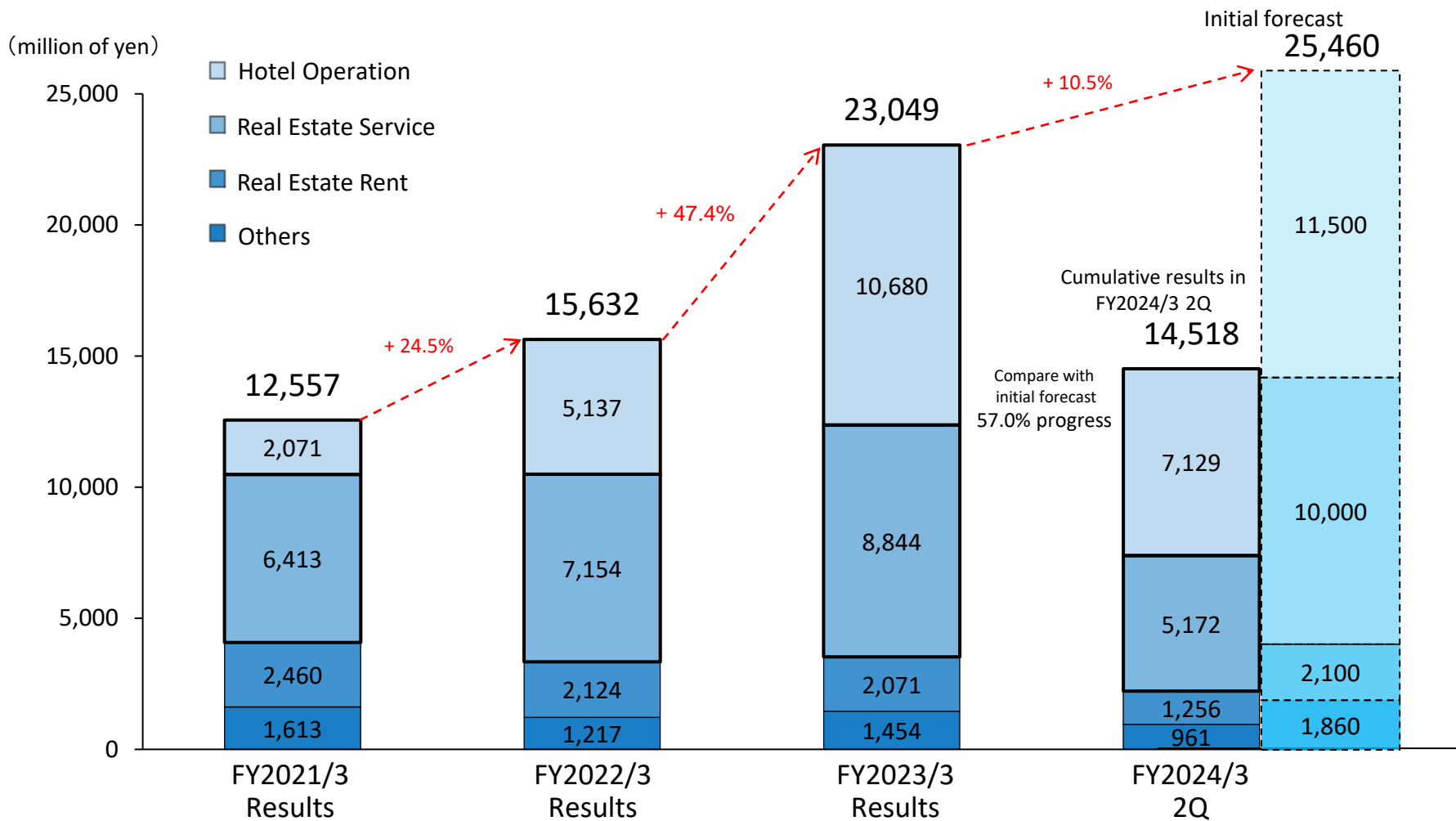
Progress against Forecast for FY2024/3

In 2Q, sales of office properties proceeded ahead of schedule and the performance of Hotel Operation Business remained strong. The progress rate of ordinary profit reached 74.7%.

(Unit: million yen)	Results for FY2023/3	Forecast for FY2024/3	2Q Results for FY2024/3	Progress Rate
Net sales	82,777	83,000	48,998	59.0%
(1) Real Estate Revitalization Business	50,066	55,100	31,984	58.0%
Replanning	47,995	53,000	30,728	58.0%
Rental building	2,070	2,100	1,256	59.8%
(2) Real Estate Service Business	8,843	10,000	5,172	51.7%
(3) Hotel and Tourism Business	22,967	16,900	11,329	67.0%
Hotel Development Business	13,500	5,400	5,270	97.6%
Hotel Operation Business, etc.	9,467	11,500	6,059	52.7%
(4) Other	1,788	1,860	996	53.5%
Adjustments	-887	-860	-484	56.3%
Gross profit	22,805	25,300	16,357	64.7%
(1) Real Estate Revitalization Business	16,122	16,400	10,161	62.0%
Replanning	15,722	15,900	9,873	62.1%
Rental building	399	500	287	57.4%
(2) Real Estate Service Business	4,898	5,400	2,914	54.0%
(3) Hotel and Tourism Business	1,907	3,800	3,432	90.3%
Hotel Development Business	1,506	2,200	2,200	100.0%
Hotel Operation Business, etc.	400	1,600	1,232	77.0%
(4) Other	337	400	155	38.8%
Adjustments	-461	-700	-306	43.7%
Selling, general and administrative expenses	7,900	8,800	4,334	49.3%
Ordinary profit	14,722	16,000	11,944	74.7%
Profit	11,612	11,000	8,463	76.9%

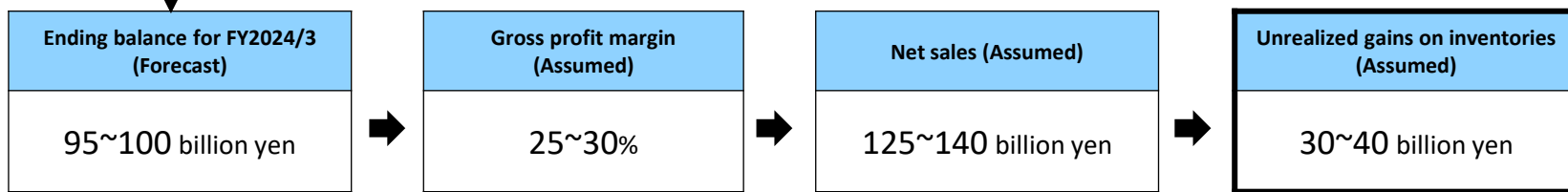
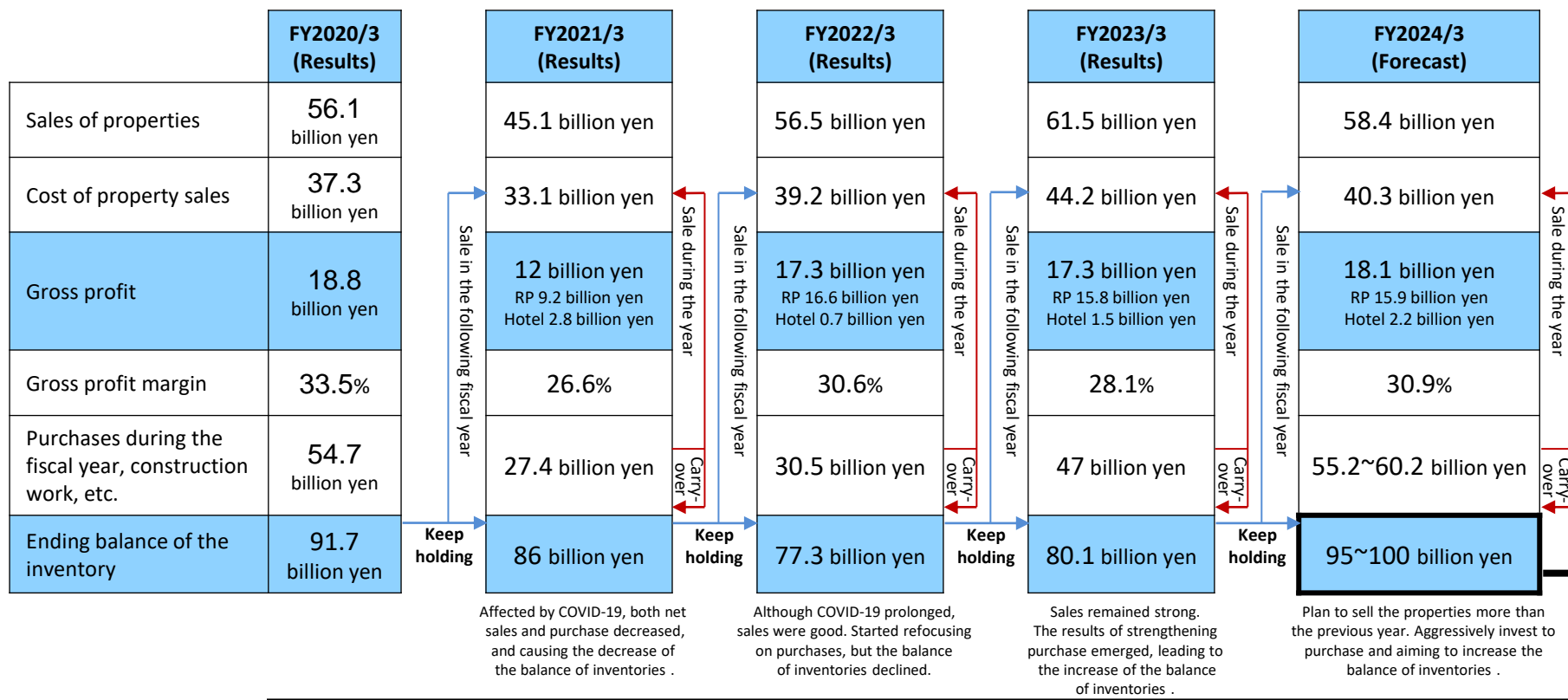
Trends in Stock Business Net Sales

In addition to the steady growth in Real Estate Service Business, the performance contribution of Hotel Operation Business also increased.



Trends in Inventories and Gross Profit of Property Sales

To generate future profit, we improve to invest aggressively and increase inventories.



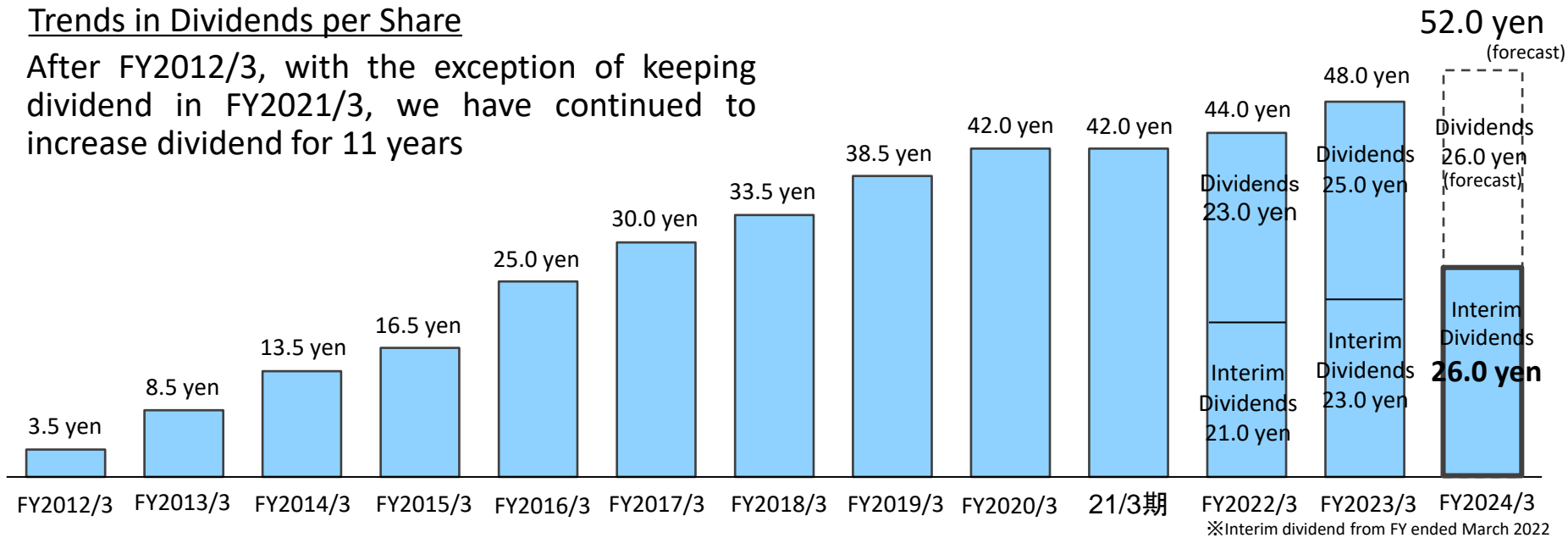
Shareholder Return (Interim Dividends)

Basic Policy for Shareholder Return

- ① Strive to provide long-term and stable shareholder return
- ② Secure investment funds for future growth
- ③ Maintain the stability of financial base

Trends in Dividends per Share

After FY2012/3, with the exception of keeping dividend in FY2021/3, we have continued to increase dividend for 11 years



Effective Date of Interim Dividends: Tuesday, December 5, 2023

Initiatives for Medium- to Long-Term Growth, Business Progress and Initiatives

Purpose of Business Alliance and Fundraising



Accelerating growth through business alliance and financing with Advantage Advisors



SUN FRONTIER

サンフロンティア不動産

Looking after every employee and pursue the happiness of both mind and matter. At the same time, realizing a rich and sustainable society with a heart of co-creation.

Partnership that share the core philosophy

Support for growth

Business Alliance and Fundraising

Issuance of convertible bonds

Advantage Advisors

アドバンテッジアドバイザーズ

Maintain the strong competitiveness of the companies in which the fund invests and develop them into the company achieving sustainable growth while contributing to the resolution of global environmental and social issues.

Contribute to the realization of a sustainable society through our business activities.

● Outline and specific use of funds

Type	Convertible bonds with share acquisition rights	Maturity	5 years
Scheduled issuance date	October 6, 2023	Convertible period	5 years after the payment due date However, in principle, non-convertible for 1 year after the payment due date
Amount of funds to be acquired	Approximately 10 billion yen	Conversion price	1,554 yen per share In principle, convertible (exercisable) only when exceeding 120% of the conversion price (exercise price) However, this shall not apply to cases such as any conversion (exercise) after the end of the business alliance period.
Bond interest rate	0%		

Specific use of funds	Amount
Acquisition of land in conjunction with new hotel development and construction work investment	Approx. 8 billion yen
M&A funds primarily for the hotel development business and construction business	Approx. 2 billion yen

Business Growth Example



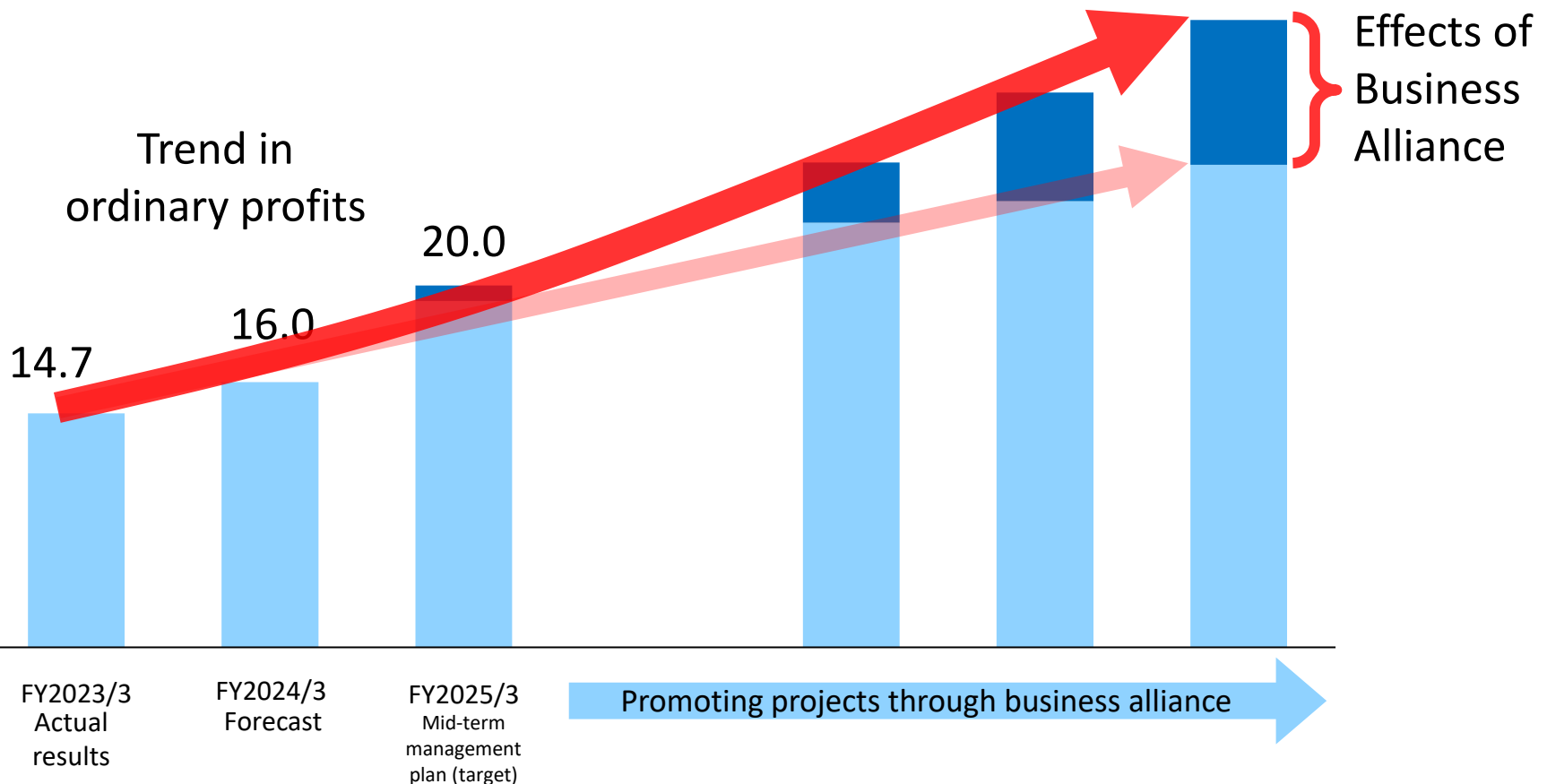
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Advantage Advisors



Aiming to accelerate growth and increase corporate value through promoting each project



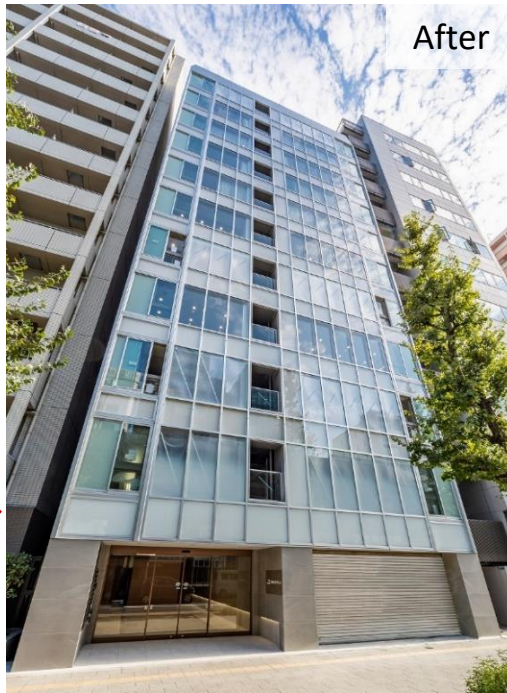
Note: This page contains forward-looking figures that may significantly differ from actual results due to various risks and uncertainties.

Replanning Business, An Example of Initiatives (1) SUN FRONTIER

Converted an old business hotel closed due to COVID-19 pandemic into an office building



Before



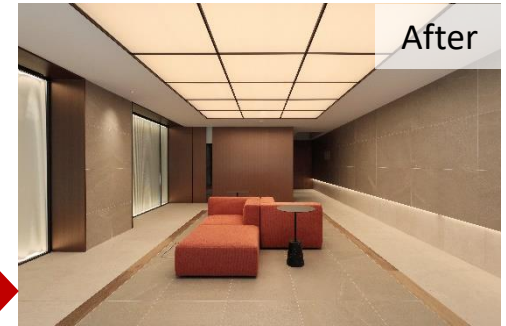
After

[Appearance after replanning]
(right photo)
Taito, Taito-ku, Tokyo
Steel structure, 11 stories

The old front desk space is renovated into a wide entrance with a calm color tone.



Before



After

Converted the dark capsule hotel with low ceilings into a well-lit office.

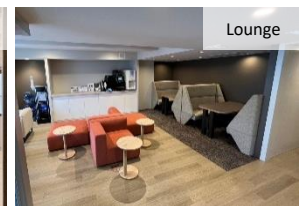
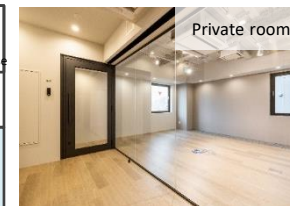
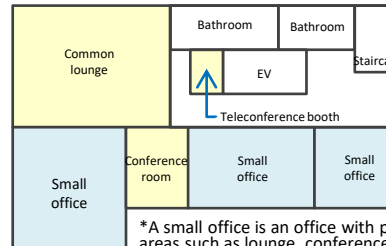


Before



After

On the upper floors, there are small offices* meeting the needs of venture companies.



Value up by renovating the exterior wall with small windows and dark rooms into a bright building with all-glass curtain walls.

*A small office is an office with private rooms for a small number of people and also with plenty of common areas such as lounge, conference room, teleconference booths, etc.



Replanning Business, An Example of Initiatives (2) SUN FRONTIER

Create an office where people want to come to work that stimulates communication and improves productivity.



[Appearance after replanning]
Kudanminami, Chiyoda-ku, Tokyo
Steel reinforced concrete structure,
7 stories



Contribute to activating communication, strengthening recruitment and reducing turnover through a hybrid work style of telework and working in the office.

Promote Sales of Small-lot Real Estate Property

Provide small-lot real estate properties with the theme of education and medical in the residential area at 23 wards of Tokyo.



Compass Nerima

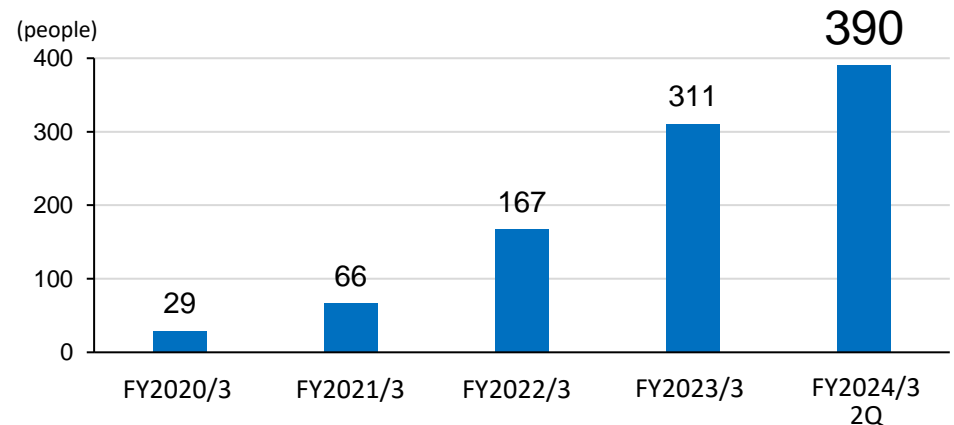
A new construction licensed nursery school in Nerima-Takanodai, Tokyo

3-15-1 Takanodai, Nerima-ku, Tokyo
 8 minutes walk from Nerima-Takanodai station on Seibu Ikebukuro Line
 2 storey wooden building
 513.00 square meters for total floor area

In line with SDGs and ESG investments, including eliminating the problems of children waiting for admission and promoting women's activities.

Primary structuring completed in 2Q.
 Secondary structuring scheduled in 4Q.

Number of Investors in Small-Lot Real Estate Property

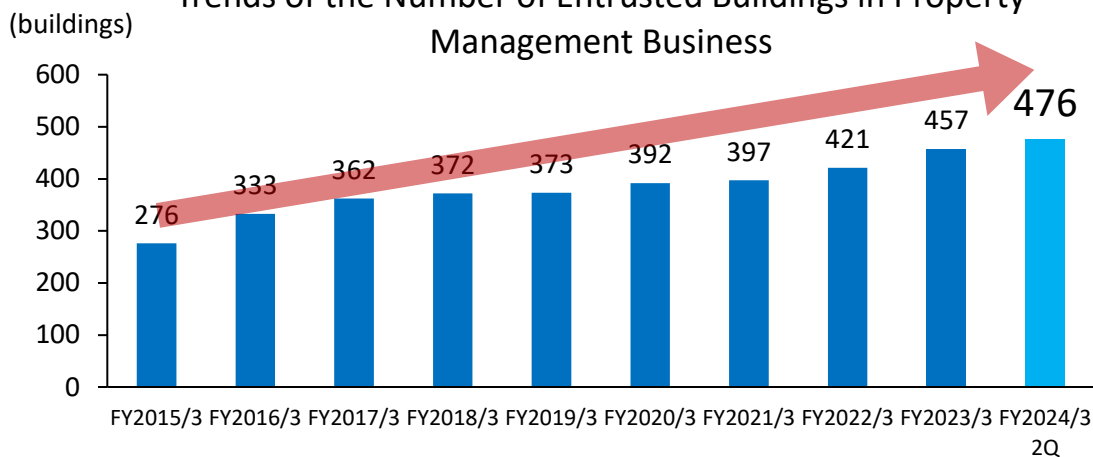


Sales network (tax accountants and financial institutions) is over 185 companies. We are expanding and aiming to reach over 200 companies.

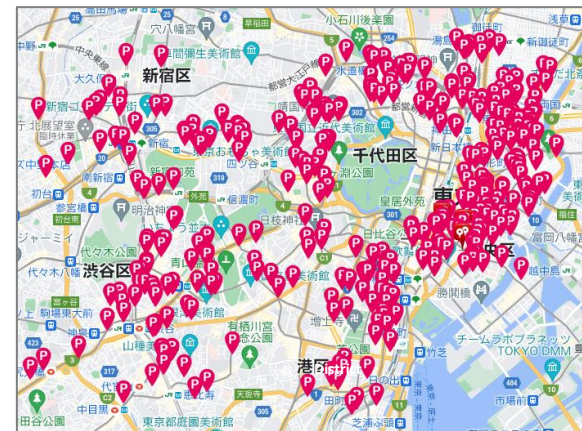
Real Estate Service Business Continues to Expand Its Customer Base

Increase the clients of Real Estate Service Business, which specializes in the central Tokyo area, and strengthens the business base.

Trends of the Number of Entrusted Buildings in Property Management Business

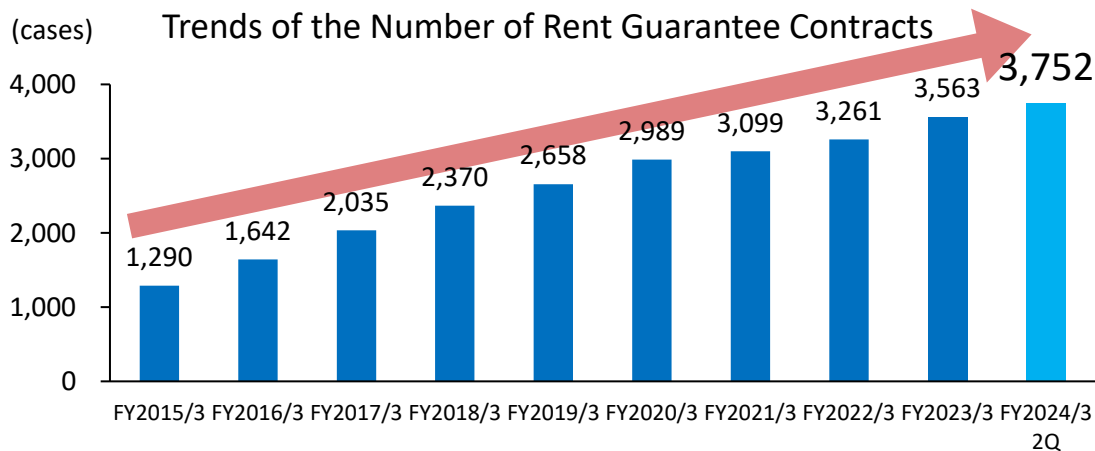


【Property Management entrusted property distribution】

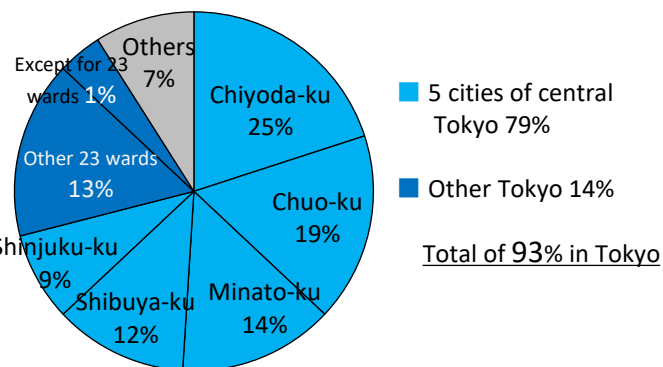


Entrusted properties of the Company

Trends of the Number of Rent Guarantee Contracts



【Percentage of new contracts of Rent Guarantee by area】



* As of March 31, 2023 : 749 new contracts

Strong Performance at New Sites Continuing Opening New Sites Actively

The demand for repeat corporate customers has been increasing, making the occupancy rate good. New sites opened in Shinjuku in November, in Shinbashi in February.



◆ Sites of new open and expand

Vision Center Tokyo Nihonbashi	Opened on Sep. 1
Vision Center Yokohama	Expanded on Sep. 1
Vision Center Shinjuku Minds Tower	Scheduled to open on Nov. 16
Vision Center Shinbashi	Scheduled to open on Feb. 14, 2024



Vision Center Shinjuku
Minds Tower
Best location directly connected to Shinjuku Station

Operating area
220 tsubo

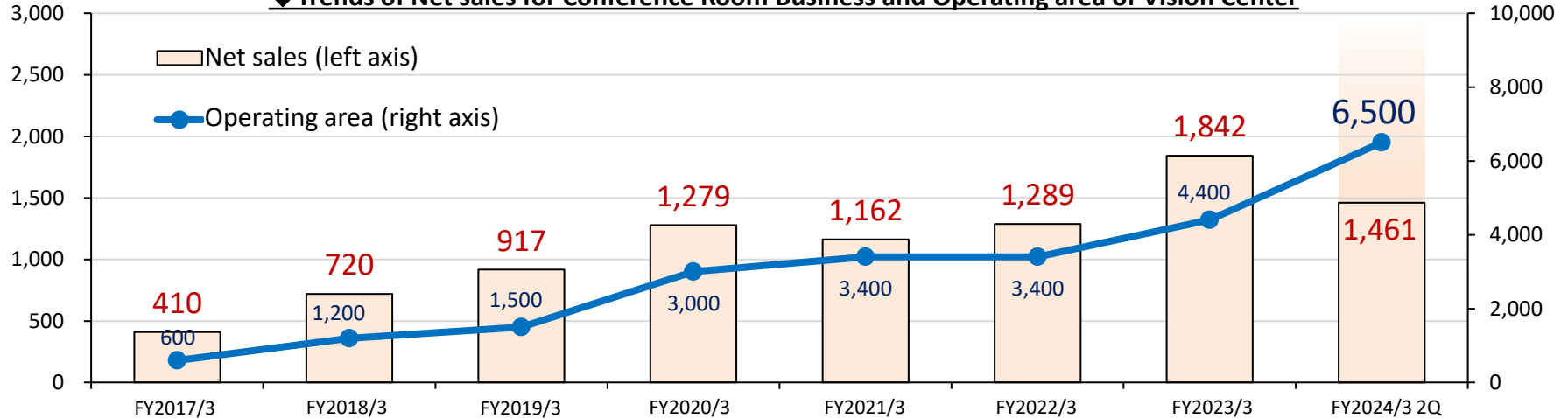


Vision Center Shinbashi
3-minute walk from Shimbashi Station

Operating area
390 tsubo

(million of yen)

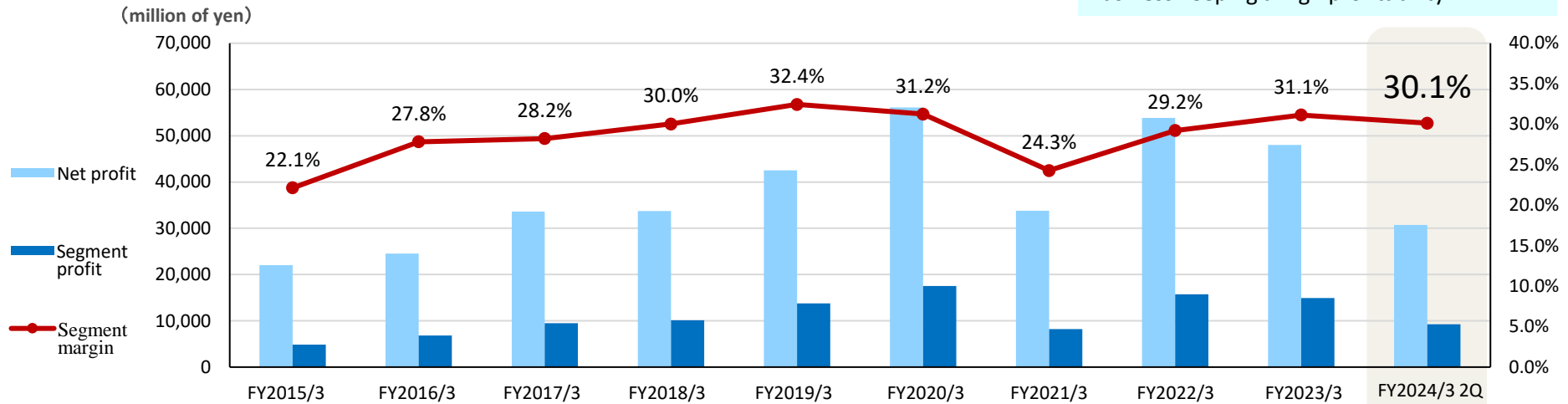
◆ Trends of Net sales for Conference Room Business and Operating area of Vision Center



Office Building Business Keep in High Profitability

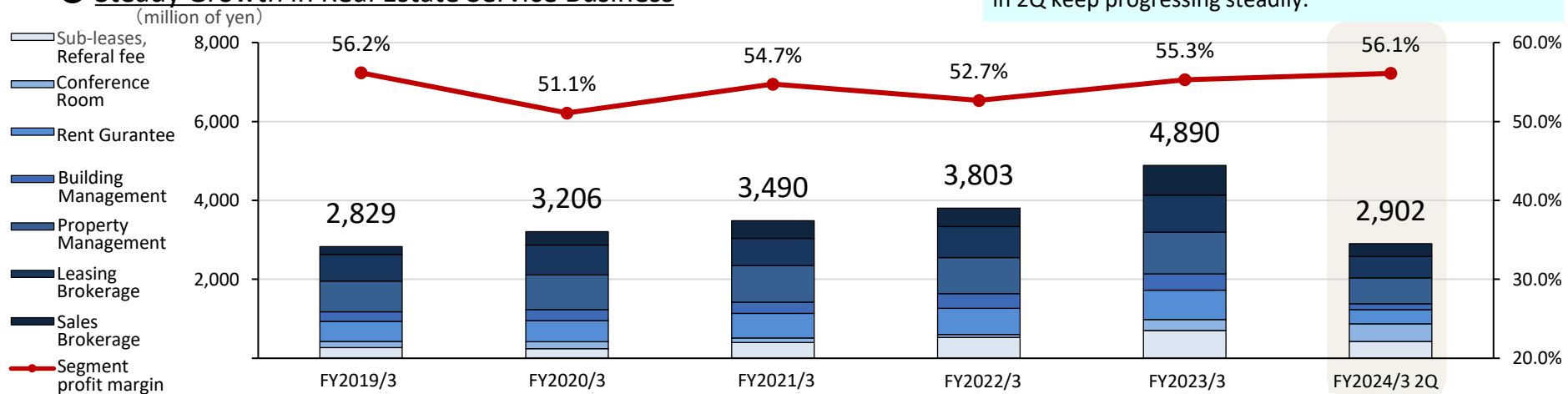
● Replanning Business maintains high profit margin

As the core business in our group, Replanning Business keeping a high profitability.



● Steady Growth in Real Estate Service Business

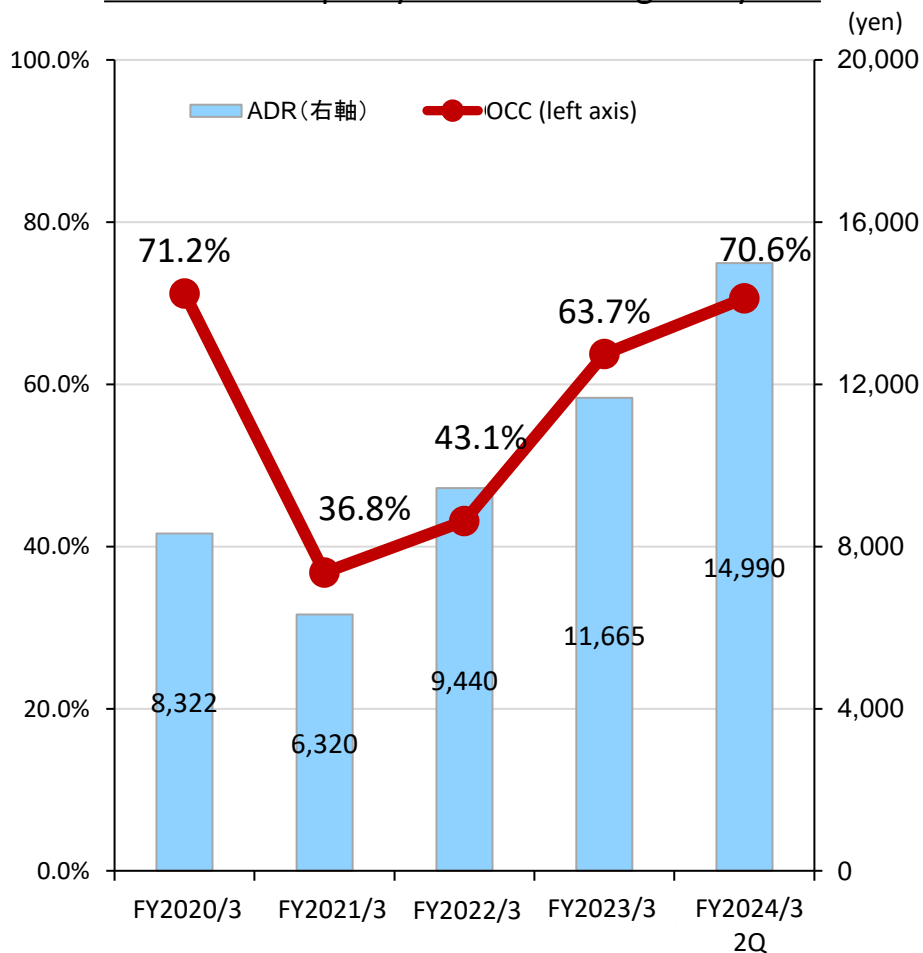
Aiming to consecutive record high profits, performance in 2Q keep progressing steadily.



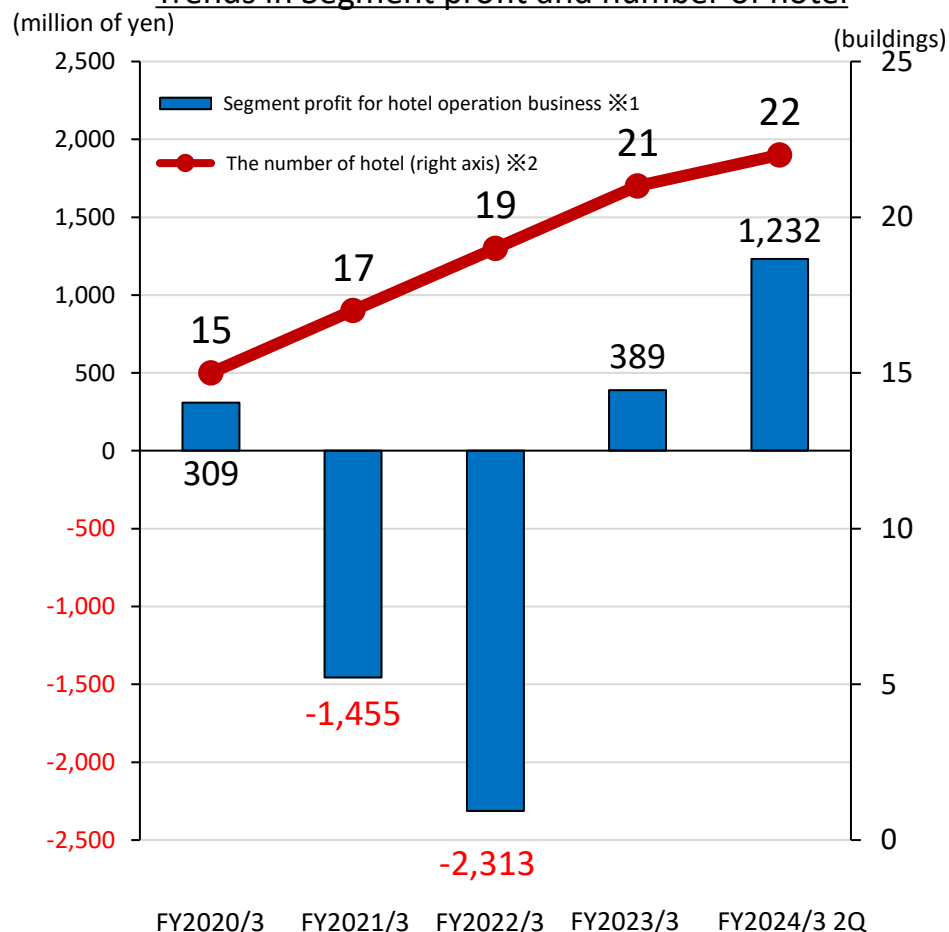
Rising Occupancy Rates and Average Daily Rates

Developing hotels to make the business grow and expand steadily.

Trends in occupancy rate and average daily rate



Trends in Segment profit and number of hotel



※1 Include the profit of hotel rent. ※2 The number of hotel at the end of FY2024/3 including the one now in closed.

Investing in Hotel Development actively

Aiming to contribute to regional revitalization while meeting the needs of business and tourism.

<Number of rooms>	
Operating	2,476 rooms
planning	1,146 rooms
Total	3,622 rooms



(As of November 2023)

Luxury Class	
Sora Niwa Terrace Kyoto Bettei	32 rooms
Hiyori Ocean Resort Okinawa	203 rooms
Atami Hotel Project ※	200 rooms

Upper Class	
Sora Niwa Terrace Kyoto	102 rooms
SADO RESORT HOTEL AZUMA	52 rooms
SADO NATIONAL PARK HOTEL OOSADO	72 rooms
Hakone Hotel Project ※	100 rooms

Economy Class	
Tabino Hotel Hida Takayama	80 rooms
Tabino Hotel Kashima	194 rooms
Tabino Hotel Kurashiki Mizushima	155 rooms
Tabino Hotel Sado	111 rooms
Tabino Hotel EXpress Narita	100 rooms
Tabino Hotel Ishikari ※	175 rooms
Tabino Hotel Kumamoto Ozu ※	180 rooms
DONDEN Highland	12 rooms

Upper Middle Class	
HIYORI HOTEL MAIHAMA	80 rooms
HIYORI HOTEL OSAKA NAMBA STATION	224 rooms
Tabino Hotel lit Matsumoto	176 rooms
Tabino Hotel lit Miyakojima	111 rooms
Tabino Hotel Villa Miyakojima	4 rooms
Spring Sunny Hotel Nagoya Tokoname Station	194 rooms
Tabino Hotel live Sado (2023.6.23 OPEN)	8 rooms
Tabino Hotel lit Sakata ※	171 rooms
Tabino Hotel lit Kawaguchiko ※	120 rooms
Tabino Hotel lit Ishigakijima ※	200 rooms

Budget Class	
SKY HEART Hotel Koiwa	105 rooms
SKY HEART Hotel Kawasaki	200 rooms
SKY HEART Hotel Hakata	157 rooms
SKY HEART Hotel Shimonoseki	104 rooms

※ on planning (with the project acquired the land or contracted the land, otherwise the plan released.)

Medium-term Management Plan

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 strategies



Key Points

ESG

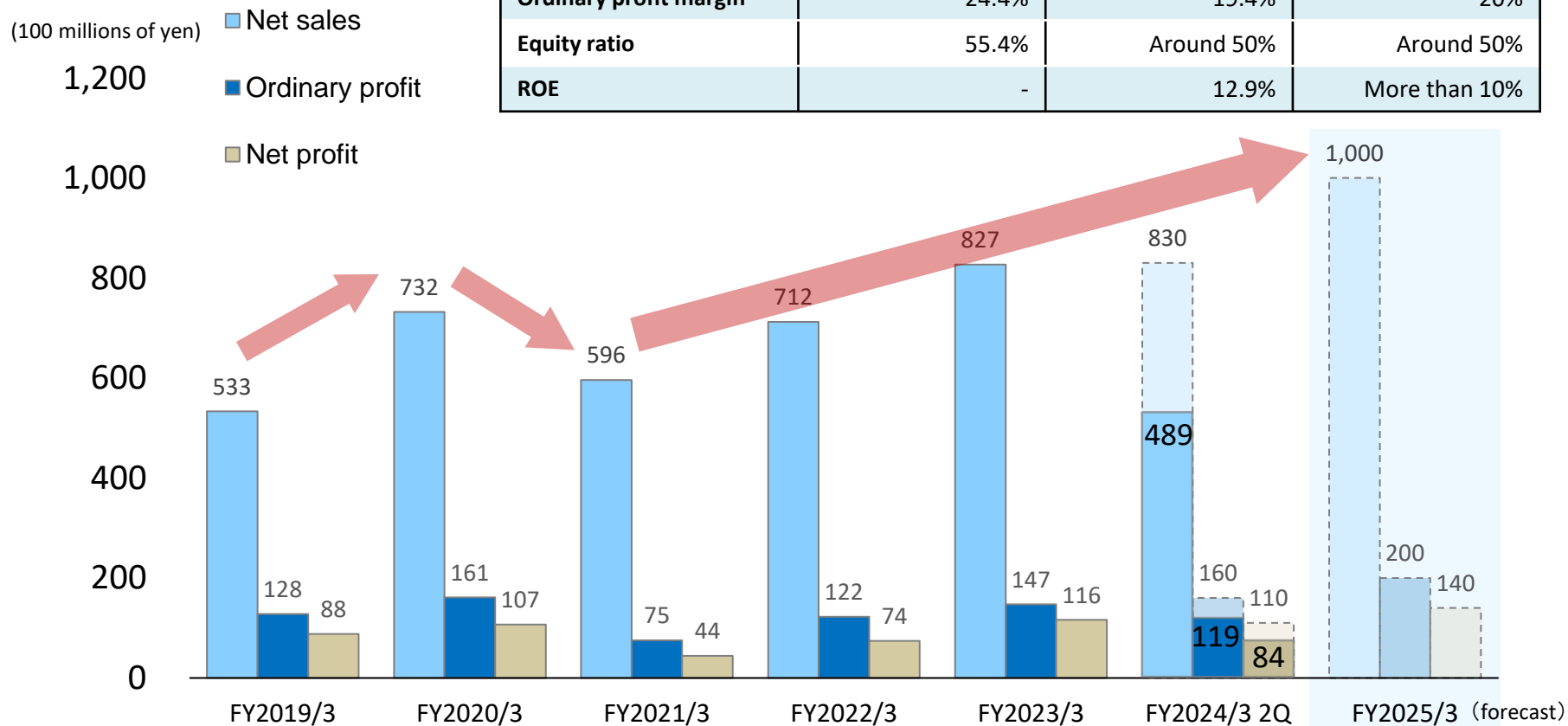
Digital

Cash flow

Marketing

Medium-term Management Plan

	FY2024/3 2Q Results	FY2024/3 Forecast	FY2025/3 Target
Net sales	48.9 billions yen	83 billions yen	100 billions yen
Ordinary profit	11.9 billions yen	16 billions yen	20 billions yen
Net profit	8.4 billions yen	11 billions yen	14 billions yen
Ordinary profit margin	24.4%	19.4%	20%
Equity ratio	55.4%	Around 50%	Around 50%
ROE	-	12.9%	More than 10%



Investment Plan of Medium-term Management Plan (FY2022/3-FY2025/3)



Office Business

<Progress/outlook>

Balance at March 31, 2021	¥72.8 billion
Investment plan	¥200.0 billion
Investment outlook	¥200.0 billion
Balance at March 31, 2025	¥90.0 billion

Maintain a high turnover rate by carrying out purchase and development in a planned manner and aim for business growth while recouping investment.

Expect to achieve plan by strengthening purchase initiatives.

Hotel Business

<Progress/outlook>

Balance at March 31, 2021	¥21.8 billion
Investment plan	¥7.0 billion
Investment outlook	¥20.0 billion
Balance at March 31, 2025	¥23.0 billion

Hotel properties sold as planned to realized fund recovery. Remarkable recovery in performance due to the recovery in demand.

Re-accelerate investment to aim for 10,000 rooms in 10 years.

Overseas Business

<Progress/outlook>

Balance at March 31, 2021	¥0.6 billion
Investment plan	¥5.0 billion
Investment outlook	¥1.6 billion
Balance at March 31, 2025	¥1.5 billion

Residential development in Vietnam. Invest continuously and systematically.

The start of construction of 2nd project of apartment in Vietnam is expected in Spring next year.

Digital

<Progress/outlook>

Investment plan	¥3.0 billion
Investment outlook	¥4.0 billion

Expected to increase investment amount toward data utilization.

M & A

<Progress/outlook>

Investment plan	¥5.0 billion
Investment outlook	¥4.0 billion

Actively investing to take synergies between business.

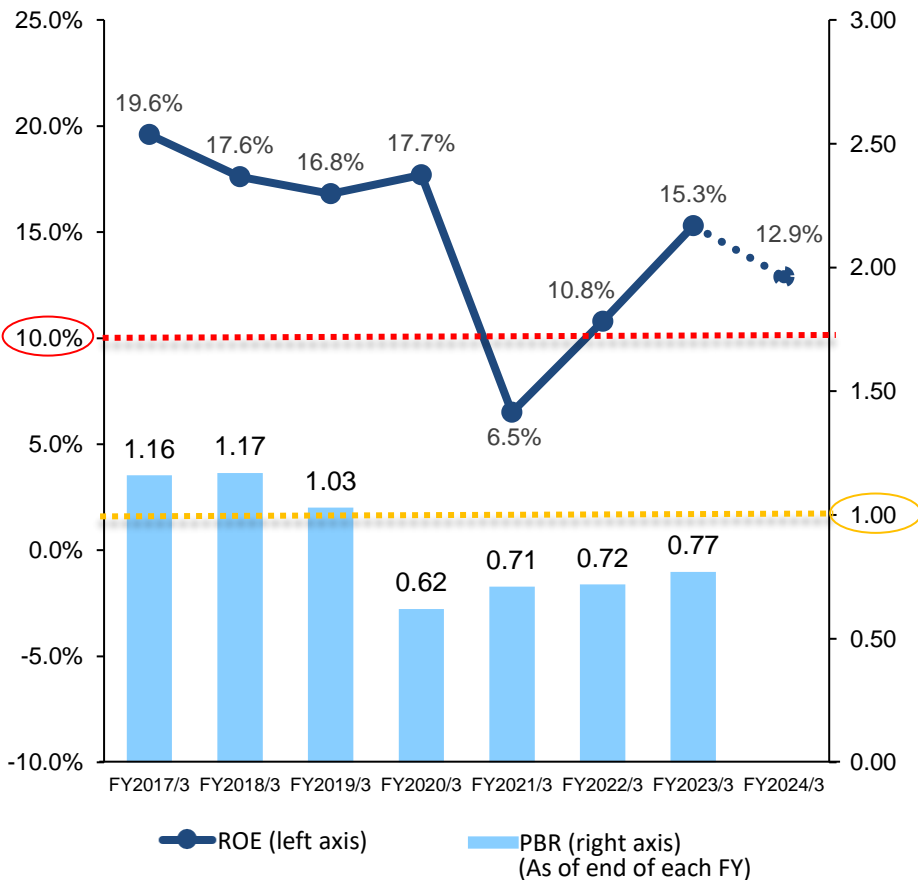
Improve free cash flow

Pay close attention to free cash flow and make investments in a planned manner according to recouping status.

Trends of Key Performance Index (ROE)

Improve profitability and capital efficiency through sustained business growth, and also improve ROE while maintaining financial soundness, to aim for PBR of 1 or higher.

■ Trend in ROE and PBR

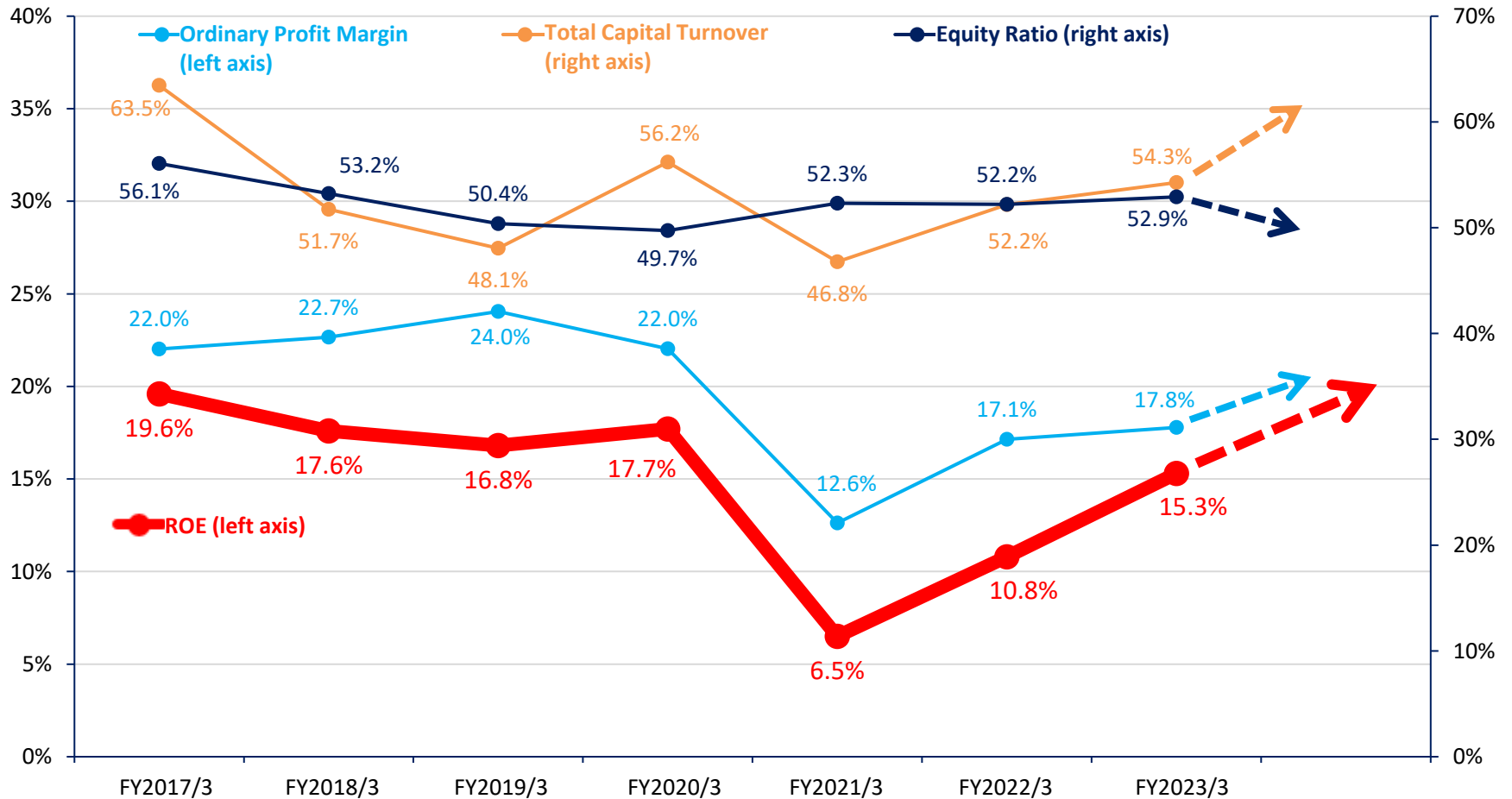
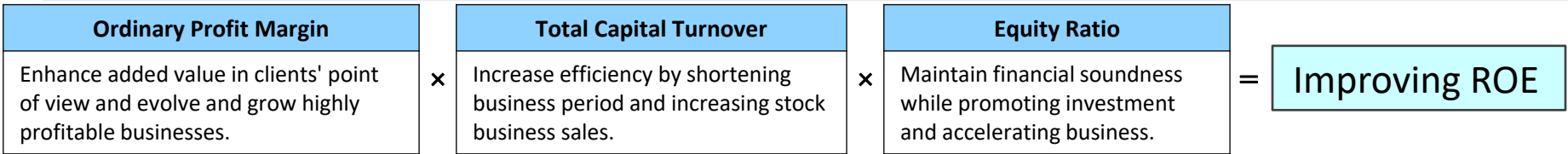


$$\text{ROE} = \begin{matrix} \text{Profitability} \\ \hline (1) \text{ Net profit margin} \end{matrix} \times \begin{matrix} \text{Capital efficiency} \\ \hline (2) \text{ Total asset turnover} \end{matrix} \times \begin{matrix} \text{Financial soundness} \\ \hline (3) \text{ Financial leverage} \end{matrix}$$

◆ Initiative policies to improve ROE

(1) Net profit margin	Improve profitability by enhancing added value in Hotel Business and evolving a highly profitable Office Building Business.
(2) Total asset turnover	We will strengthen the cooperation with divisions, focus on the business period, and enhance the feasibility of plans to increase efficiency.
(3) Financial leverage	We will maintain financial soundness and strive to maintain an appropriate equity ratio while pursuing business growth.

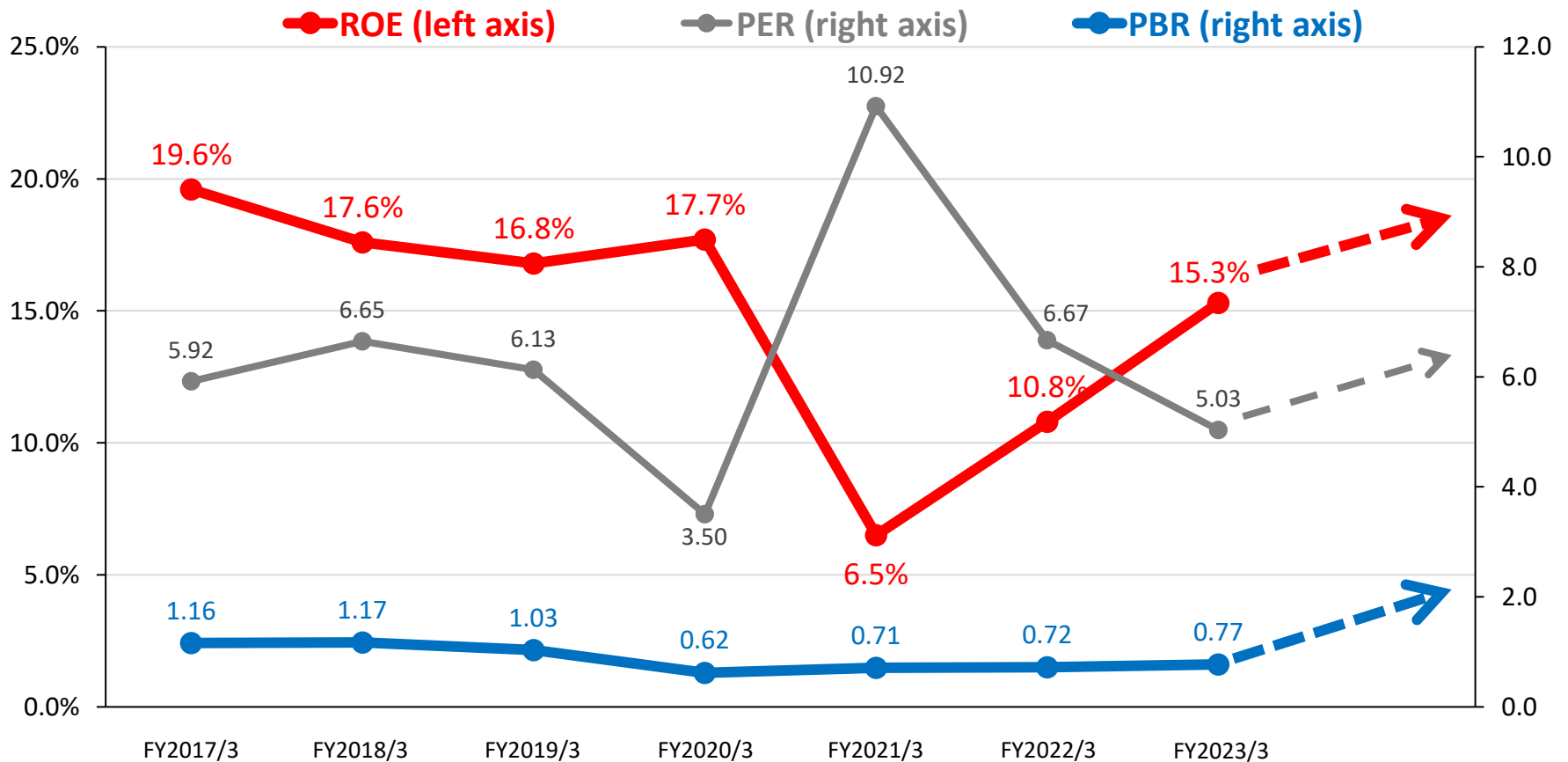
Trends for Each Indicator and Initiatives for ROE Improvement



Improve PBR by the initiatives for ROE Improvement



$$\begin{array}{c}
 \text{ROE} \\
 \hline
 \frac{\text{Net profit}}{\text{Equity}}
 \end{array}
 \times
 \begin{array}{c}
 \text{PER} \\
 \hline
 \frac{\text{Market capitalization}}{\text{Net profit}}
 \end{array}
 =
 \begin{array}{c}
 \text{PBR} \\
 \hline
 \frac{\text{Market capitalization}}{\text{Equity}}
 \end{array}$$



Systematic the philosophy for the further penetration



Business area

Solving social issues through our core business, Real Estate Utilization.

Realization of Sustainable Society

Environmental Protection

Human Resource Development

Region Revitalization

Office Business

Real Estate Revitalization Real Estate Service

- Replanning
- Small-lot Property
- Rental Building
- Sales Brokerage
- Leasing Brokerage
- Property Management
- Building Maintenance
- Asset Consulting
- Rent Guarantee
- Conference Room Rental

Others

- Construction

Hotel and Tourism

Hotel Operating Hotel Development

- Operating
- Development
- Revitalization
- Sales

Region Revitalization (Shima Yume)

- Hotel Operating and Development
- Tourism
Taxi, Restaurant
Rental car, Rental bicycle

Overseas

Taiwan

- Sales Brokerage

USA

(New York)

- Replanning

Vietnam










- Residential Development
- Residential Management

Sustainability Issues and Targets

Sustainability Vision

Sustainability HP → <https://www.sunfrt.co.jp/en/sustainability/>

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)	SDGs icon
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, “Sun Frontier Wellness Score”, 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) 	
Human resource development	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 Training hours as a percentage of prescribed working hours to be 12% or more Increase hourly recurring profit in FY ending March 2023 year-on-year 	  

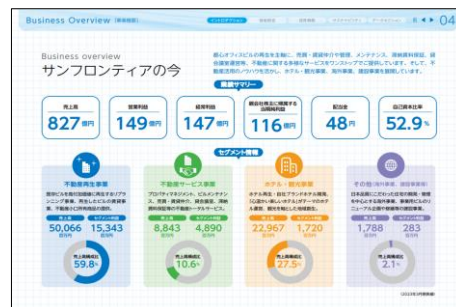
Sun Frontier Sustainability Report 2023 Issued SUN FRONTIER



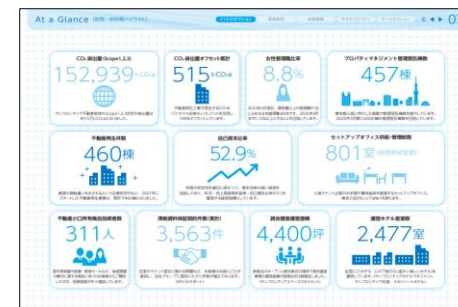
Front cover



Top message



Business overview



Financial and non-financial highlights



Environmental protection



Regional revitalization



Human resource development

- [Main contents]
- Sun Frontier Philosophy
 - History of Sun Frontier
 - Top message
 - Growth strategies by businesses
 - Sustainability management
 - Examples of sustainability activities
 - ESG data
- Et.c.

Environment

As of September 30, 2023

Actual number of RP buildings



Total **474** buildings



Capital and business alliance

Promoting the use of electricity storage systems



Capital and business alliance

Promoting agrivoltaics

Carbon Offset
Cumulative total **3,003t**



RE100/Mori no Denki
Total 19 buildings 2,241t

RP construction
39 buildings
762t

Establishment of SF Ocean Power Generation Co., Ltd.

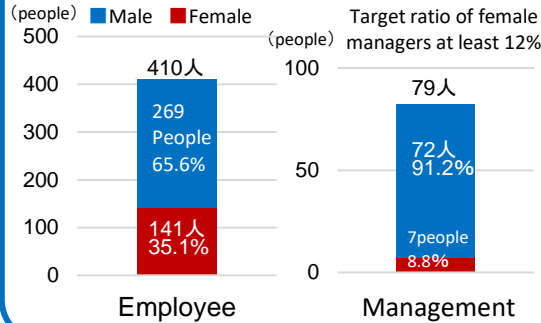


Acquired BELS for 6 properties

Social

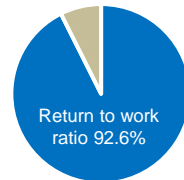
As of September 30, 2023

Ratio of male and female employees in managerial positions



Childcare leave

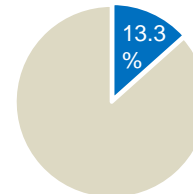
Utilization rate 100%



From childcare leave, 92.6% return to work

Human resource development

Aim to over 12%



Training 13.3% of working hours

Governance

As of September 30, 2023

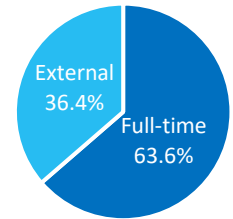
Transition to a company with Audit & Supervisory Committee

As of June 30, 2022

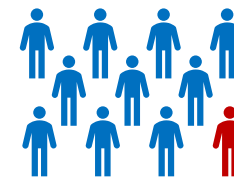
Board of Directors

Audit & Supervisory Committee

Ratio of Outside Officers 1/3 or more



Female Directors 1 out of 11



■ Male ■ Female

Nomination and Compensation Committee (optional)
2 out of 4 outside officers



Ensuring transparency and soundness

Sustainability website

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

- 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 zero 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.

Shareholder ▪ Investor Relations

In order to contribute to sustainable growth and the improvement of corporate value over the medium to long term, we disclose information fairly and in a timely manner to all stakeholders. We place importance on direct communication by the Representative Director, and report and share information with the Board of Directors to make improvements.

Disclosed materials

Financial Results	Disclose Japanese and English version simultaneously. Disclose Chinese version within a week after Japanese.	Website (IR Library) Japanese: https://www.sunfrt.co.jp/ir_info/ir_doc/statement-of-accounts/ English: https://www.sunfrt.co.jp/en/ir_info/ir_doc/statement-of-accounts/ Chinese: https://www.sunfrt.co.jp/ch/ir_info/ir_doc/
IR Presentation	Disclose Japanese, English version and Chinese version simultaneously.	
Annual Securities Report	Disclose Japanese and English version.	Japanese: https://www.sunfrt.co.jp/ir_info/ English: https://www.sunfrt.co.jp/en/ir_info/ir_doc/annual_securities_report/
Notice of General Meeting of Shareholders	Disclose Japanese and English version.	Japanese: https://www.sunfrt.co.jp/ir_info/annual_general_meeting/ English: https://www.sunfrt.co.jp/en/ir_info/annual_general_meeting/
Anaylist Report	FISCO 、 Shared Research	Japanese: https://www.sunfrt.co.jp/ir_info/ English: https://www.sunfrt.co.jp/en/ir_info/

IR activities

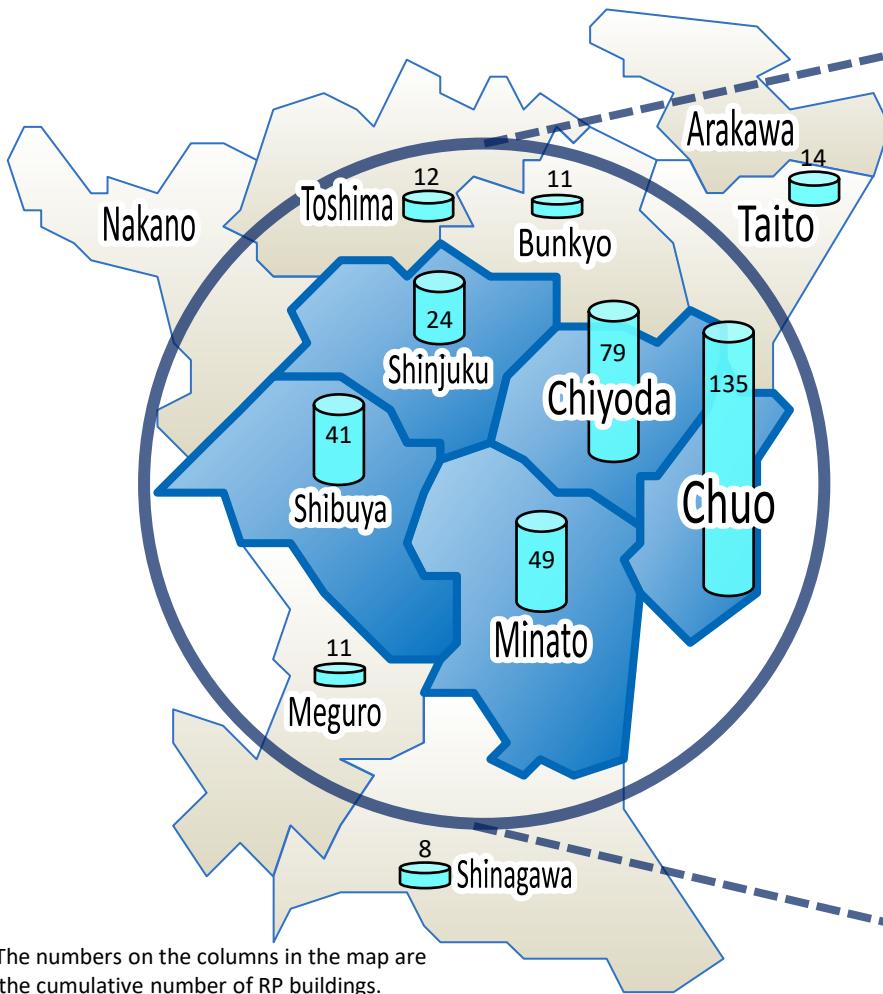
Presentation of financial results	Held every quarter by President Representative Director, Seiichi Saito.	Website for on-demand broadcast (including Q&A) https://www.sunfrt.co.jp/ir_info/ir_doc/on-demand.html
Individual IR meetings	Conducted individually as needed. (mainly handled by IR staff).	FY2024/3 2Q: 32 times (FY2023/3: 61 times)
Property visit	A hotel visit(Hiyori Hotel Maihama) held on July 12, 2023 for sell-side analysts and institutional investors.	
RP Property tour	Invited sell-side analysts and institutional investors to the tour for real estate brokerages introduced the Replanning property (4 times).	
Web sites for investors	FISCO: https://web.fisco.jp/platform/companies/0893400 IR STREET: https://www.irstreet.com/new/en/brand/index.php?&contents=brand_whatsnew&brand=398	

Shareholder benefit program

Eligible shareholders	Shareholders stated or recorded in the shareholder list as of the end of March of each year who hold one unit (100 shares) or more for our company share.
Outline	Discount coupons for hotels operated by our group companies based on the number and period of shares held.
Details and facilities available for use	Shareholder benefit program website https://www.sunfrt.co.jp/ir_info/stockholder_benefit_plan/

Strategy in Office Business

Solving client's various problems, mainly in the five cities of central Tokyo.

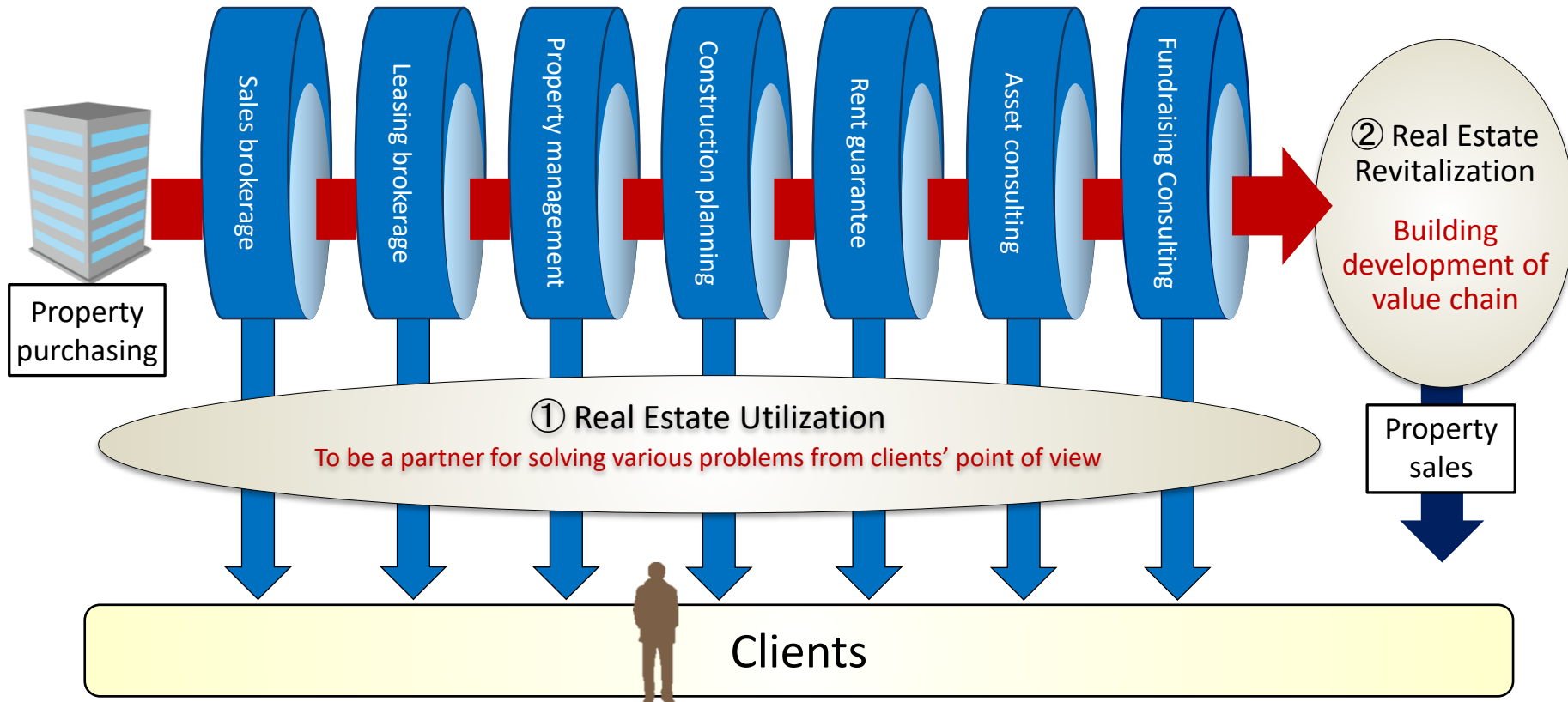


- RP** Of the total number of RP buildings, 474 buildings, 80% are in the five cities of central Tokyo and adjacent cities.
*As of the end of September 2023
- LM** Community-based 10 branches
 Ginza, Kanda, Nihonbashi, Kodemmacho, Kojimachi, Shinjuku, Shibuya, Gotanda, Hamamatsucho, Yokohama
- PM** Of the 478 entrusted properties, over 80% are in the five cities of central Tokyo.
*As of the end of September 2023
- BM** Of the 228 buildings under comprehensive management, 85% are in the five cities of central Tokyo.
*As of the end of September 2023
- Rent Guarantee** Of the 7,523 cumulative new contracts signed, 90% are in the five cities of central Tokyo.
*As of the end of September 2023
- Rental Conference Room** 15 of the 14 sites are in the five cities of central Tokyo.
*As of the end of September 2023. The rest of one is in Yokohama

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

Strengths in Office Business

With in-house manufacturing from purchase, development, leasing to sales and consulting, we solve various problems by getting client's needs correctly.



1. Real estate utilization: Get close to our clients and solve various problems. Capture the source of added value from clients' voices.
2. Real estate revitalization: Utilize the needs we earned and the know-how for improving the valuation to conduct sales activities.

Business Model for Replanning Business

Renovating the office buildings with low occupancy and in need of large-scale repairs into high-value-added properties demanded by society using “clients’ point of view.”



Set-up Office Share

"Set-up Office" is a kind of office replanned by our Company. Unlike regular office interiors, there are reception and reception room, etc., in the office with highly designed interior. We also provide some equipment for rent or fixtures pre-installed.

◆ Four benefits for tenant companies

Merit 1) Reduced burden on management

No need for unfamiliar tasks such as designing office interiors and selecting interior decorators, significantly reducing management's effort.

Merit 2) Immediately available after moving

Increase the net estimated internal useful life due to no work other than wire-related work and moving, a significant reduction in the relocation period and a shorter construction period for interior finishing and restoration.

Merit 3) Reduced financial burden

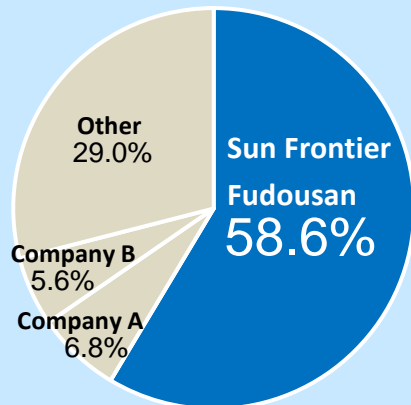
Significant cost reduction for office interiors, etc., and no interior assets recorded by tenants.

Merit 4) Employment, motivation and productivity improvement

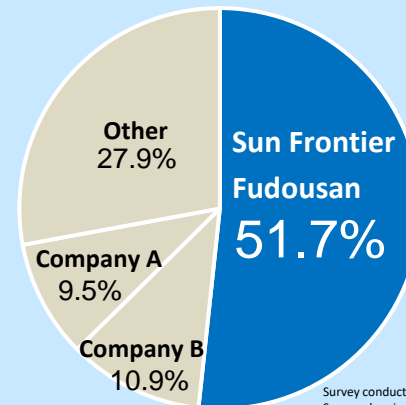
Improve employment of human resources, employee motivation, and office productivity by the office interior that pursues a high level of design, focusing on design, functionality, and various usage scenes.

The share of Set-up Office in 23 wards of Tokyo

Based on the number of rental rooms



Based on rental area



Survey conducted in September 2022.
 Survey planning: Sun Frontier Fudousan Co., Ltd.
 Survey conducted: H. M. Marketing Research

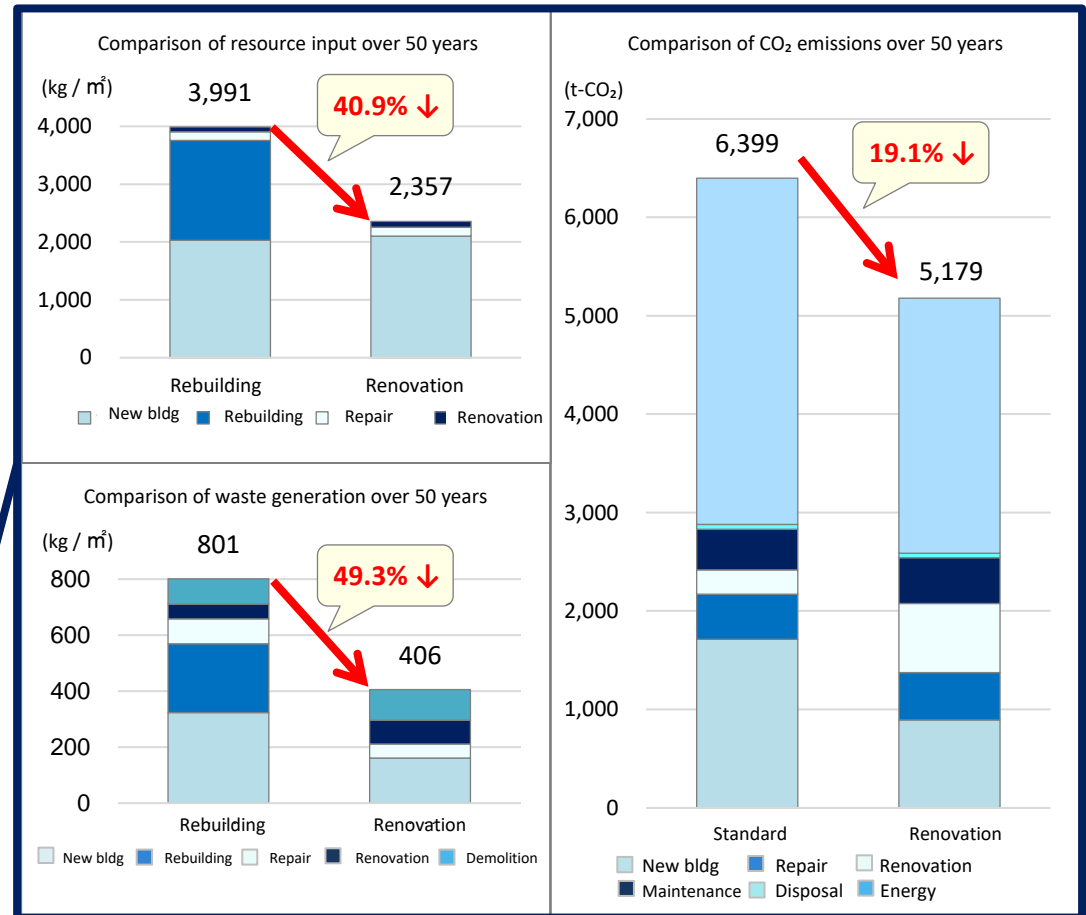
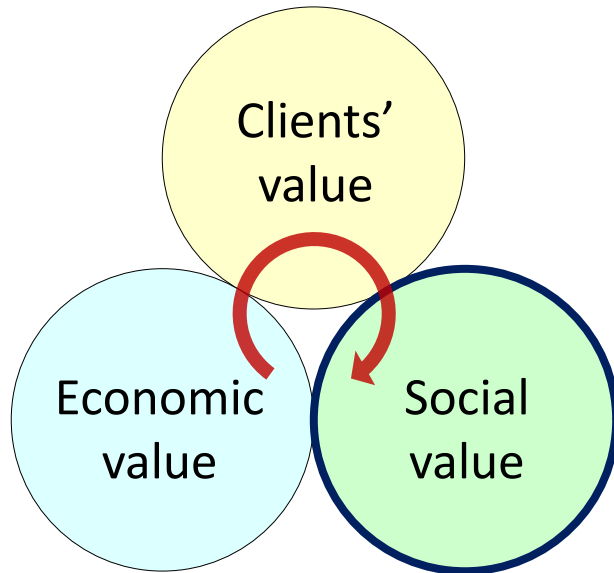
Create both Customer Value and Social Value

Solving social issues through supporting our clients' business.

Supporting the business growth for building owners and tenants through our Replanning Business.

II

Utilizing the limited, keeping challenging to create new value, and aiming to become the most appreciated visionary company in the world.



<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.

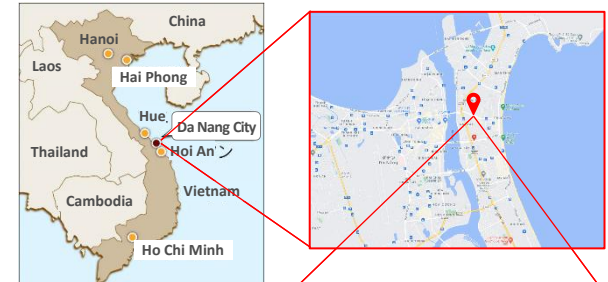
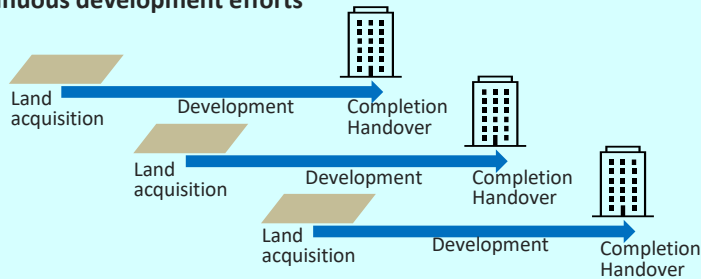
Business Model of Overseas Business

Developing local communities through creating clients' joy and happiness.

Our business includes land acquisition, development, construction, Handover after completion, property management and brokerage.



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.



Region Revitalization Business

--Shima Yume Business--

We will energize the islands through tourism business!

When region becomes energized, Japan will be as well. As the number of visitors spurred by fascination (culture, history, nature, food, hot spring, hospitality and others) that Japan is proud of is rapidly increase, we challenge of region revitalization business that focuses on the attractiveness and features unique to the regions to spread the "Wonderfulness of Japan."



Japanese variety show introduced our group hotels

Japanese variety show “Asada! Namadesu Tabisarada”(TV Asahi network, every Saturday morning) introduced Sora Niwa Terrace Kyoto Bettei, SADO NATIONAL PARK HOTEL OOSADO and Hiyori Ocean Resort Okinawa.



On October 14, 2023 , Korokke, a famous comedian, was on air and introduced “Sora Niwa Terrace Kyoto Bettei” .

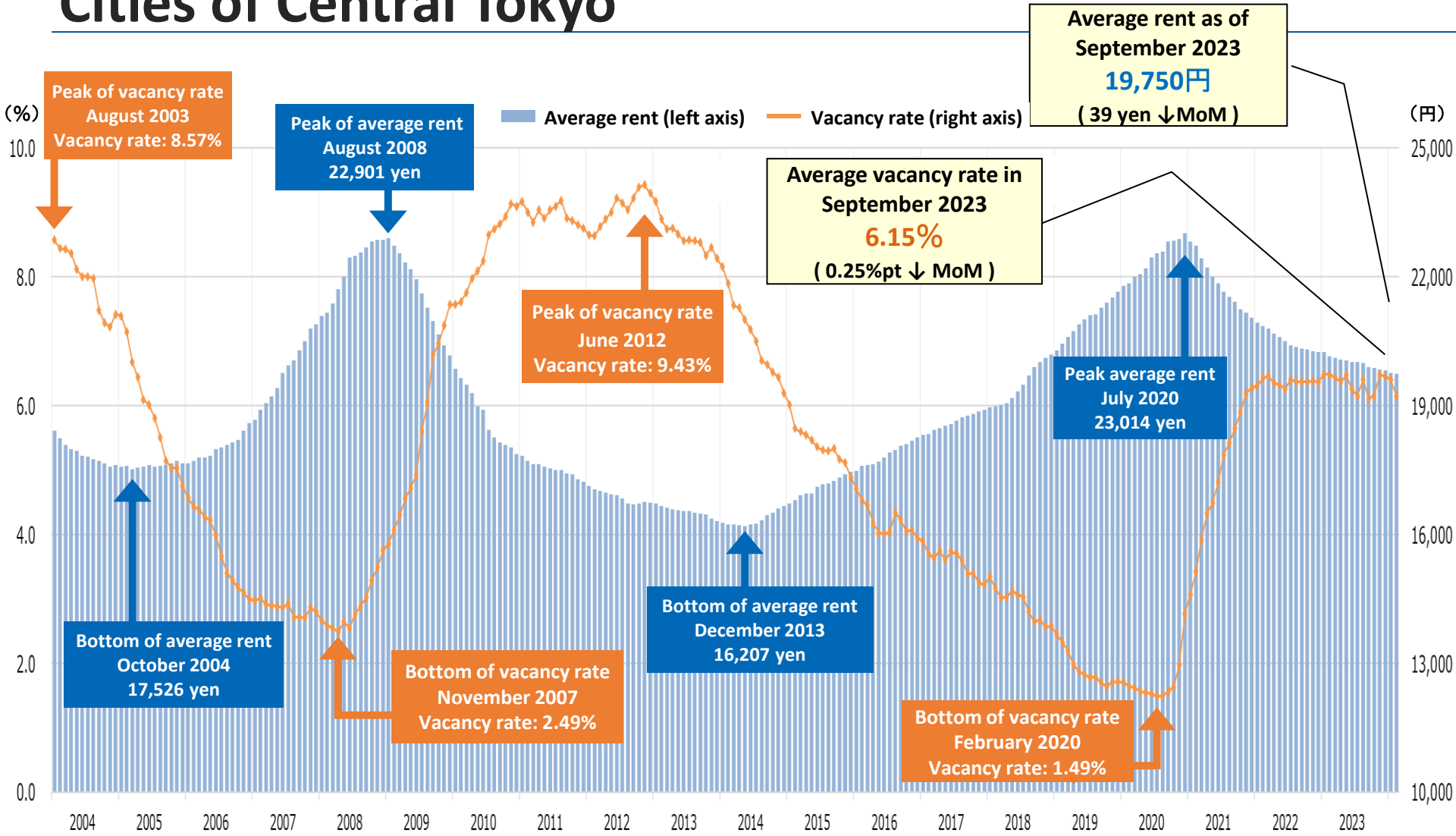


On September 9, 2023, Ms. Midori Oka, a famous singer, was on air and introduced “SADO NATIONAL PARK HOTEL OOSADO”.



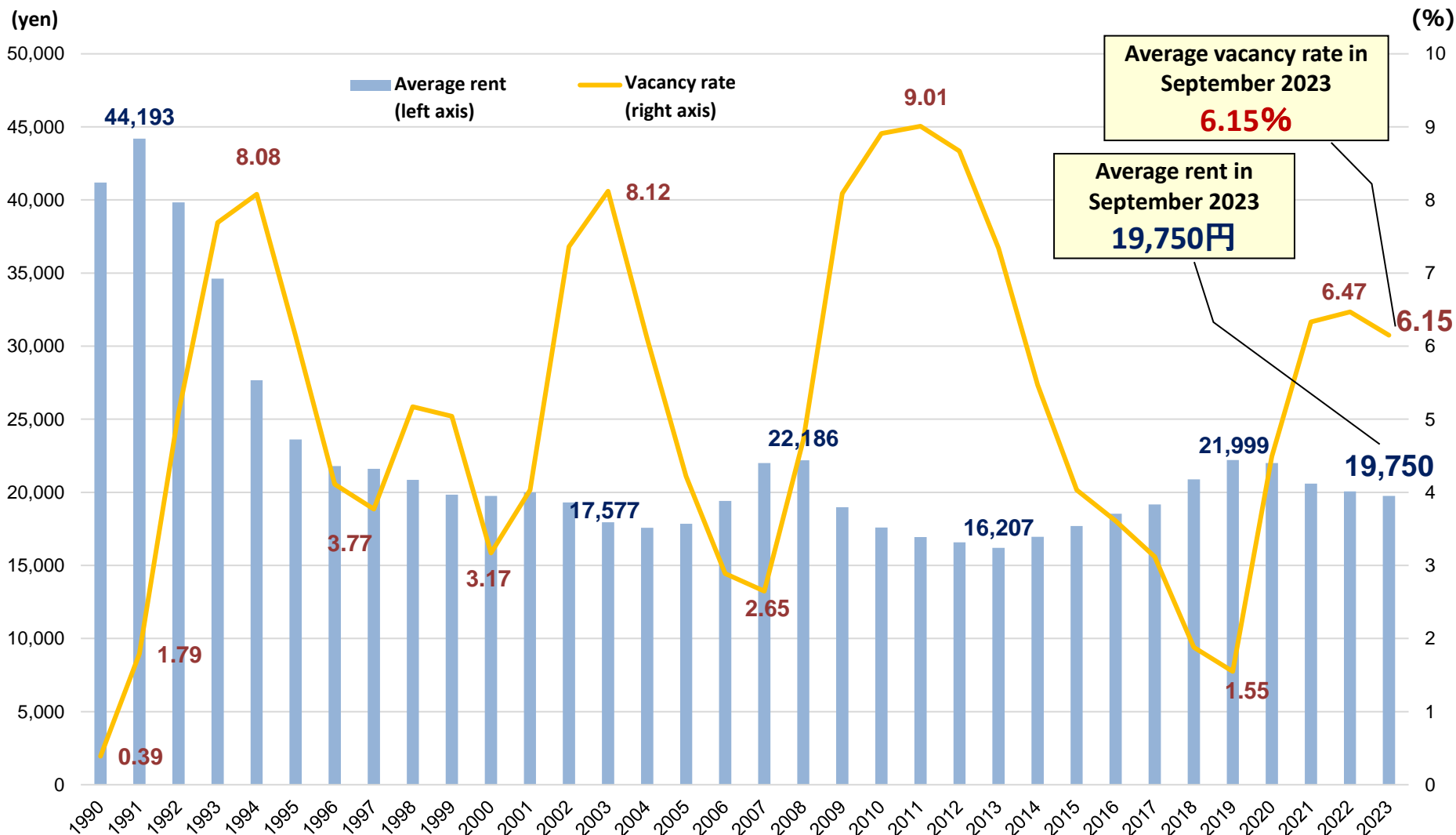
On November 20, Mr. Kenichi Mikawa, a famous singer and Ms. Mika Mifune, a famous actress were on air and introduced Hiyori Ocean Resort Okinawa.

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



Average vacancy rate in September 2023
6.15%

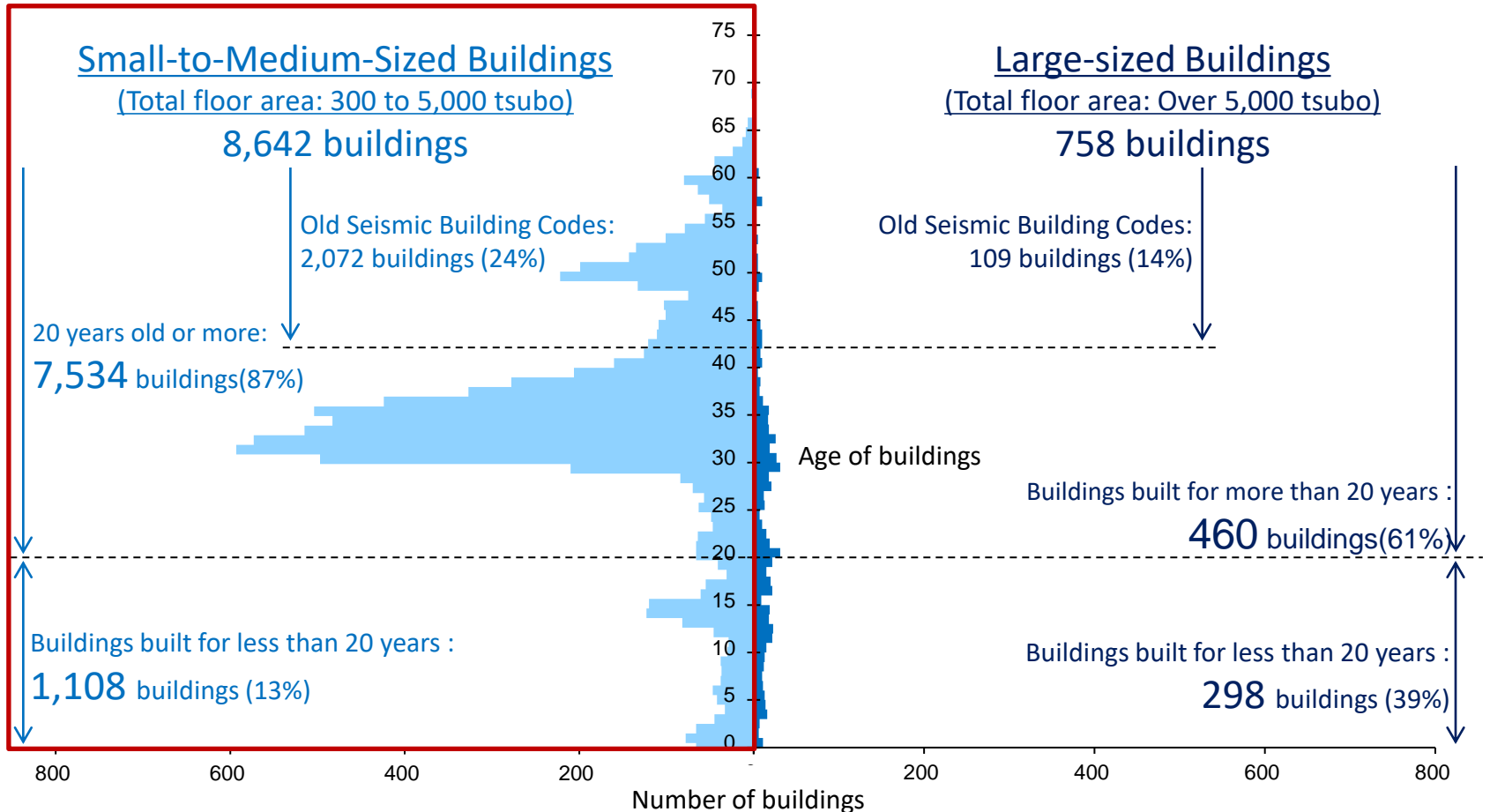
Average rent in September 2023
19,750円

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 revitalizing and utilizing Aging Small-to-Medium-Sized Buildings

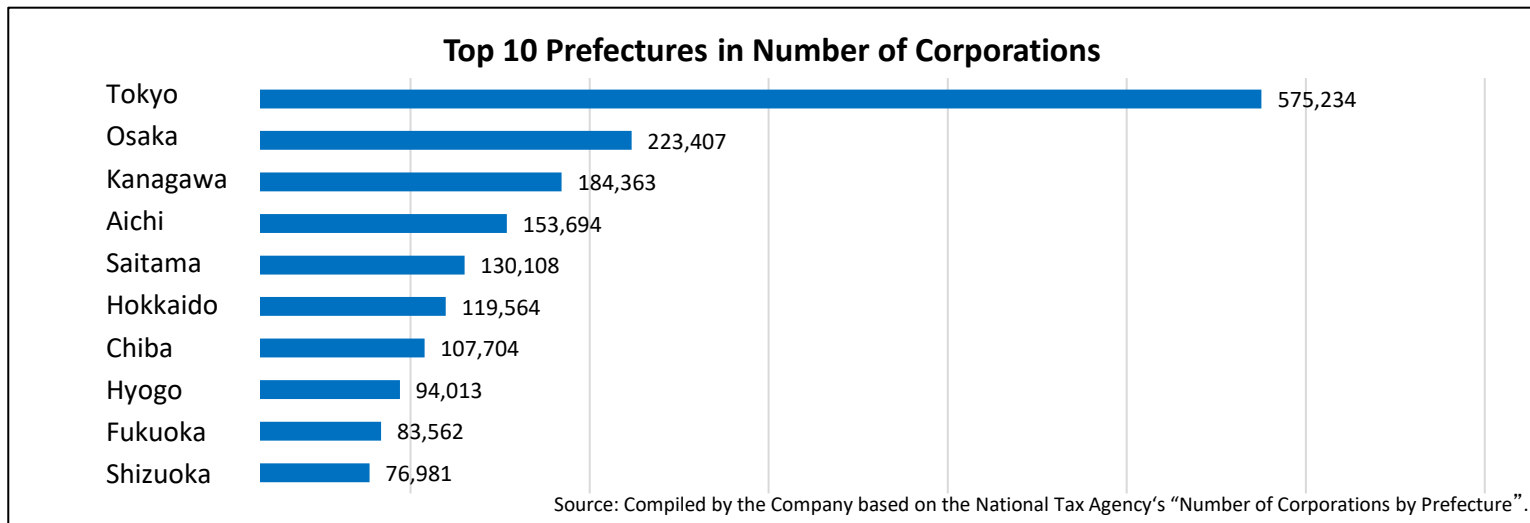
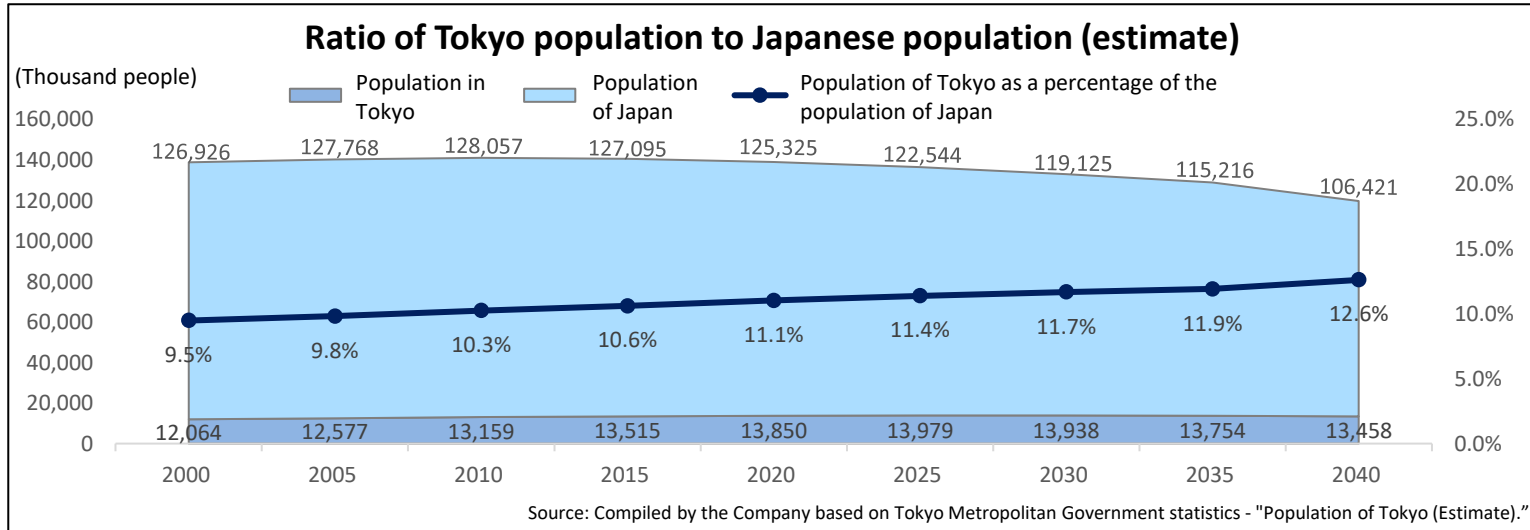
Tokyo 23 cities with 9,400 buildings



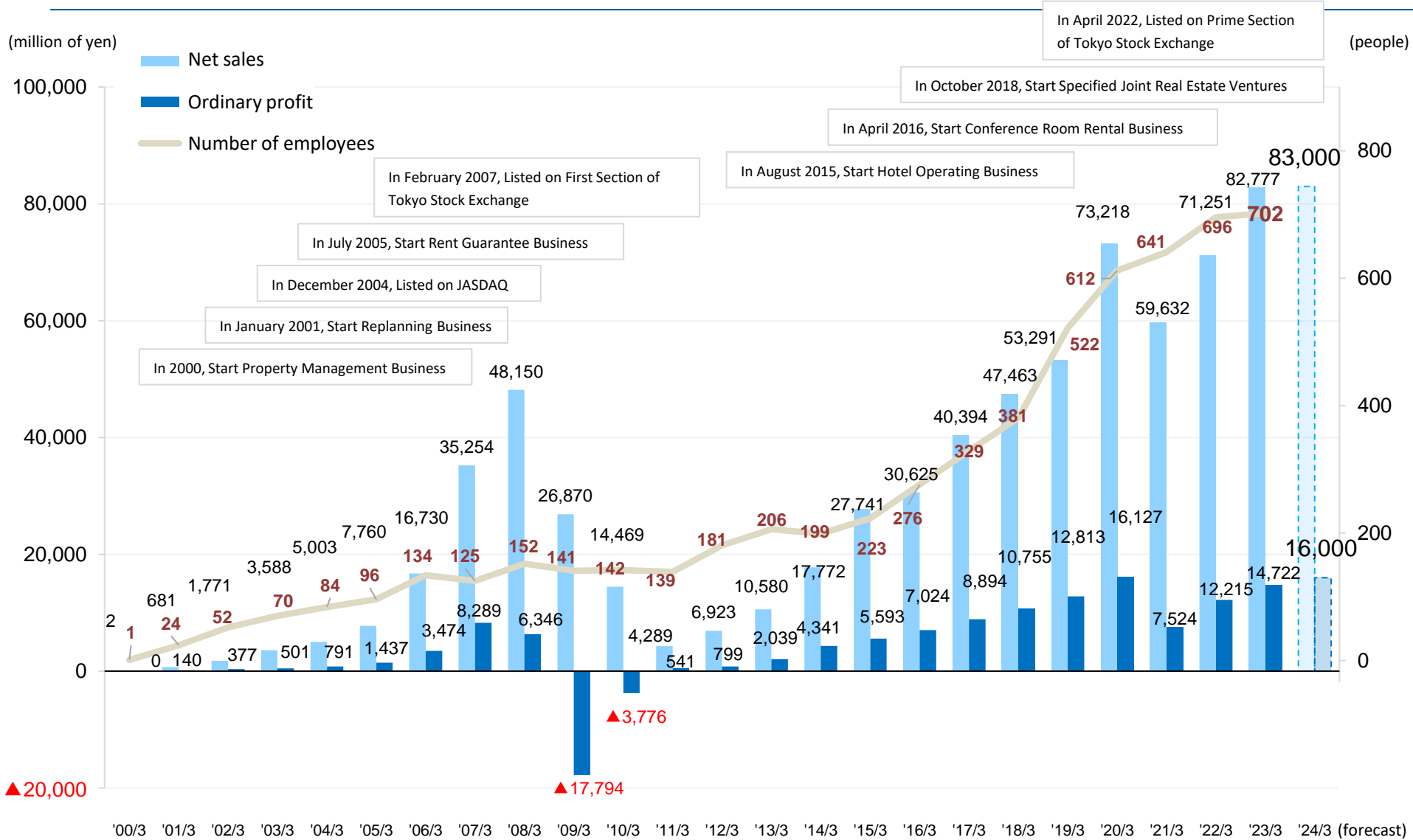
Source : Created by us based on "Tokyo 23 cities Office Pyramid 2023 (based on the number of buildings)" (Xymax Real Estate Institute)

Demographics and Number of Corporations in Tokyo

Provide happiness and improve society development in Tokyo, people and corporations gathering.



History



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 (First Section of Tokyo Stock Exchange)
Capital Stock *	11,965 millions yen
Representative	Tomoaki Horiguchi, Chairman Representative Director Seiichi Saito, President Representative Director
Number of Consolidated Employees *	731 employees (1,377 including part-timers and temporary workers)
Average Age of Employees*	36.1 years old
Business Profile	Real Estate Revitalization Real Estate Service (Properties Management, Brokerage, Construction Planning, Rent Guarantee, Building Operations, Asset Consultation) Hotel Development and Operation Others
Accounting Month	March
Listed Market	Tokyo Stock Exchange Prime (Code number: 8934)

* As of the end of September 2023

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.

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SUN FRONTIER