

# Financial Results for the First 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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**August 9, 2023**



**SUN FRONTIER**

Securities Code : 8934

# Overview of the Results of FY2024/3 1Q



**Strong started in Hotel and Tourism Business by the remarkable recovery of tourism demand. Office Business progressed steadily as planned.**

(Unit: million yen)

	Results	Profit margin	Year-on-year	Growth rate
Net sales	18,452	—	-4,450	-19.4%
Operating profit	4,206	22.8%	-2,461	-36.9%
Ordinary profit	4,184	22.7%	-2,505	-37.4%
Profit*	3,134	17.0%	-1,555	-33.2%

Forecast	Achievement rate
83,000	22.2%
16,500	25.5%
16,000	26.2%
11,000	28.5%

\*The profit attributing to owners of parent.

## Performance Highlights

- In Hotel and Tourism Business, the completion of the sale of property and the remarkable recovery of tourism demand for hotel operating contributed significantly to the performance.
- In Real Estate Revitalization Business, though both revenue and profit decreased due to the reaction for previous first quarter, in which the property sales was concentrated, property sales progressed in line with the initial plan.
- In Real Estate Service Business, as the recovery of the demand, performance of Rental Conference Room Business grew thanks to the expansion of new sites and floor space. Solid start in each business.

# Consolidated Income Statement

(Unit: million yen)

	FY2023/3 Apr. - Jun.	FY2024/3 Apr. - Jun.	YoY increase/ decrease	YoY change rate
Net Sales	22,903	18,452	-4,450	-19.4%
Real Estate Revitalization Business	18,582	7,693	-10,889	-58.6%
Replanning Business	18,062	7,083	-10,979	-60.8%
Rental Buildings Business	519	609	+90	17.2%
Real Estate Service Business	2,387	2,665	+278	11.6%
Hotel and Tourism Business	1,917	8,029	+6,112	318.7%
Hotel Development Business	0	5,270	+5,270	-
Hotel Operation, etc	1,917	2,759	+842	43.9%
Other Business	306	368	+62	20.3%
Adjustments	-290	-303	-13	-
Gross Profit (Loss)	8,519	6,306	-2,213	-26.0%
Real Estate Revitalization Business	7,299	2,261	-5,038	-69.0%
Replanning Business	7,167	2,125	-5,041	-70.3%
Rental Buildings Business	132	135	+3	2.7%
Real Estate Service Business	1,565	1,557	-8	-0.5%
Hotel and Tourism Business	-170	2,665	+2,835	-
Hotel Development Business	0	2,200	+2,200	-
Hotel Operation, etc	-170	465	+635	-
Other Business	48	45	-3	-6.1%
Adjustments	-224	-223	+1	-
Selling, General and Administrative Expenses	1,850	2,099	+249	13.5%
Operating Profit (Loss)	6,668	4,206	-2,461	-36.9%
Non-operating Income	167	125	-42	-25.1%
Non-operating Expenses	145	147	+1	1.4%
Ordinary Profit (Loss)	6,690	4,184	-2,505	-37.4%
Profit	4,690	3,134	-1,555	-33.2%

## Keynotes of Income Statement

### <Real Estate Revitalization Business>

The number of sales was 5 (-5 YoY). It is the reaction for the previous first quarter in which there were 10 of the 24 property sales in the fiscal year concentrated. However, it is in line with the plan.

### <Real Estate Service Business>

Although there was the reaction of the previous first quarter brokered large-scale projects in the previous first quarter, net sales increased due to an improvement of operating rate in Rental Conference Room Business and an increase in number of entrusted buildings in the PM business, which made a solid start for Real Estate Service Business.

### <Hotel and Tourism Business>

Completed the sale of hotel property contracted in the previous fiscal year. Due to the remarkable recovery of tourism demand, the occupancy rate and average daily rates were improved. As a result, net sales and profit increased and made a good start.

### <Selling General and Administrative Expenses>

Increased year-on-year due to human capital investment and system investment as planned.

# Consolidated Balance Sheet

## - Assets -



<Cash and deposits> Decreased by 4.4 billion yen due to the payment of dividends and corporate taxes, together with the progress in property purchases.

<Inventory assets> Increased by 3.1 billion yen as purchase amount in Replanning properties was higher than the decreased amount from the sale of Hotel properties and Replanning properties.

(Unit: million yen)	As of End of March 2022	As of End of March 2023	As of End of June 2023	Increase/decrease (compared to the End of March 2023)
<b>Current assets</b>	110,920	125,886	124,615	-1,271
Cash and deposits	30,053	42,016	37,606	-4,409
Inventories	77,340	80,182	83,351	+3,169
Breakdown) RP	63,424	70,327	76,543	+6,216
Hotel	13,516	9,750	6,660	-3,090
Overseas, etc.	400	105	147	+42
Other current assets	3,527	3,688	3,656	-31
<b>Non-current assets</b>	25,591	26,633	26,440	-192
Property, plant and equipment	18,796	20,410	20,574	+163
Intangible assets	572	815	861	+45
Investments and other assets	6,222	5,406	5,004	-401
<b>Total assets</b>	136,512	152,519	151,056	-1,463

# Consolidated Balance Sheet

## - Liabilities/Equity -



<Interest-bearing debt> Decreased by 1.1 billion yen as the repayment from property sales were higher than the borrowings from purchases. Temporary increase in short-term borrowing due to the loan repaid within one year.

<Net assets> Increased by 1.9 billion yen due to the profit (3.1 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 June 2023
52.2%	52.9%	54.7%

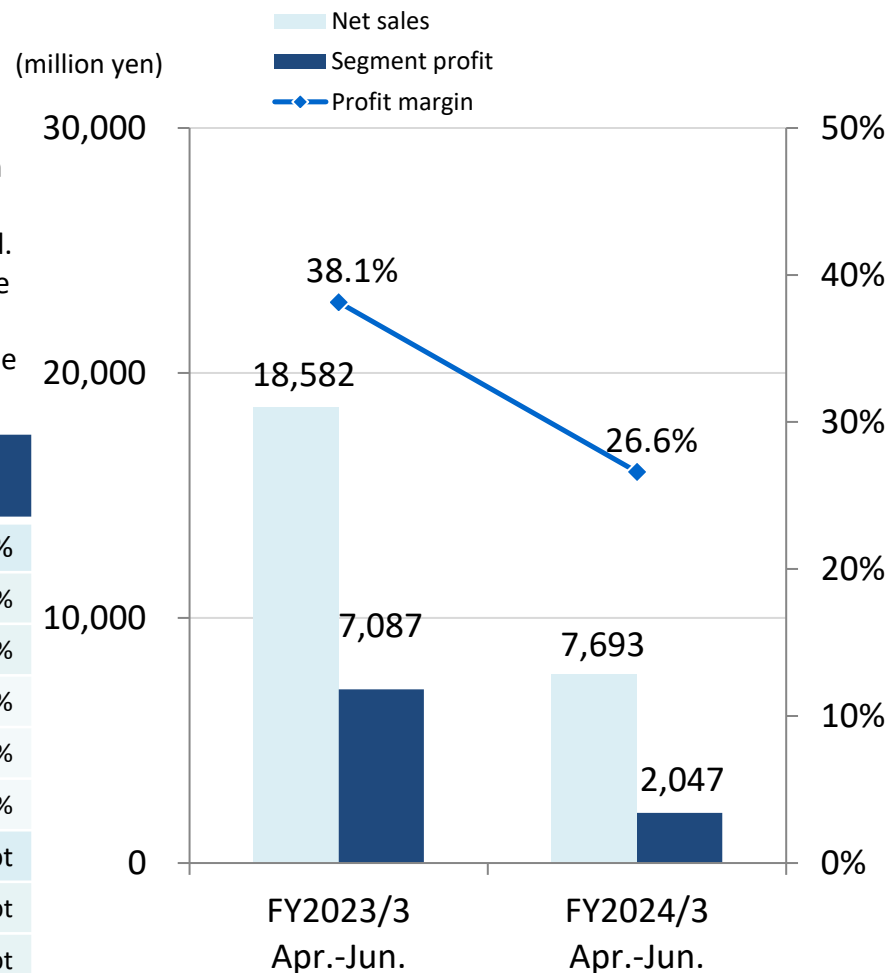
(Unit: million yen)	As of End of March 2022	As of End of March 2023	As of End of June 2023	Increase/decrease (compared to End of March 2023)
<b>Current liabilities</b>	16,210	16,363	18,803	+2,439
Short-term borrowings, etc.	6,904	5,492	10,298	+4,805
Income taxes payable	3,528	1,699	585	-1,113
Other current liabilities	5,777	9,172	7,920	-1,251
<b>Non-current liabilities</b>	45,849	52,190	46,333	-5,856
Long-term borrowings and bonds payable	44,169	50,170	44,261	-5,908
Other non-current liabilities	1,680	2,019	2,072	+52
<b>Total liabilities</b>	62,060	68,553	65,137	-3,416
Shareholders' equity	71,260	80,430	82,348	+1,918
Other	3,191	3,535	3,569	+34
<b>Total net assets</b>	74,452	83,965	85,918	+1,952
<b>Total liabilities and net assets</b>	136,512	152,519	151,056	-1,463

## Real Estate Revitalization Business (Replanning and Rental Buildings)

### <Replanning Business>

- The number of sales was 5 (-5 YoY), which is in line with the plan. It is the reaction for previous first quarter, in which the property sales (10 out of 24) was concentrated.
- Average business period was 458 days (-194 days YoY). Compared with the previous first quarter, which mainly sold medium- to long-term properties, there were a lot of short-term properties sold in this period. As a result, the business period becomes short. We continue to achieve high capital efficiency by focusing on business period.
- Maintained a high profit margin, although it is decreased YoY due to the sales of medium- to long-term properties in the previous first quarter.

(Unit: million yen)	FY2023/3 Apr. – Jun.	FY2024/3 Apr. – Jun.	Increase/ decrease
<b>Net sales</b>	18,582	7,693	-58.6%
Replanning Business	18,062	7,083	-60.8%
Rental Building Business	519	609	+17.2%
<b>Segment profit (Note 1)</b>	7,087	2,047	-71.1%
Replanning Business	6,955	1,911	-72.5%
Rental Building Business	132	135	+2.7%
<b>Profit margin</b>	38.1%	26.6%	-11.5%pt
Replanning Business	38.5%	27.0%	-11.5%pt
Rental Building Business	25.5%	22.3%	-3.1%pt
<b>Number of properties sold</b>	10 cases	5 cases	-5 cases
<b>Number of stocks at the end of FY</b>	47 cases (Note 2)	57 cases (Note 2)	+10cases



(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.

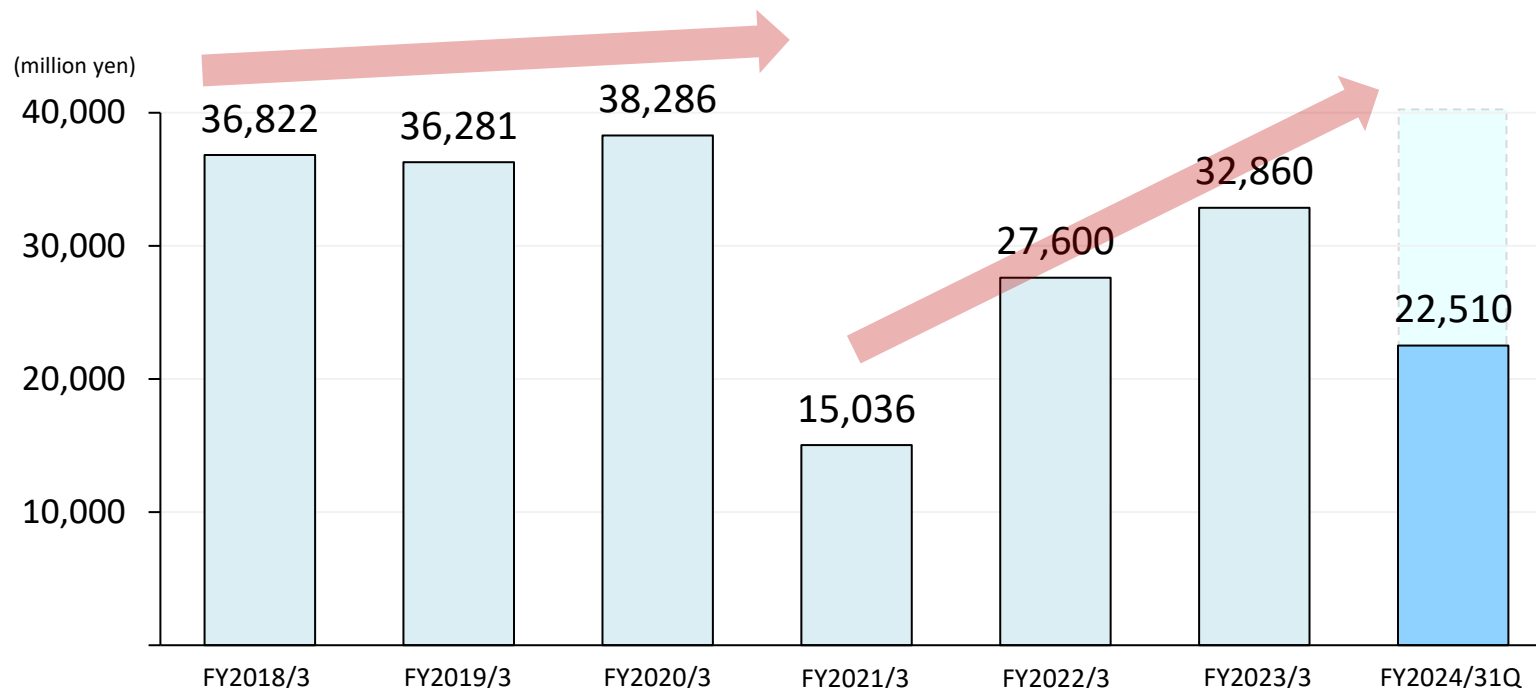
## Real Estate Revitalization Business

### <Replanning Business>

Properties purchased, which is keeping strengthening, was 22.5 billion yen (including contracted but unsettled properties), which is +9.65 billion yen YoY.

It is faster than the before of the pandemic of COVID-19.

(Unit: million yen)	FY2023/3 Apr. – Jun.	FY2024/3 Apr. – Jun.	Increase/ decrease
Number of properties purchased	10 cases	24 cases	+14 cases
(of which, contracted and unsettled)	7 case	9 cases	+2 cases
Purchase amount	12,860	22,510	+9,650
(of which, contracted and unsettled)	9,560	12,590	+3,030



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

# Operating Results by Business Segment

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



## Real Estate Services Business

### <Property Management and Building Maintenance>

- Net sales and profit increased in PM Business due to an increase in number of entrusted buildings.
- Net sales in BM Business were flat, profit decreased due to the increasing costs.

### <Brokerage>

- Sales and profit increased in leasing brokerage by meeting needs for relocation and expansion.
- Net sales and profit of Sales brokerage decreased due to the reaction of the previous first quarter in which brokered large-scale projects. It is also a reason for the decrease of profit margin in Real Estate Service.

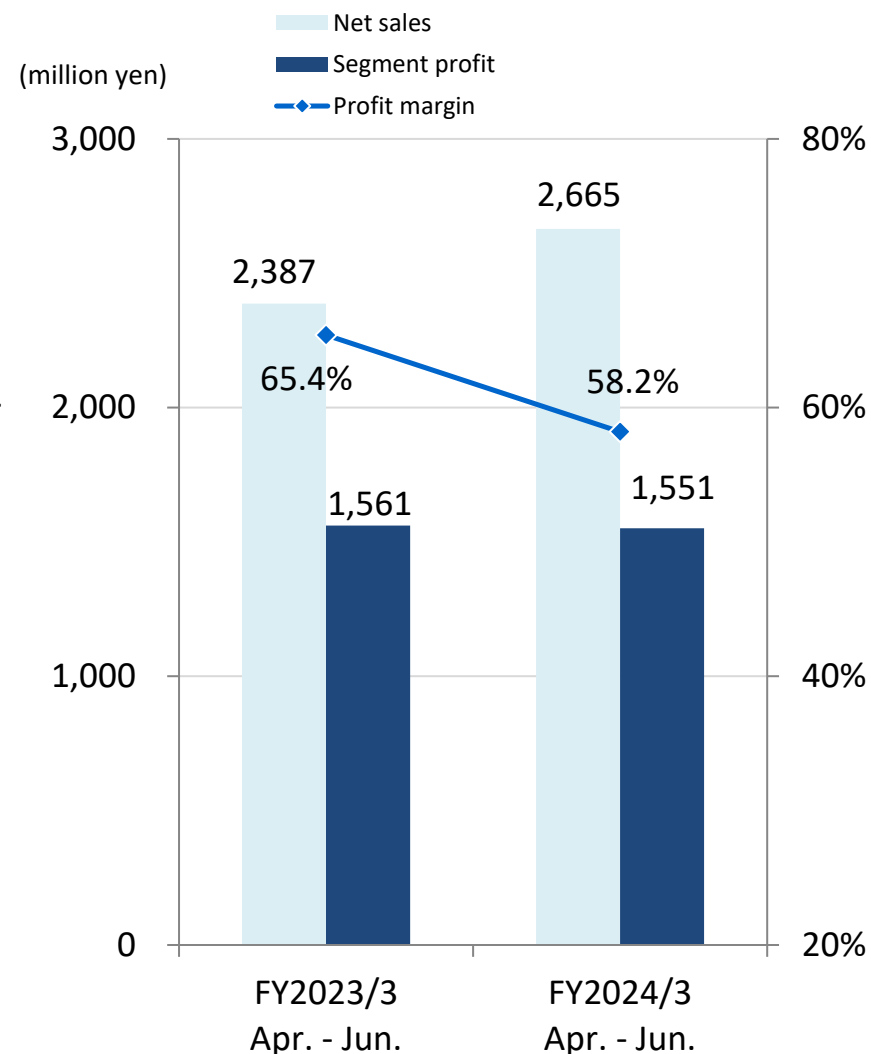
### <Rental Conference Room>

- Both net sales and profit increased due to the recovery of the demand and the expansion of new sites and floor space.

### <Rent Guarantee>

- Although there was a reactional decrease due to the intra-group transactions in the previous first quarter, the number of new contracts increased, so the result remained steady.

(Unit: million yen)	FY2023/3 Apr. – Jun.	FY2024/3 Apr. – Jun.	Increase/ decrease
Net sales	2,387	2,665	+11.6%
Segment profit	1,561	1,551	-0.6%
Profit margin	65.4%	58.2%	-7.2%pt





# Operating Results by Business Segment



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

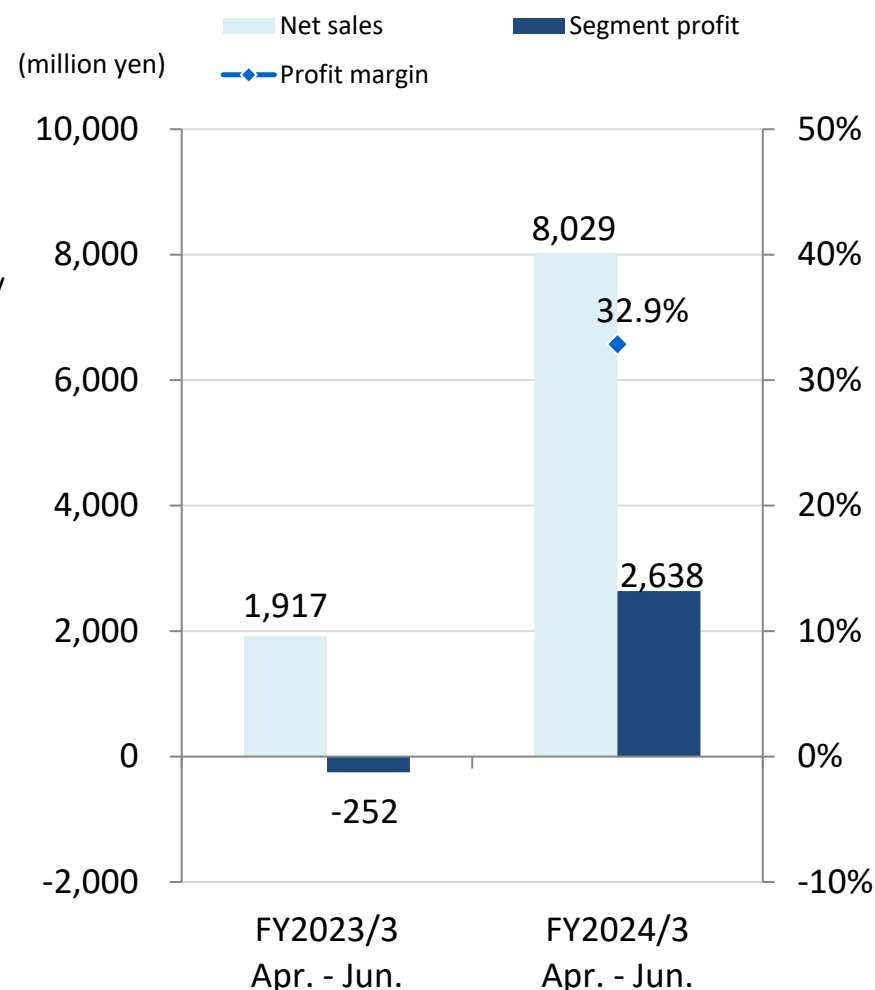
### <Hotel Development Business>

- Completed the sale of hotel property contracted in the previous fiscal year as scheduled. It is contributed to the business performance significantly.

### <Hotel Operation Business>

- Net sales and profit increased due to the improvement in occupancy rates and average daily rates at all hotels under operating according to the remarkable recovery of tourism demand.

(Unit: million yen)	FY2023/3 Apr. – Jun.	FY2024/3 Apr. – Jun.	Increase/ decrease
Net sales	1,917	8,029	+318.7%
Hotel Development Business	0	5,270	—
Hotel Operation Business, etc.	1,917	2,759	+43.9%
Segment profit	-252	2,638	—
Hotel Development Business	-30	2,173	—
Hotel Operation Business, etc.	-222	465	—
Profit margin	—	32.9%	—
Hotel Development Business	—	41.2%	—
Hotel Operation Business, etc.	—	16.8%	—



(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.)

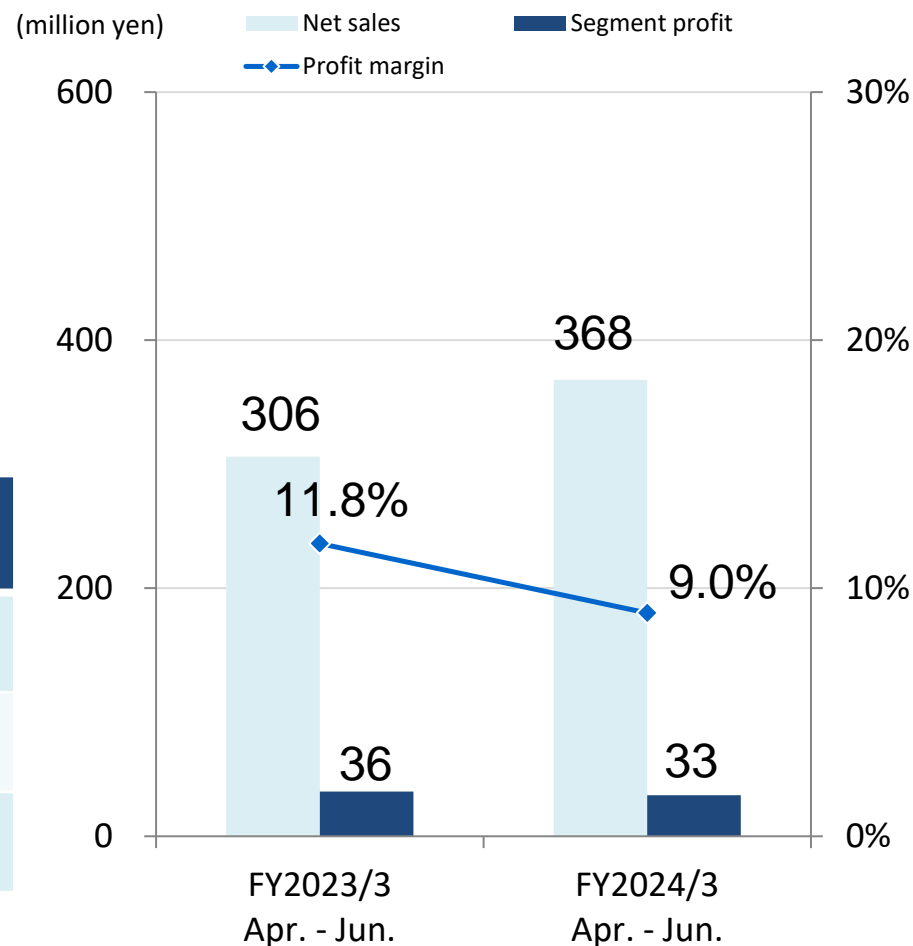
### <Construction Business>

- Net sales increased due to the completion of orders and the start of new construction, but profit decreased due to an increase in costs.

### <Overseas Development Business>

- Continue to focus on arranging new project.

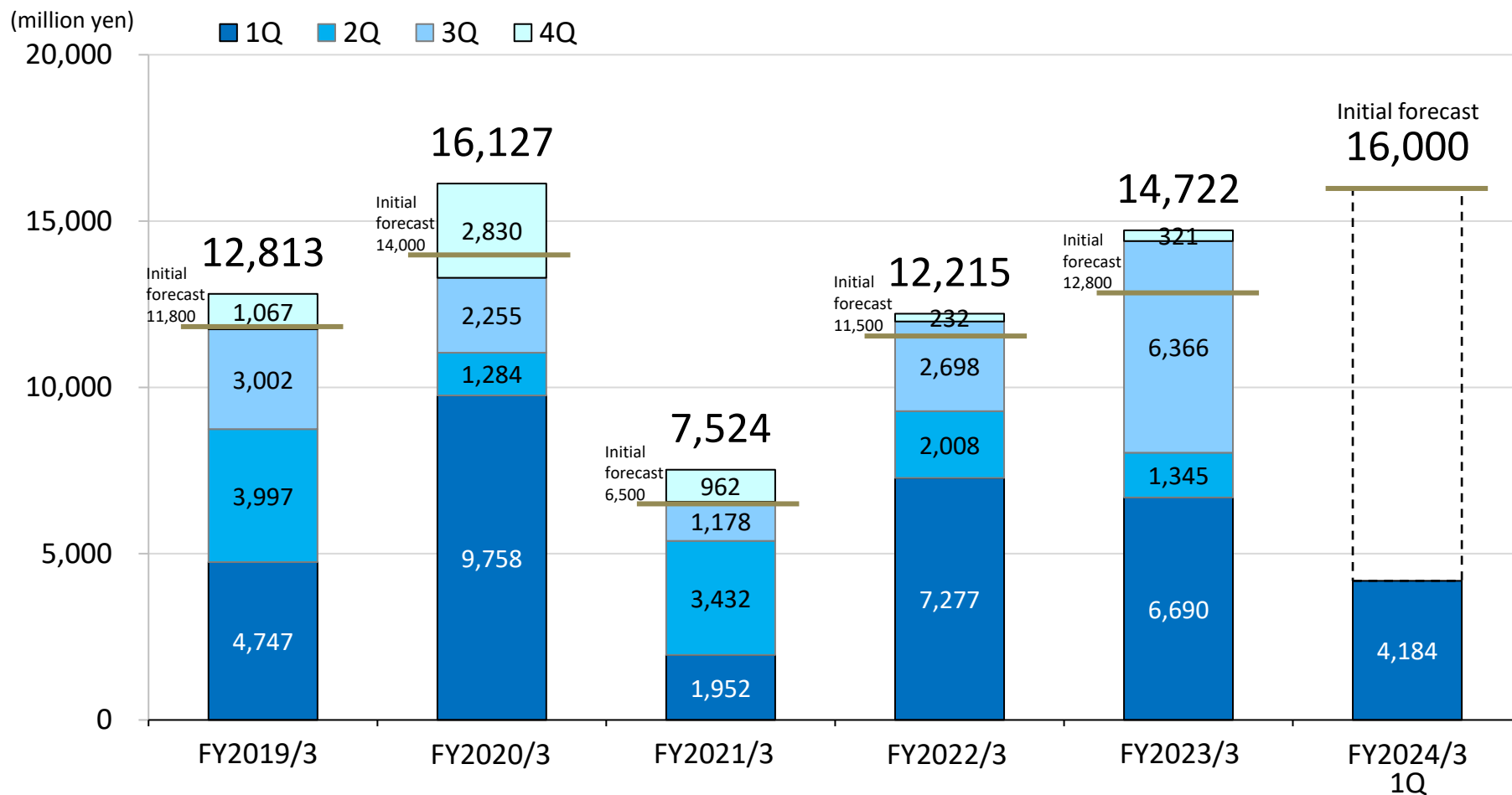
(Unit: million yen)	FY2023/3 Apr. – Jun.	FY2024/3 Apr. – Jun.	Increase/ decrease
Net sales	306	368	+20.4%
Segment profit	36	33	-8.1%
Profit margin	11.8%	9.0%	-2.8%pt



(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.

# Trends in Ordinary Profit for recently 5 fiscal years

Against the Forecast for FY2024/3, the results for 1Q was progressed smoothly as scheduled.



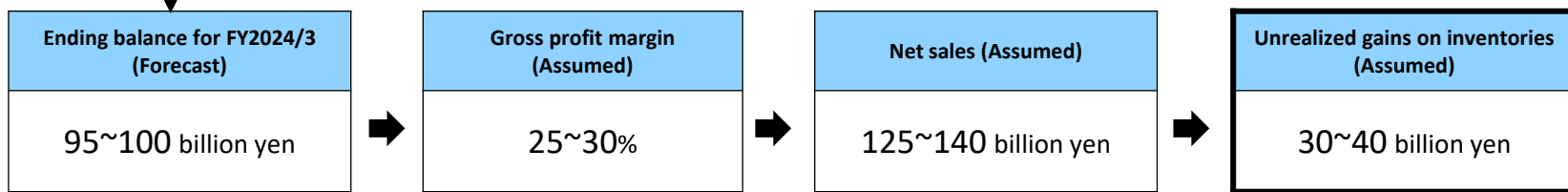
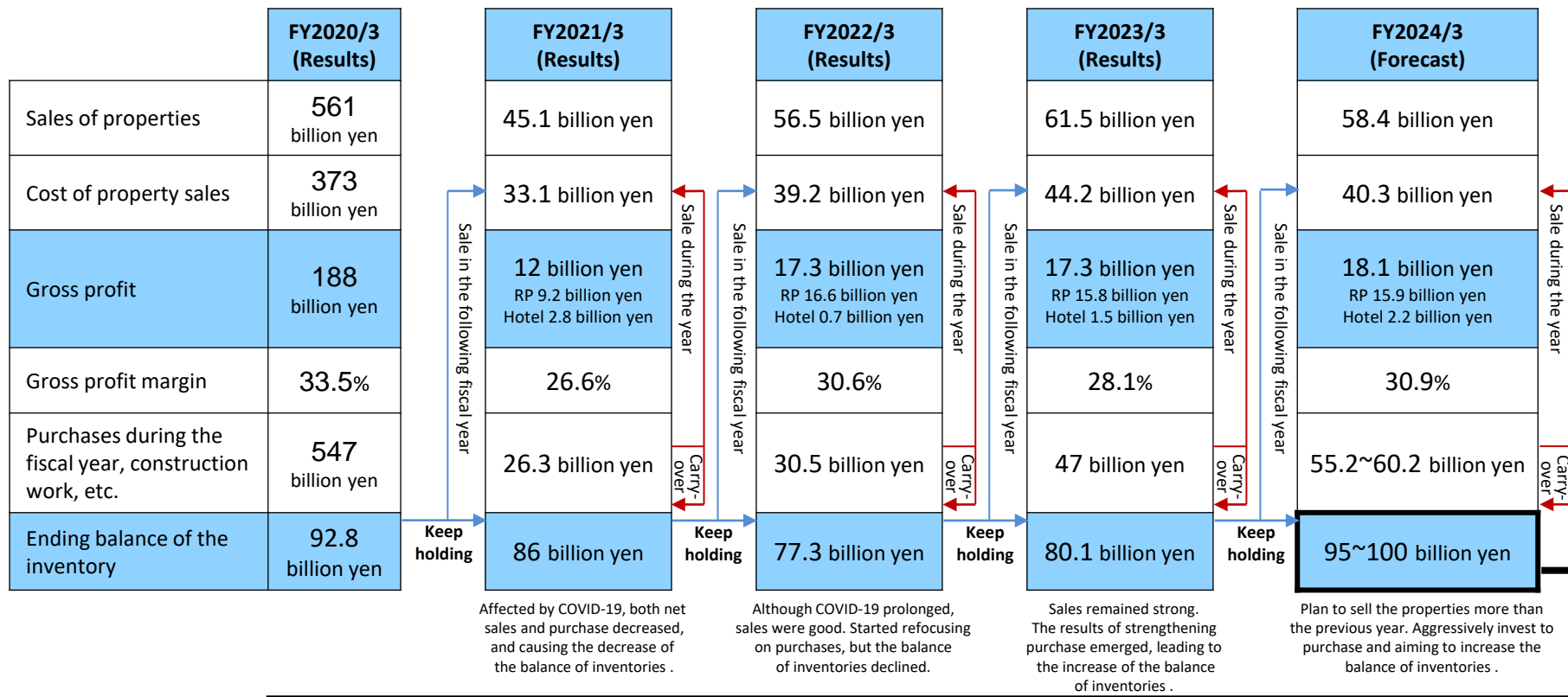
# Progress against Forecast for FY2024/3

Strong started for 1Q due to the completion of the sale of hotel and the remarkable recovery of demand for hotel operating. Office Business progressed steadily as planned.

(Unit: million yen)	Results for FY2023/3	Forecast for FY2024/3	1Q Results for FY2024/3	Progress Rate
Net sales	82,777	83,000	18,452	22.2%
(1) Real Estate Revitalization Business	50,066	55,100	7,693	14.0%
Replanning	47,995	53,000	7,083	13.4%
Rental building	2,070	2,100	609	29.0%
(2) Real Estate Service Business	8,843	10,000	2,665	26.7%
(3) Hotel and Tourism Business	22,967	16,900	8,029	47.5%
Hotel Development Business	13,500	5,400	5,270	97.6%
Hotel Operation Business, etc.	9,467	11,500	2,759	24.0%
(4) Other	1,788	1,860	368	19.8%
Adjustments	-887	-860	-303	—
Gross profit	22,805	25,300	6,306	24.9%
(1) Real Estate Revitalization Business	16,122	16,400	2,261	13.8%
Replanning	15,722	15,900	2,125	13.4%
Rental building	399	500	135	27.0%
(2) Real Estate Service Business	4,898	5,400	1,557	28.8%
(3) Hotel and Tourism Business	1,907	3,800	2,665	70.1%
Hotel Development Business	1,506	2,200	2,200	100.0%
Hotel Operation Business, etc.	400	1,600	465	29.1%
(4) Other	337	400	45	11.3%
Adjustments	-461	-700	-223	—
Selling, general and administrative expenses	7,900	8,800	2,099	23.9%
Operating profit	14,722	16,000	4,184	26.2%
Ordinary profit	11,612	11,000	3,134	28.5%

# Trends in Inventories and Gross Profit of Property Sales

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



# Business Environment Awareness

## 1. World economy remained uncertain about economic slowdown due to the prolonged war in Ukraine crisis and interest rate hikes to curb inflation.

The IMF raised its forecast for the world economy's real growth rate to 3.0%, but still keeping in low.

The U.S. Federal Reserve continues to raise interest rates. However, it is expected for a soft landing without meeting recession.

## 2. Japanese economy expected to recover due to the easing of supply constraints and the recovery of inbound consumption.

There is a sign of recovery in personal consumption and facility investment since COVID-19 was shifted to Category 5.

Although the Bank of Japan has revised its policy of manipulating short-term and long-term interest rates, it is still easing the monetary policy to achieve a stable 2% of inflation rate.

## 3. Central Tokyo office building market continues hybrid work styles with both commuting and teleworking.

Average vacancy rate of central Tokyo offices remained flat and average rents continued to decrease moderately, partly due to an increase in new building completions.

Although institutional investors' appetite for investment is generally strong, attention should be paid to a rise in interest rates due to monetary tightening.

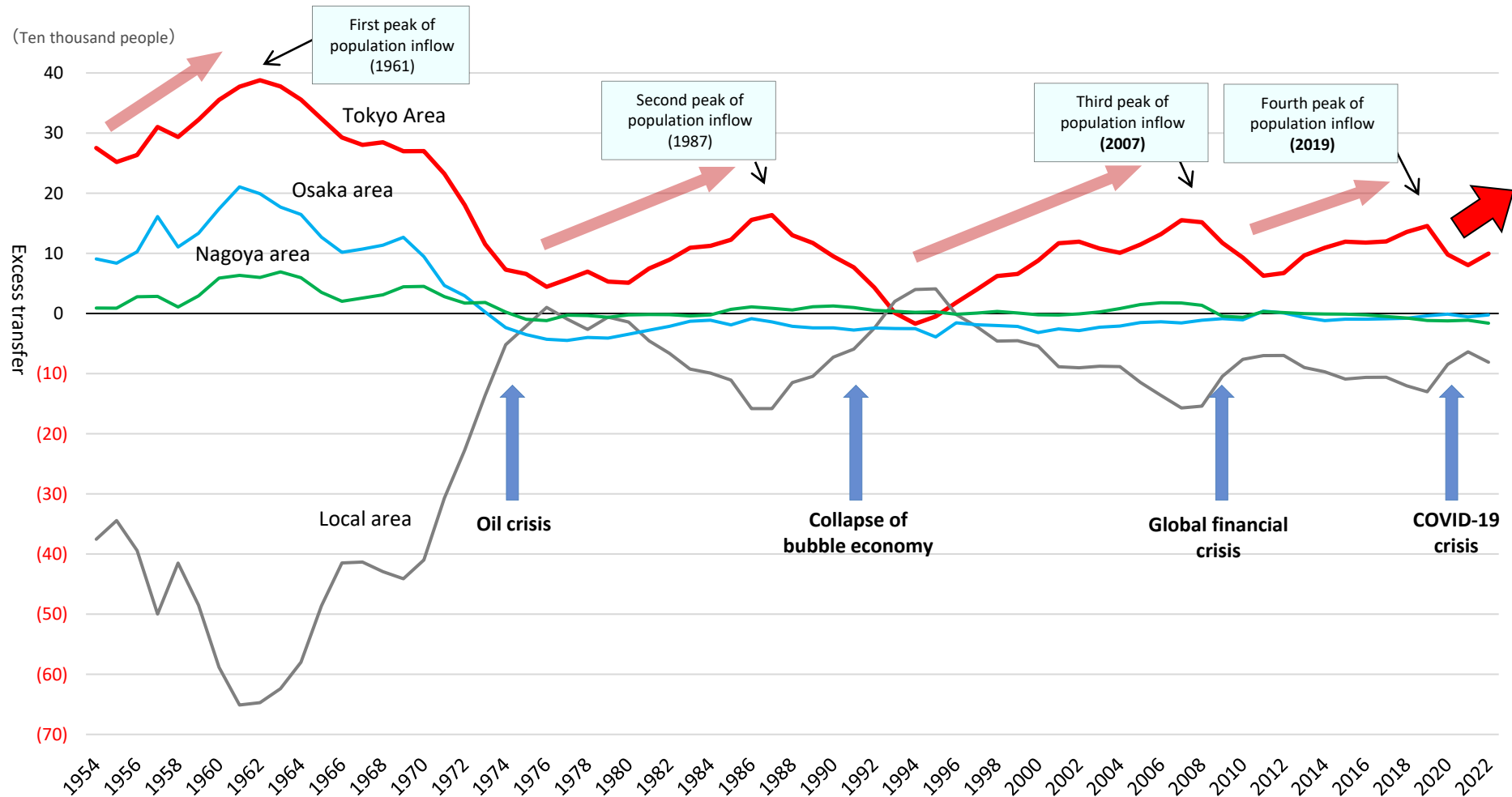
## 4. In the hotel and tourism market, tourism demand is recovering. Continuing to expect for the inbound demand.

Domestic travel and inbound demand are both recovering. The number of overnight guests has exceeded of 2019 which is before the pandemic of COVID-19.

As tourism demand is rapidly recovering, there is a need to cope with labor shortages and over tourism.

# Population Movements in the Three Major Metropolitan Areas and Local Areas

In 2022, the number of people moving into the Tokyo area started to increase again, and the trend of population concentration remains unchanged.

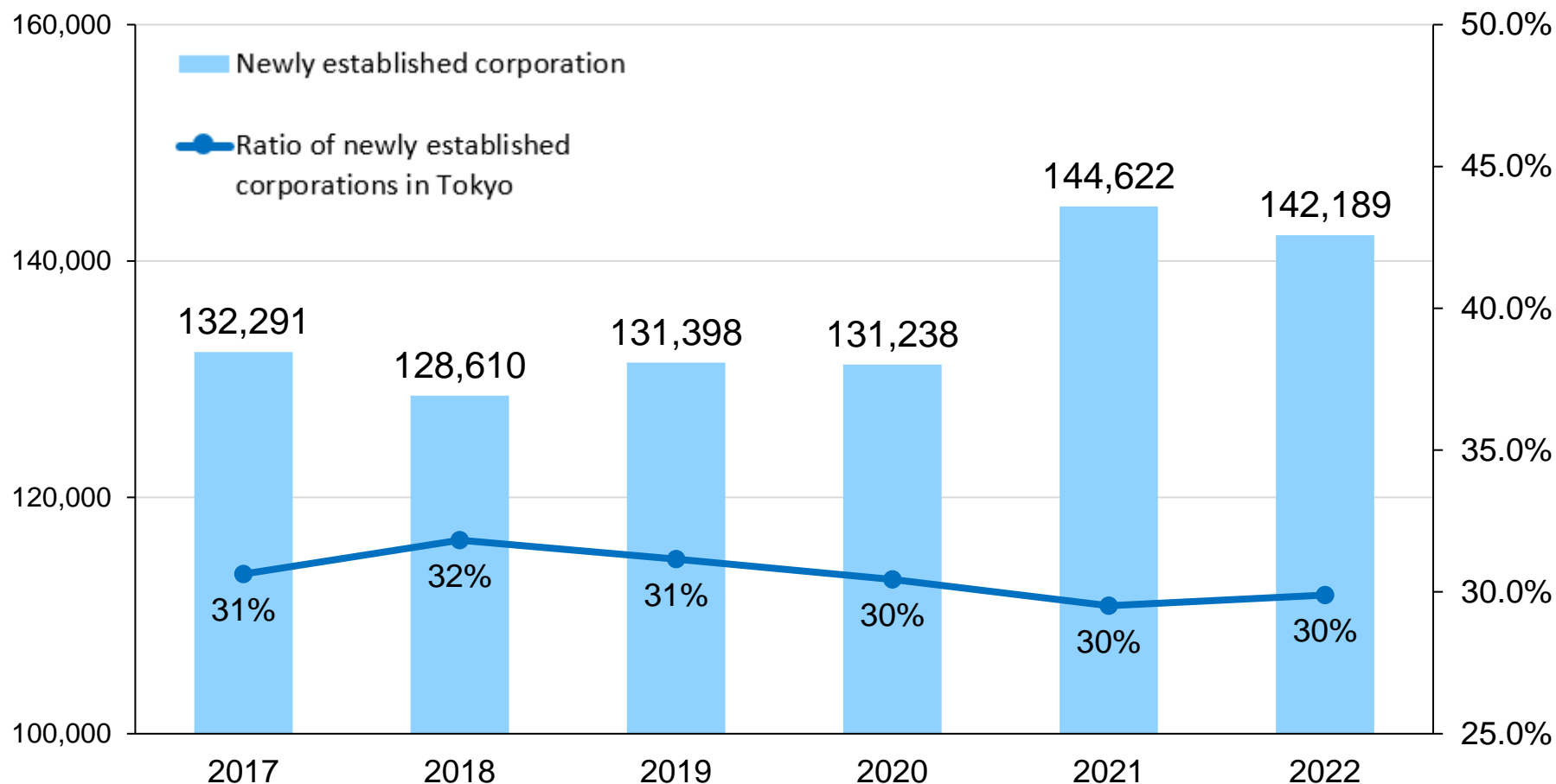


Source: Prepared by the Company based on Statistics Bureau, Ministry of Internal Affairs and Communications, "Number of New Residents by Address Before and After"

# Trend of Number of Newly Established Corporations

The number of newly established corporations is on an increasing trend. The ratio of newly established corporations in Tokyo keep in high.

(Companies)



Source: Compiled by the Company based on "National Trends of Newly Established Corporations" by Tokyo Shoko Research, Ltd.



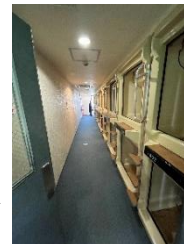
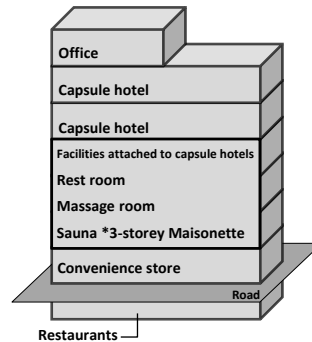
# Replanning Business, Examples of Initiatives (1)

Converted a 38-year-old commercial building into an office building and sold it as a highly profitable building.



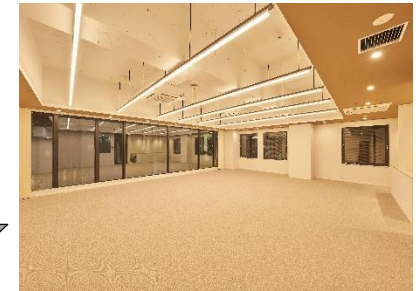
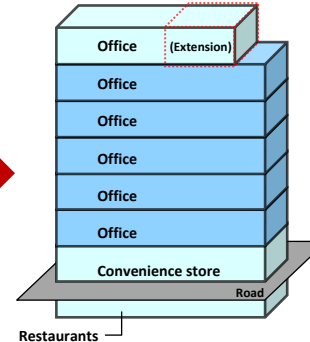
**[Building appearance (after replanning)]**  
Kandamisaki-cho, Chiyoda-ku, Tokyo  
Steel-framed reinforced concrete,  
7 stories high with 1 basement

Before



Capsule hotel

After



Office space



Reception space of  
the former hotel



Bathroom



EV hall



Office lounge



Lavatory

Although it was difficult for new tenants to move into the building due to the remaining accommodation facilities and bathrooms of the capsule hotel, the building was turned into an office building with high-occupancy and high-profitability by value-up. We also entrusted the property management from the client after the sale.

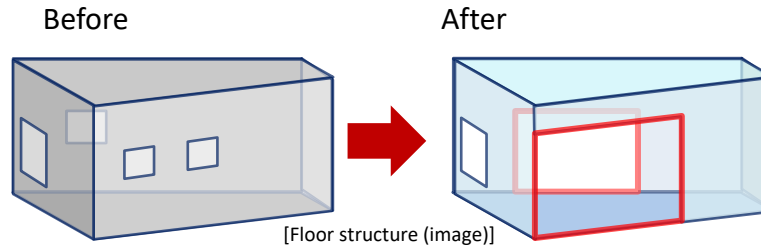


# Replanning Business, Examples of Initiatives (2)

Converted a dormitory into an office, and the wall renovated with large windows create a bright space.



**[Building appearance (after replanning)]**  
Iidabashi, Chiyoda-ku, Tokyo  
Steel structure, 9 stories



Small windows that cannot see the outside



Dark floor without sunlight



Spacious floors with high ceilings and large windows



There are no buildings in the front and back, so the view is good



Bright and functional conference room



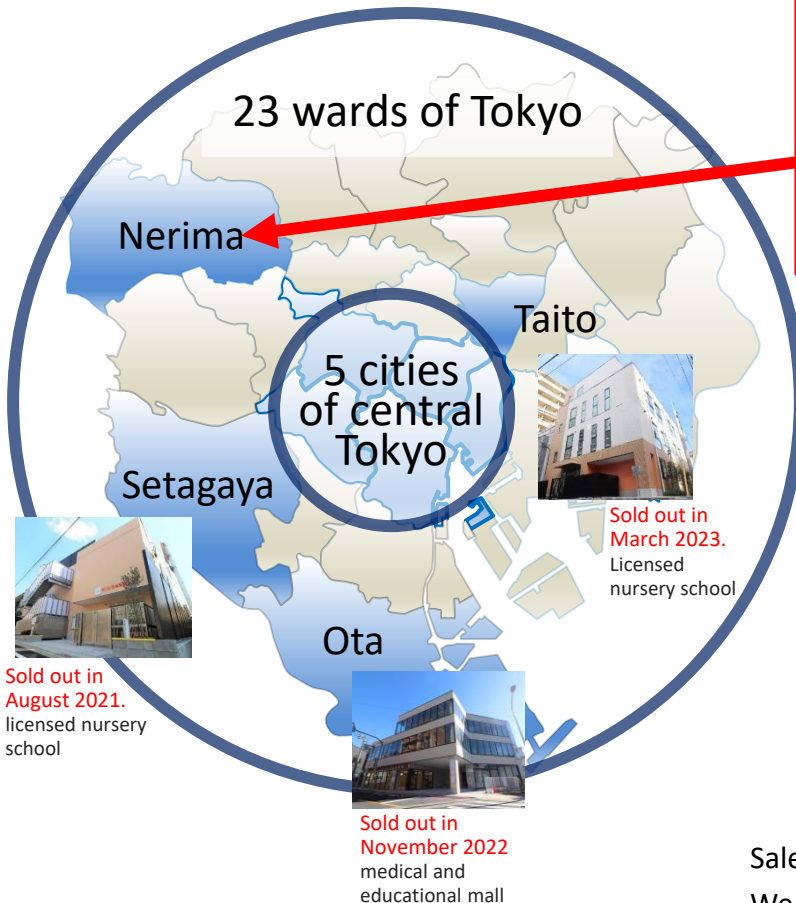
Equipped with separate toilets for male and female

Dark rooms with small windows have been refurbished with large windows on the wall, renewing the lighting and view. Value up into a building combined design and functionality. Tenant move-in progressed, and the building was sold as a highly profitable building.



## 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.

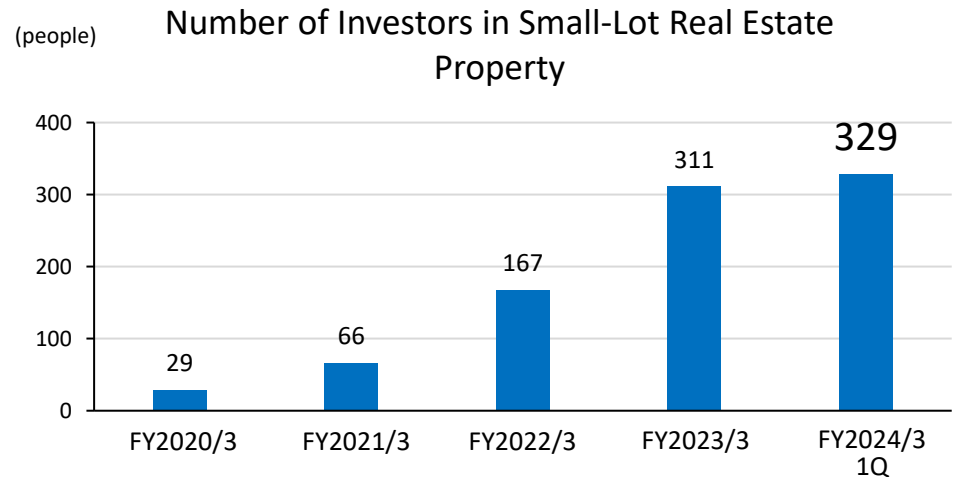


### Compass Nerima

**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

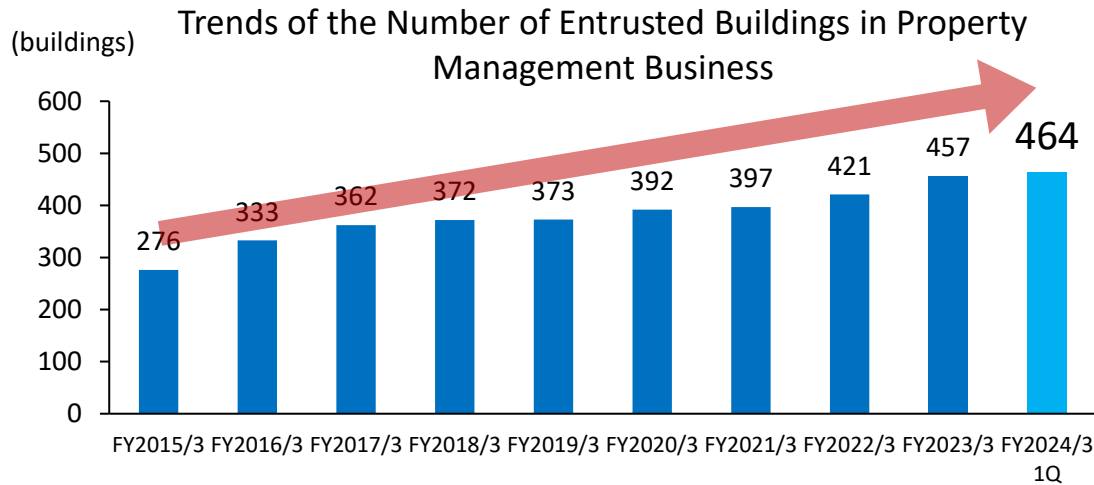
In line with SDGs and ESG investments, including eliminating the problems of children waiting for admission and promoting women's activities.



Sales network (tax accountants and financial institutions) is over 180 companies.  
 We are expanding and aiming to reach over 200 companies.

# Real Estate Service Business Continues to Expand Its Customer Base

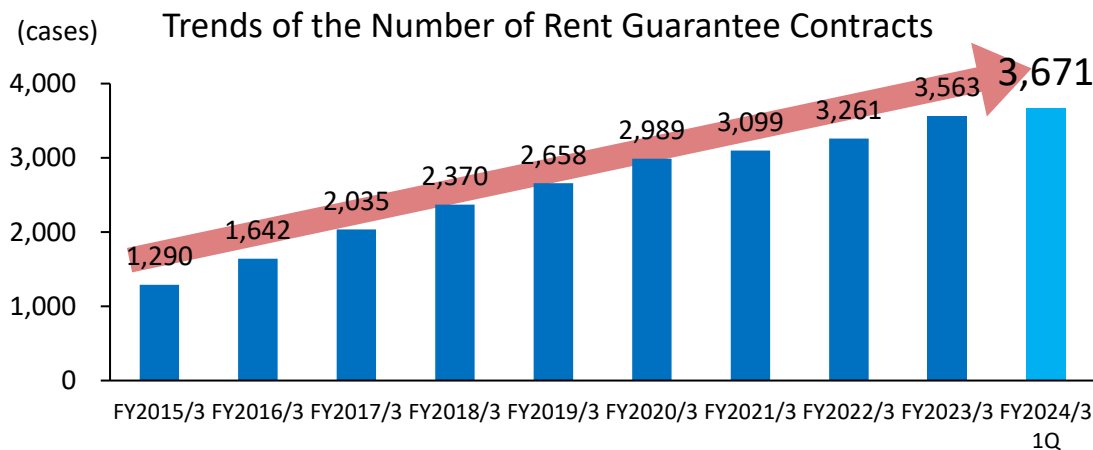
Increase the clients of Real Estate Service Business, which specializes in the central Tokyo area, and strengthens the business base.



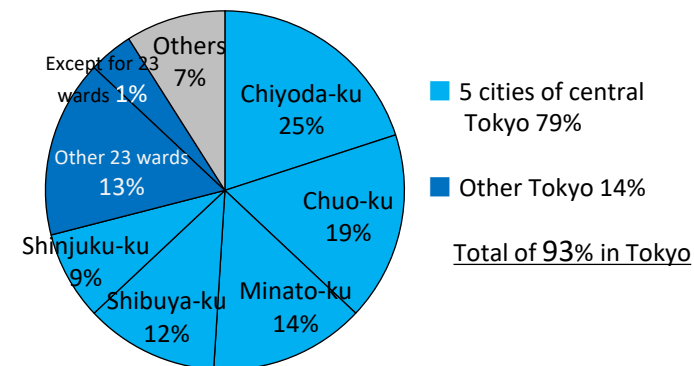
【Property Management entrusted property distribution】



Entrusted properties of the Company



【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

New sites opened and expanded in April is operating well. A new site is scheduled to open in Nihonbashi in September.

### ◆ Network of Vision Center Sites



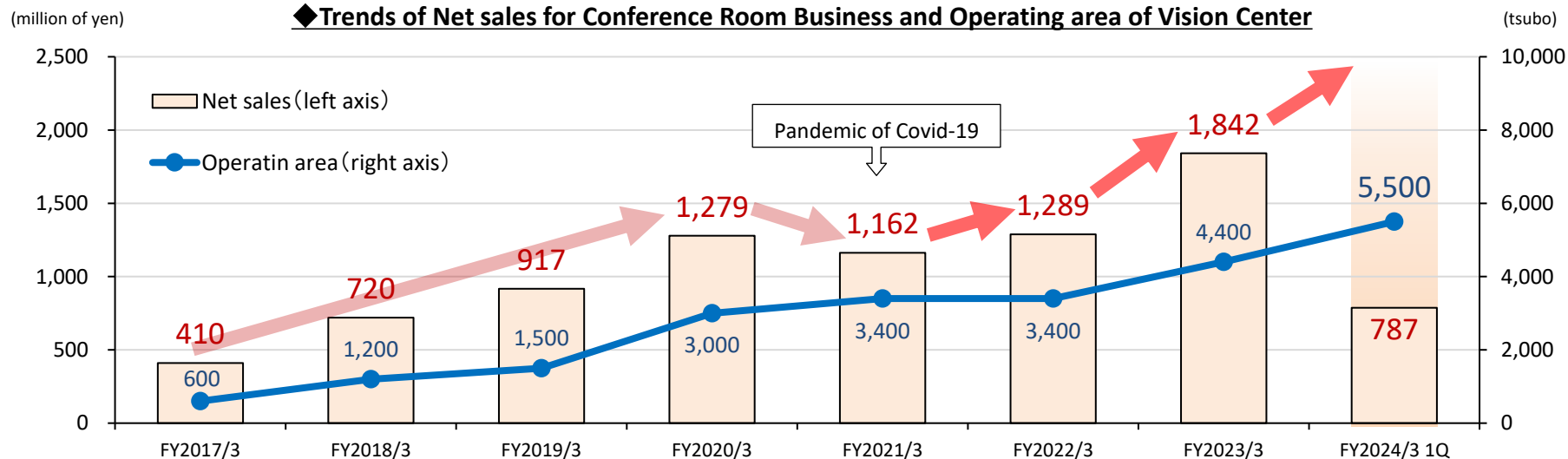
### ◆ Sites of new open and expand

Vision Center Tokyo Nihonbashi	Scheduled to open on Sep. 1
Vision Center Ichigaya	Apr. 3 opened
Vision Center Tokyo Yaesu	Apr. 10 opened
Vision Center Nihonbashi(Mitsukoshimae)	Apr. 1 opened
Vision Center Tokyo Kyobashi	Apr. 1 expanded
Vision Center Nishishinjyuku	Apr. 24 expanded



2 minutes walk from Nihonbashi Station,  
5 minutes walk from Tokyo Station.  
1,133.8 square meters for total floor area.

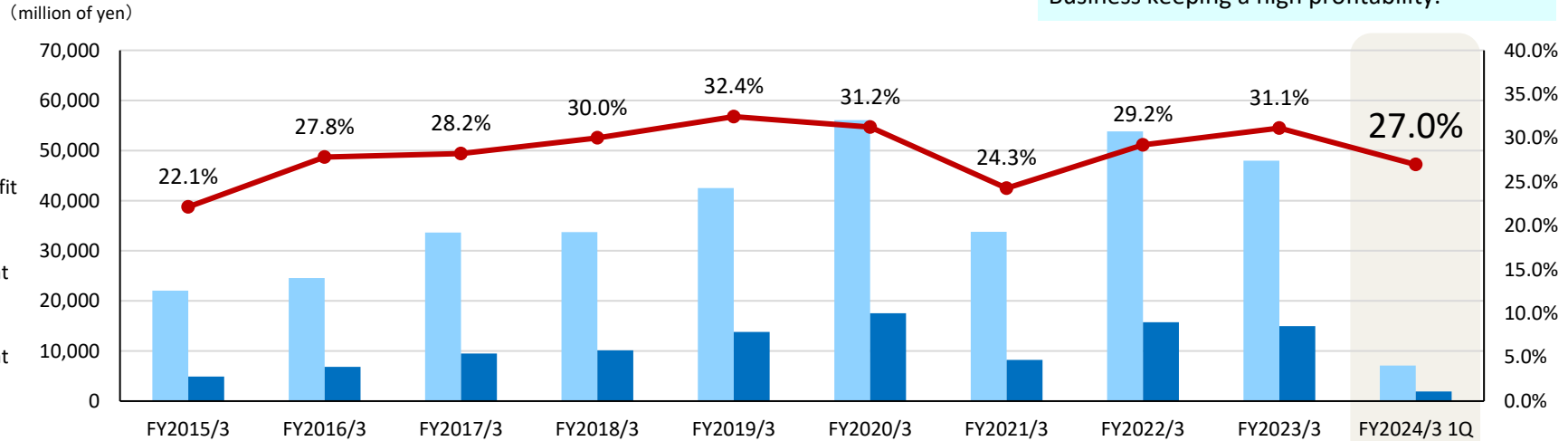
### ◆ Trends of Net sales for Conference Room Business and Operating area of Vision Center



# Office Building Business Keep in High Profitability

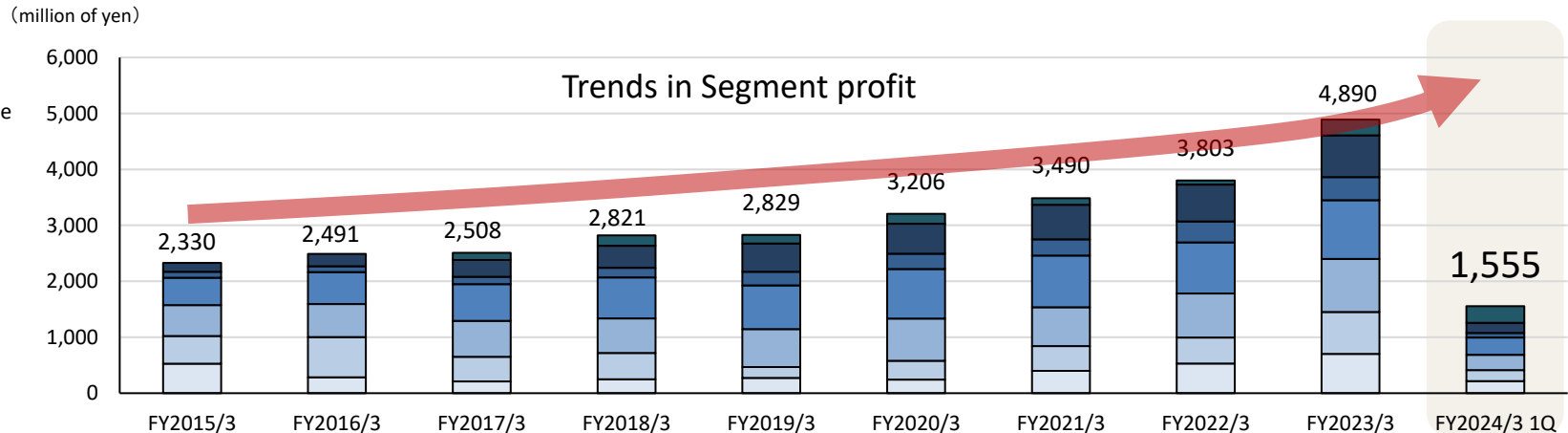
## ● Replanning Business maintains high profit margin

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



## ● Steady Growth in Real Estate Service Business

Steady start for 1Q. Aiming to consecutive record high profits.



## Plan to Invest in Hotel Development actively.

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

(As of August 2023)

### <Number of rooms>

Operating	2,373 rooms
Renewing & planning	631 rooms
<b>Total</b>	<b>3,004 rooms</b>



Luxury Class	
Sora Niwa Terrace Kyoto Bettei	32 rooms
Hiyori Ocean Resort Okinawa	203 rooms
Hakone Condominium Hotel (on planning)	60 rooms

Upper Class	
Sora Niwa Terrace Kyoto	102 rooms
SADO RESORT HOTEL AZUMA	52 rooms
SADO NATIONAL PARK HOTEL OOSADO	72 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 Ishikari (on planning)	180 rooms
DONDEN Highland	11 rooms

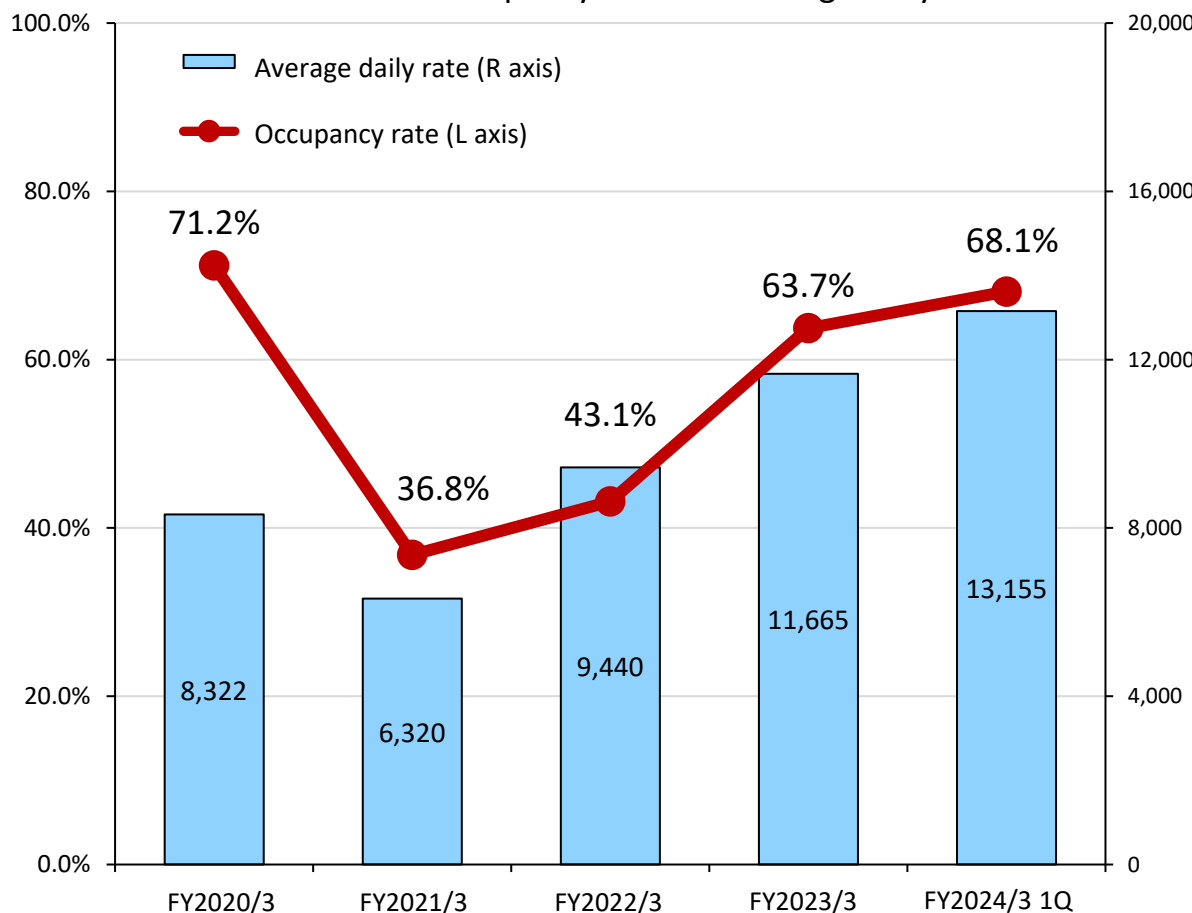
Upper Middle Class	
HIYORI HOTEL MAIHAMA	80 rooms
HIYORI HOTEL OSAKA NAMBA STATION	224 rooms
Tabino Hotel lit Matsumoto	176 rooms
Tabino Hotel lit Miyakojima	111 rooms
Tabino Hotel Villa Miyakojima	4 rooms
Spring Sunny Hotel Nagoya Tokoname Station	194 rooms
Tabino Hotel live Sado (2023.6.23 OPEN)	8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

Budget Class	
SKY HEART Hotel Narita (on renewing)	100 rooms
SKY HEART Hotel Koiwa	105 rooms
SKY HEART Hotel Kawasaki	200 rooms
SKY HEART Hotel Hakata	157 rooms
SKY HEART Hotel Shimonoseki	102 rooms

# Improvement in Occupancy Rate and Average Daily Rate

Strengthening initiatives for the realization of a heartwarming and fun hotel and a sustainable society.

Trends in occupancy rate and average daily rate



(yen)



Aiming to be certified as SDGs Partners in all hotel.

【certified hotel】

Hiyori Ocean Resort Okinawa
HIYORI HOTEL MAIHAMA
HIYORI HOTEL OSAKA NAMBA STATION
Tabino Hotel Sado
Tabino Hotel Hida Takayama
Tabino Hotel Kurashiki Mizushima
Tabino Hotel lit Matsumoto
Tabino Hotel lit Miyakojima
Tabino Hotel Villa Miyakojima
SADO RESORT HOTEL AZUMA
SADO NATIONAL PARK HOTEL OOSADO
DONDEN Highland





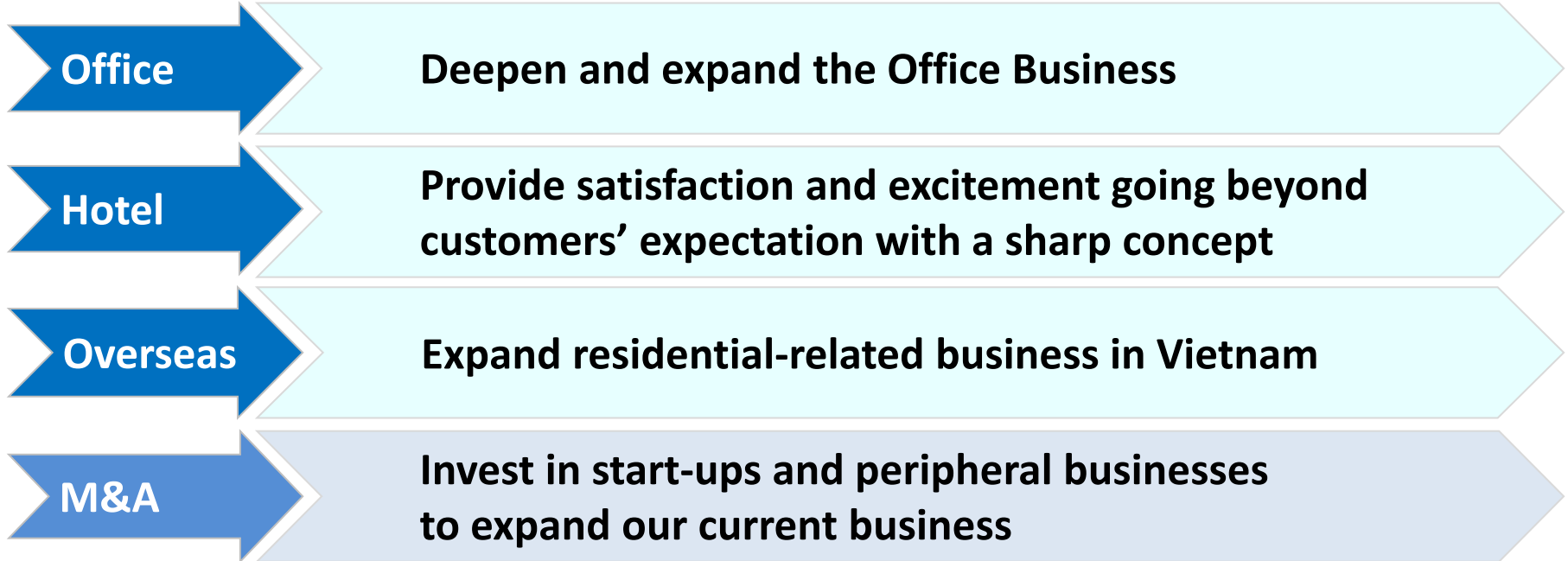
# Medium-term Management Plan

# 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 1Q Results	FY2024/3 Forecast	FY2025/3 Target
<b>Net sales</b>	18.4 billions yen	83 billions yen	100 billions yen
<b>Ordinary profit</b>	4.1 billions yen	16 billions yen	20 billions yen
<b>Net profit</b>	3.1 billions yen	11 billions yen	14 billions yen
<b>Ordinary profit margin</b>	22.7%	19.4%	20%
<b>Equity ratio</b>	54.7%	Around 50%	Around 50%
<b>ROE</b>	-	12.9%	More than 10%

(100 millions of yen)

1,200

1,000

800

600

400

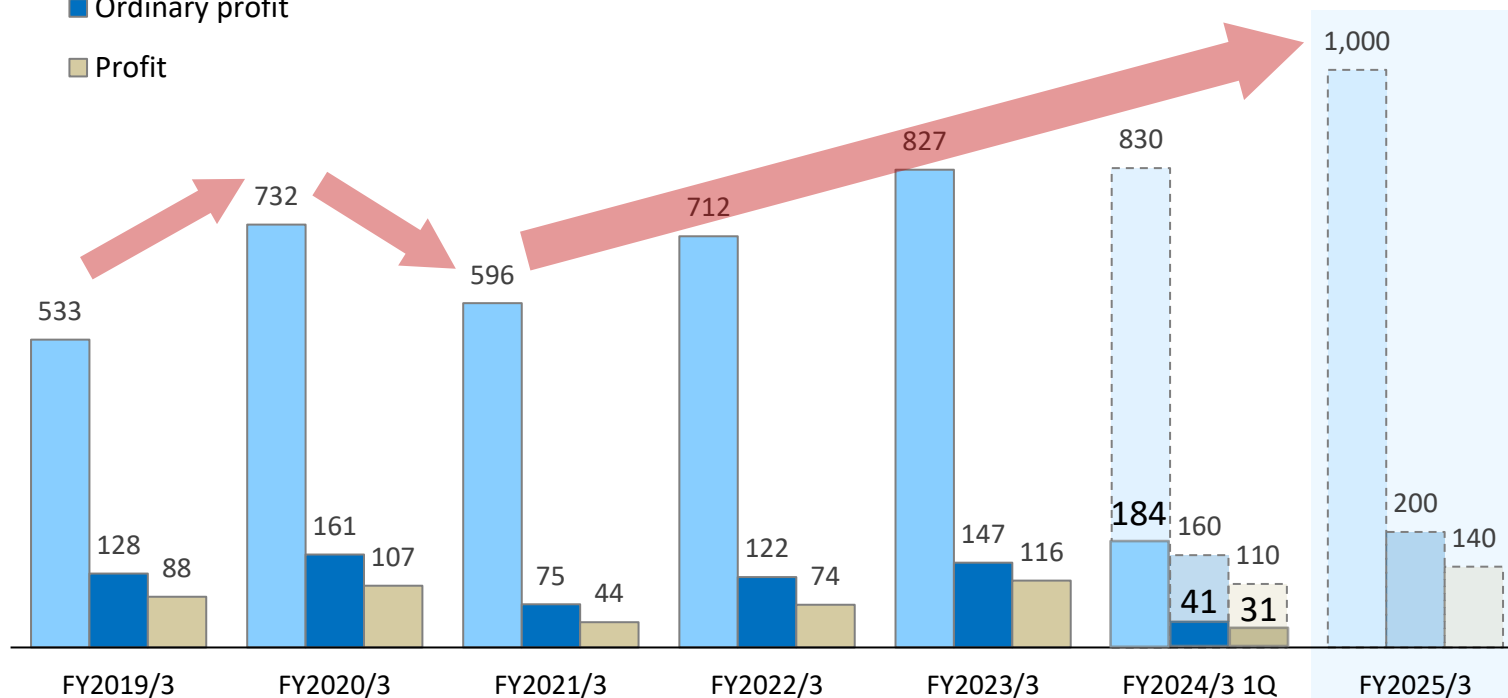
200

0

■ Net sales

■ Ordinary profit

■ Profit



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



## Office Business

Initial plan

Balance at March 31, 2021	¥72.8 billion
Investment amount	¥200.0 billion
Amount collected	¥182.8 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.

**Property sales are proceeding as planned. Strengthening purchase for future business growth.**

## Hotel Business

Initial plan

Balance at March 31, 2021	¥21.8 billion
Investment amount	¥7.0 billion
Amount collected	¥5.8 billion
Balance at March 31, 2025	¥23.0 billion

Realized recovery by selling hotel properties as planned. Opening new hotels and hotel operation is recovering rapidly.

**Progressing additional investment in areas with high demand for business and tourism.**

## Overseas Business

Initial plan

Balance at March 31, 2021	¥0.6 billion
Investment amount	¥8.0 billion
Amount collected	¥2.5 billion
Balance at March 31, 2025	¥6.1 billion

Residential development in Vietnam. Invest continuously and systematically.

**Making purchases for next development project.**

Digital ¥3.0 billion

Build data infrastructure and move on to the phase of data utilization.

M&A ¥5.0 billion

Expansion of Office, Hotel, Environment Businesses



**Improve free cash flow**

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

# Philosophy and Sustainability



# 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

Hotel and Tourism

Overseas

Environment

### Real Estate Revitalization

- Replanning
- Small-lot Property
- Rental Building

### Real Estate Service

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

### Others

- Construction

### Hotel Operating      Hotel Development

- Operating
- Development
- Revitalization
- Dales

### Shima Yume

### Region Revitalization

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

### USA (New York)

- Replanning

### Taiwan

- Sales Brokerage

### Vietnam

- Residential Development
- Residential Management

- Solar Power  
EPC, PPA

- Agrivoltaics

- Sales of power storage










- Environment value

# Sustainability Issues and Targets

## Sustainability Vision

Sustainability HP → <https://www.sunfrt.co.jp/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
<b>Environmental protection</b>	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"> <li>■ Extend the life and health of real estate</li> <li>■ Energy conservation and reduction of environmental impact by the Real Estate Revitalization Business</li> </ul>	<ul style="list-style-type: none"> <li>• Extend economic estimated useful lives by at least 30%</li> <li>• Occupancy rate of buildings over 30 years old to be 90% or more</li> <li>• Retention of management after sale of replanning property to be 90% or more</li> <li>• Reduce carbon dioxide emissions by an average of at least 12% compared to a building reconstruction project</li> <li>• 100% carbon offset</li> </ul>	  
	Revitalization of regional economies	<ul style="list-style-type: none"> <li>■ Create buildings, offices, and spaces with “job satisfaction” and “creativity” that contribute to economic growth</li> </ul>	<ul style="list-style-type: none"> <li>• Establish internal standards by the end of FY2022</li> <li>• Percentage of new supply of replanning properties that exceed the established internal standards to be 30% or more in FY2023</li> <li>• Implement tenant satisfaction surveys (for Company-owned properties)</li> </ul>	 
<b>Regional revitalization</b>	Response to massive natural disasters	<ul style="list-style-type: none"> <li>■ Prevent and mitigate disaster through regional cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• At least five lots by FY2023</li> <li>• Post disaster prevention information on the dedicated website 100% in FY2023 (for Company-owned properties)</li> </ul>	
<b>Human resource development</b>	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"> <li>■ Respect and utilize diversity</li> <li>■ Create workplaces with job satisfaction, creativity and growth opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Ratio of female management to be 12% or more by April 2025 (Sun Frontier Fudousan Co., Ltd.)</li> <li>• Training hours as a percentage of prescribed working hours to be 10% or more</li> <li>• Increase hourly recurring profit in FY ending March 2023 year-on-year (per regular employee of Sun Frontier Fudousan Co., Ltd.)</li> </ul>	  



# ESG Data

## Environment

As of June 30, 2023

Actual number of RP buildings



Total **465** buildings

**Carbon Offset**  
Cumulative total **2,796t**



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

RP construction  
**25** buildings  
**555t**



Capital and business alliance  
Promoting the use of electricity storage systems

Establishment of SF Ocean Power Generation Co., Ltd.



Capital and business alliance  
Promoting agrivoltaics



Acquired BELS for **6** properties

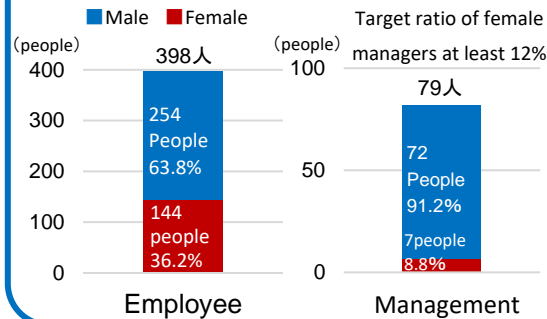
- RE100 . . . . Carbon offset using J-credit derived from renewable energy. Initiatives to become the first in Japan to introduce this system on each floor. Achieve zero Co2 emissions per tenant company.
- "Mori no Denki" . . . . Carbon offset using J-credit derived from forests. We can feel that we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

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

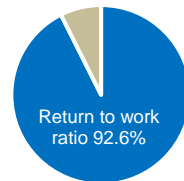
## Social

As of June 30, 2023

Ratio of male and female employees in managerial positions

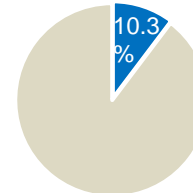


Childcare leave  
Utilization rate 100%



From childcare leave,  
92.6% return to work

Human resource development  
Training at least 10% of working hours



## Governance

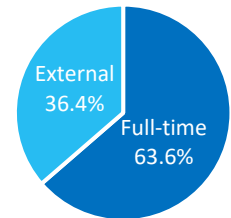
As of June 30, 2023

Transition to a company with Audit & Supervisory Committee

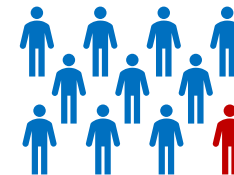
As of June 30, 2022



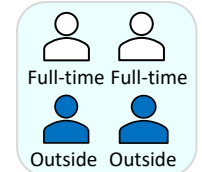
Ratio of Outside Officers 1/3 or more



Female Directors  
1 out of 11



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



Ensuring transparency and soundness

# 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: <a href="https://www.sunfrt.co.jp/ir_info/ir_doc/statement-of-accounts/">https://www.sunfrt.co.jp/ir_info/ir_doc/statement-of-accounts/</a> English: <a href="https://www.sunfrt.co.jp/en/ir_info/ir_doc/statement-of-accounts/">https://www.sunfrt.co.jp/en/ir_info/ir_doc/statement-of-accounts/</a>
IR Presentation	Disclose Japanese and English version simultaneously. Disclose Chinese version within a week after Japanese.	
Annual Securities Report	Disclose Japanese and English version.	Japanese: <a href="https://www.sunfrt.co.jp/ir_info/">https://www.sunfrt.co.jp/ir_info/</a> English: <a href="https://www.sunfrt.co.jp/en/ir_info/ir_doc/annual_securities_report/">https://www.sunfrt.co.jp/en/ir_info/ir_doc/annual_securities_report/</a>
Notice of General Meeting of Shareholders	Disclose Japanese and English version.	Japanese: <a href="https://www.sunfrt.co.jp/ir_info/annual_general_meeting/">https://www.sunfrt.co.jp/ir_info/annual_general_meeting/</a> English: <a href="https://www.sunfrt.co.jp/en/ir_info/annual_general_meeting/">https://www.sunfrt.co.jp/en/ir_info/annual_general_meeting/</a>

## IR activities

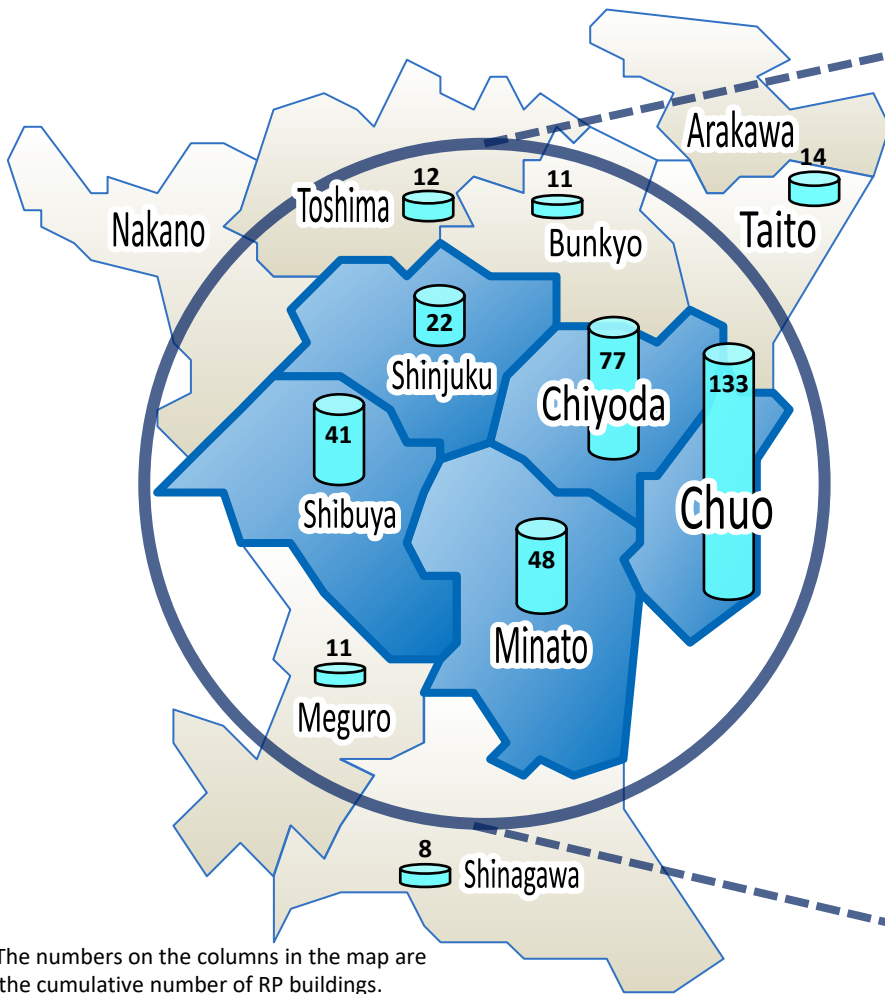
Presentation of financial results	Held every quarter by President Representative Director, Seiichi Saito.	Website for on-demand broadcast (including Q&A) <a href="https://www.sunfrt.co.jp/ir_info/ir_doc/on-demand.html">https://www.sunfrt.co.jp/ir_info/ir_doc/on-demand.html</a>
Individual IR meetings	Conducted individually as needed. (mainly handled by IR staff).	FY2024/3 1Q: 14 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).	

## 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 <a href="https://www.sunfrt.co.jp/ir_info/stockholder_benefit_plan/">https://www.sunfrt.co.jp/ir_info/stockholder_benefit_plan/</a>

# Strategy in Office Business

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

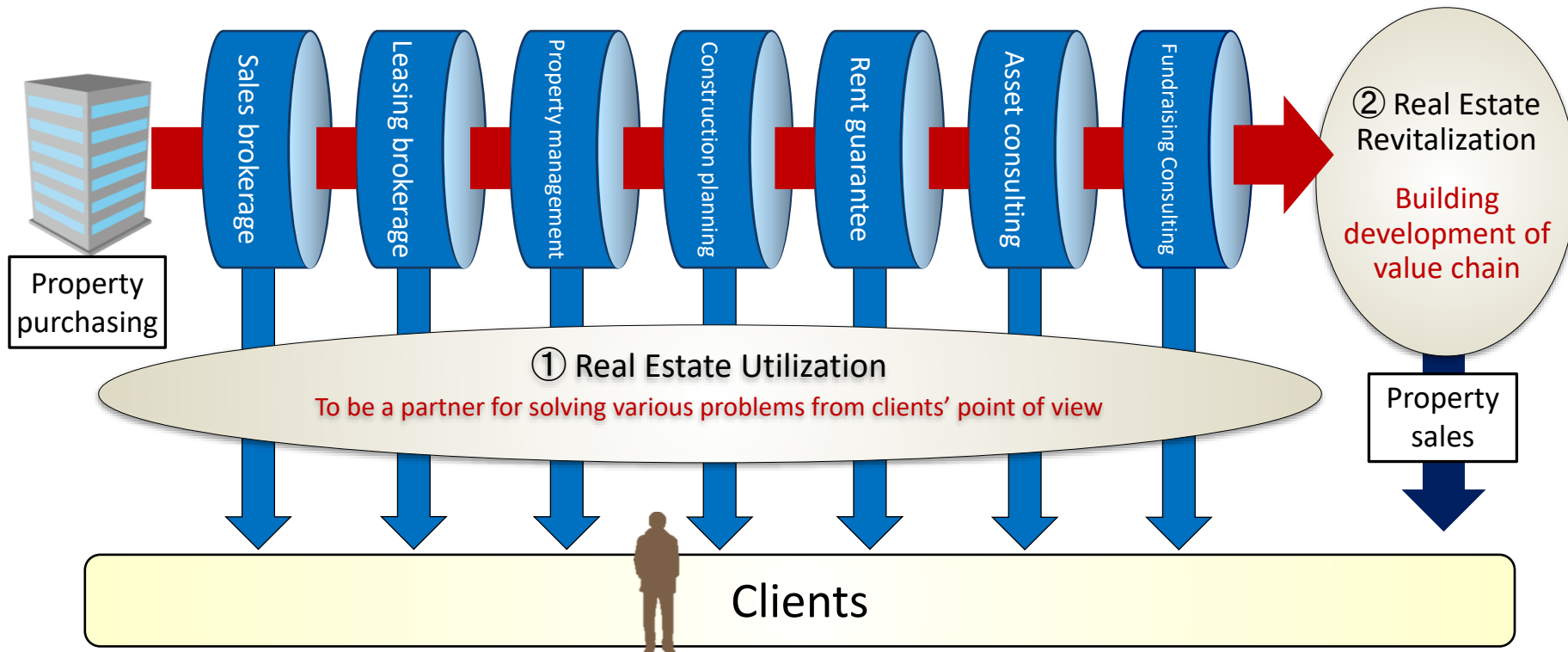


- R P** Of the total number of RP buildings, 465 buildings, 80% are in the five cities of central Tokyo and adjacent cities.  
\*As of the end of June 2023
- L M** Community-based 10 branches  
Ginza, Kanda, Nihonbashi, Kodemmacho, Kojimachi, Shinjuku, Shibuya, Gotanda, Hamamatsucho, Yokohama
- P M** Of the 464 entrusted properties, over 80% are in the five cities of central Tokyo.  
\*As of the end of June 2023
- B M** Of the 222 buildings under comprehensive management, 85% are in the five cities of central Tokyo.  
\*As of the end of June 2023
- Rent Guarantee** Of the 749 new contracts signed, 90% are in the five cities of central Tokyo.  
\*As of the end of June 2023
- Rental Conference Room** 17 of the 18 sites are in the five cities of central Tokyo.  
\*As of the end of June 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 an office set up in an office building replanned by the Company. Unlike regular office interiors, the office has reception and reception room, etc. set up, highly designed interior work in the office area, which is rented out with some equipment and 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**

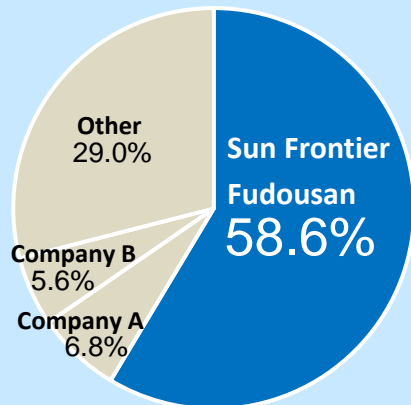
Significant cost reduction for office interiors, etc., and no interior assets recorded by tenants.

### Merit 4) **Employment, motivation and productivity improvement**

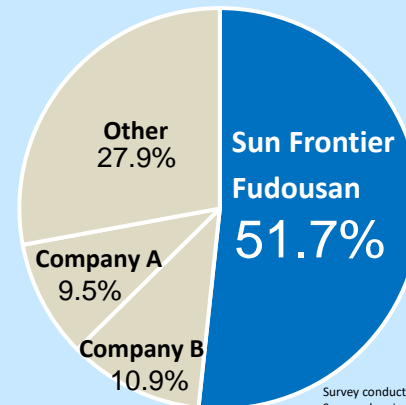
Improve employment of human resources, employee motivation, and office productivity by the office interior that pursues a high level of design, focusing on design, functionality, and various usage scenes.

## 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

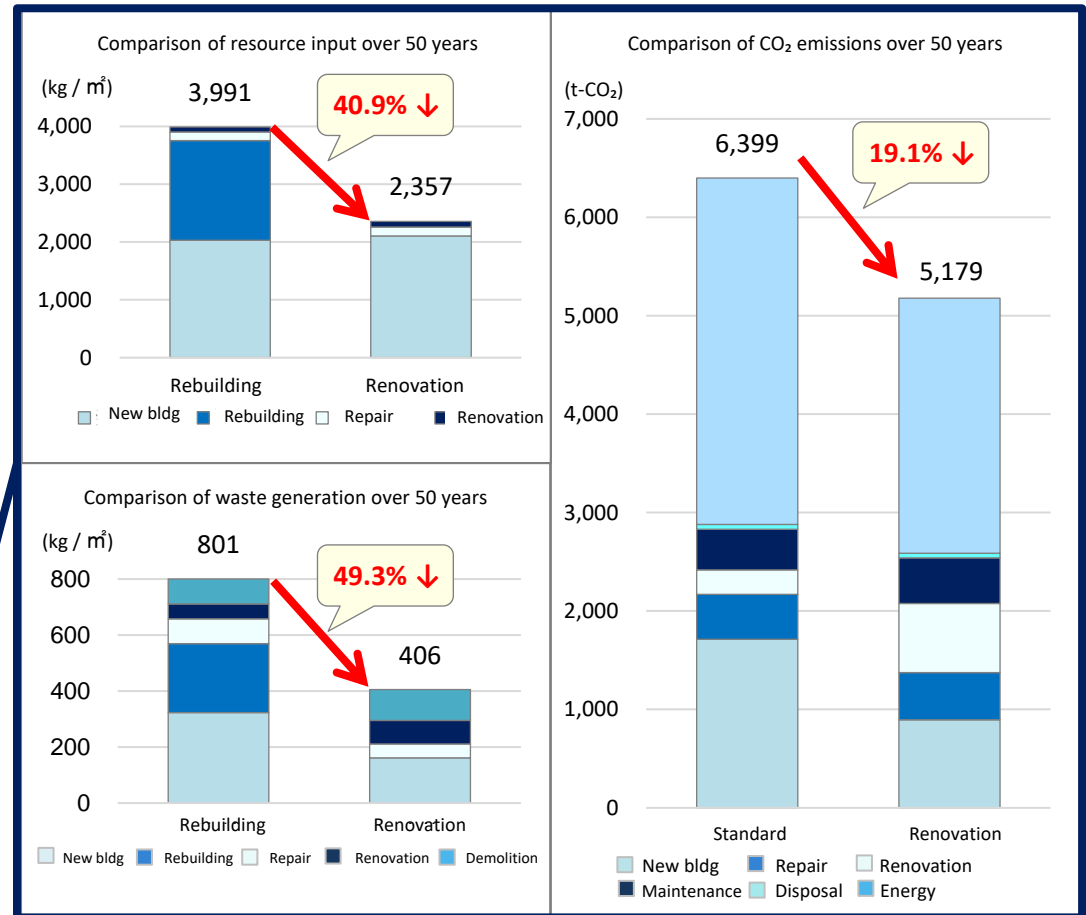
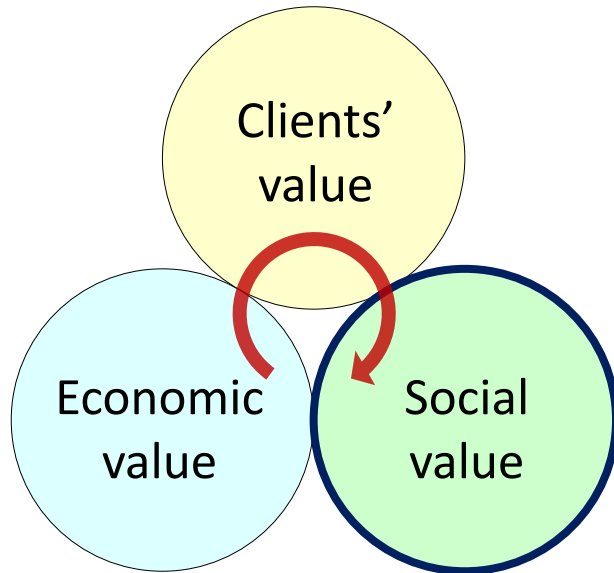
# Create both Customer Value and Social Value

Solving social issues through supporting our clients' business.

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

II

Reducing non-reproducible resources to prosper 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.

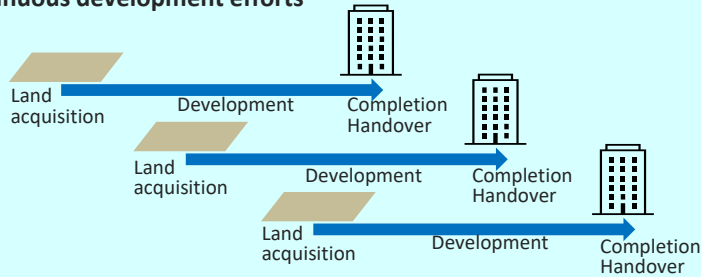
# Business Model of Overseas Business

Developing local communities through creating clients' joy and happiness.

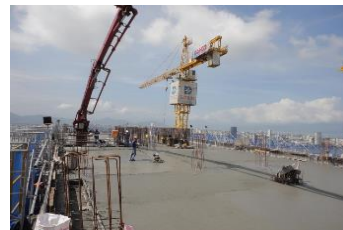
Our business includes land acquisition, development, construction, Handover after completion, property management and brokerage.



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."

## SADO

Sado Island,  
Niigata Prefecture



Tabino Hotel Sado



おけさ観光タクシー  
おけさ観光タクシー



Donden Kogen Lodge



気軽にレンタカー  
Kigaroni Rent a Car



Sado Outdoor Base



Tabino Hotel live Sado  
Start operating in June 2023



LE BLUE  
SADO SAWANE



SADO NATIONAL PARK  
HOTEL OOSADO



SADO RESORT HOTEL AZUMA



Miyako Shimojishima Airport  
Restaurant - Coral Port  
Operation starts on October 1, 2022



Tabino Hotel lit  
Miyakojima

Miyako Shimojishima  
Airport

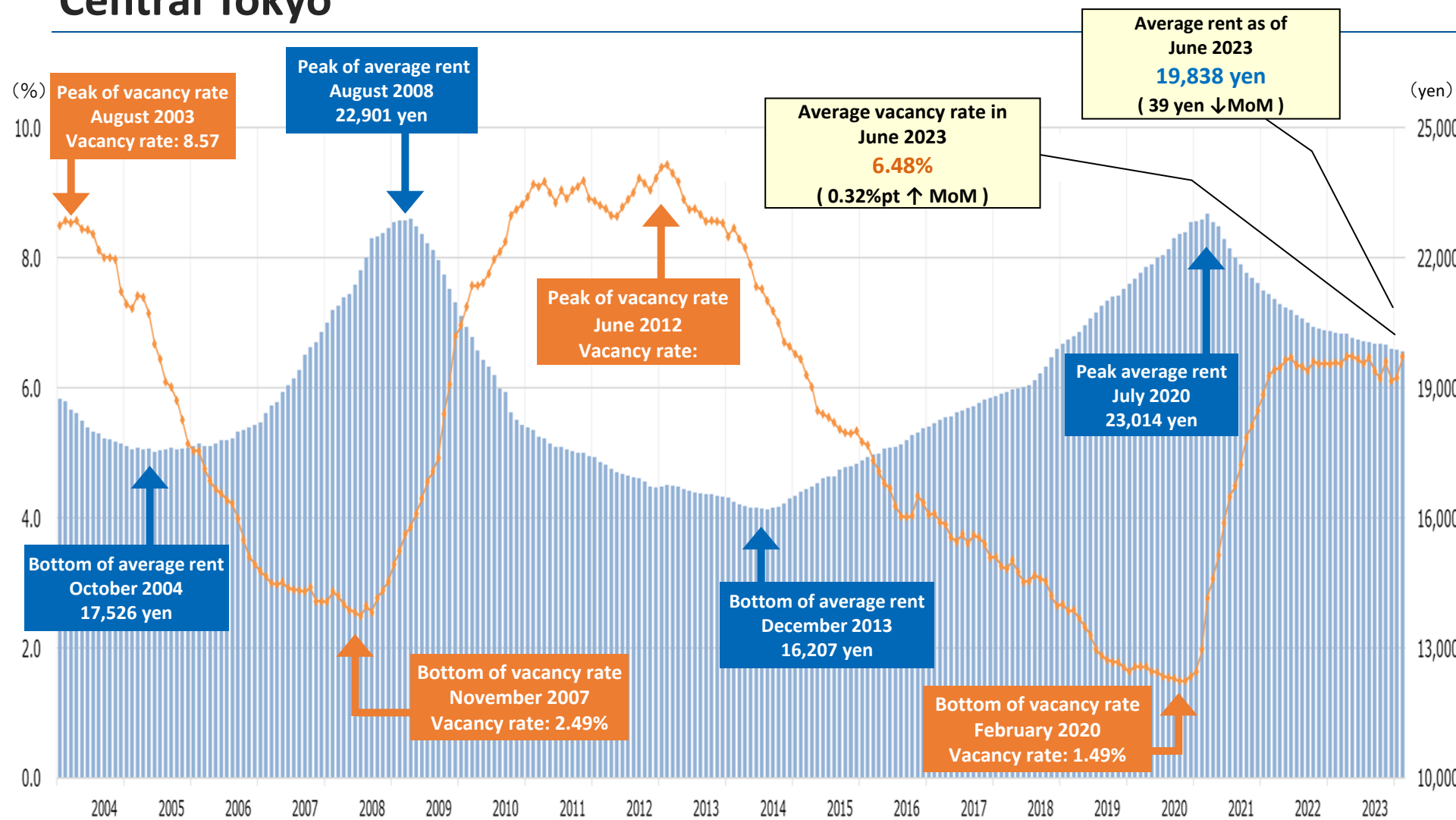


Tabino Hotel Villa Miyakojima  
Operation starts on November 3, 2022.

## MIYAKO

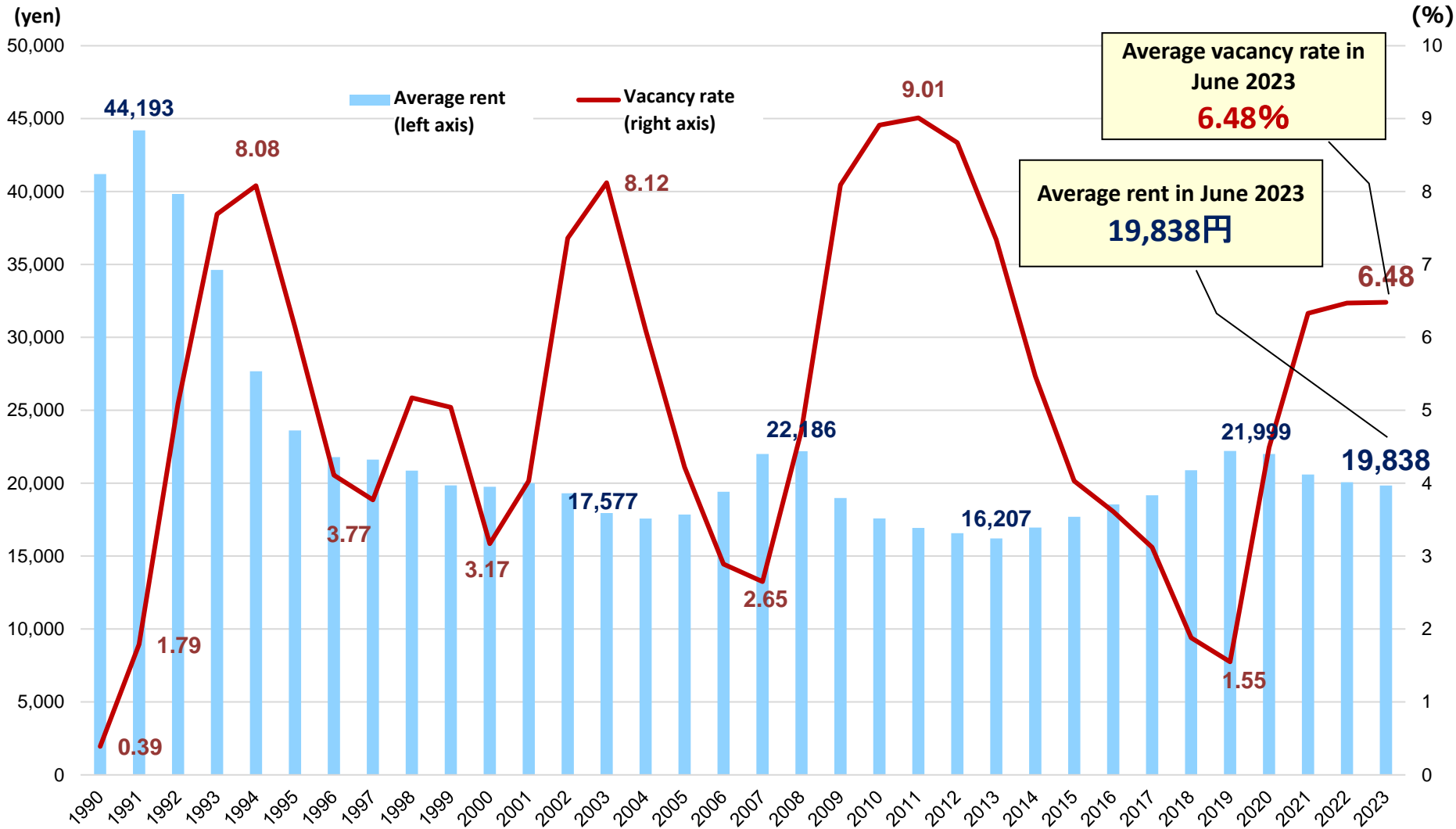
Miyakojima, Okinawa

# 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



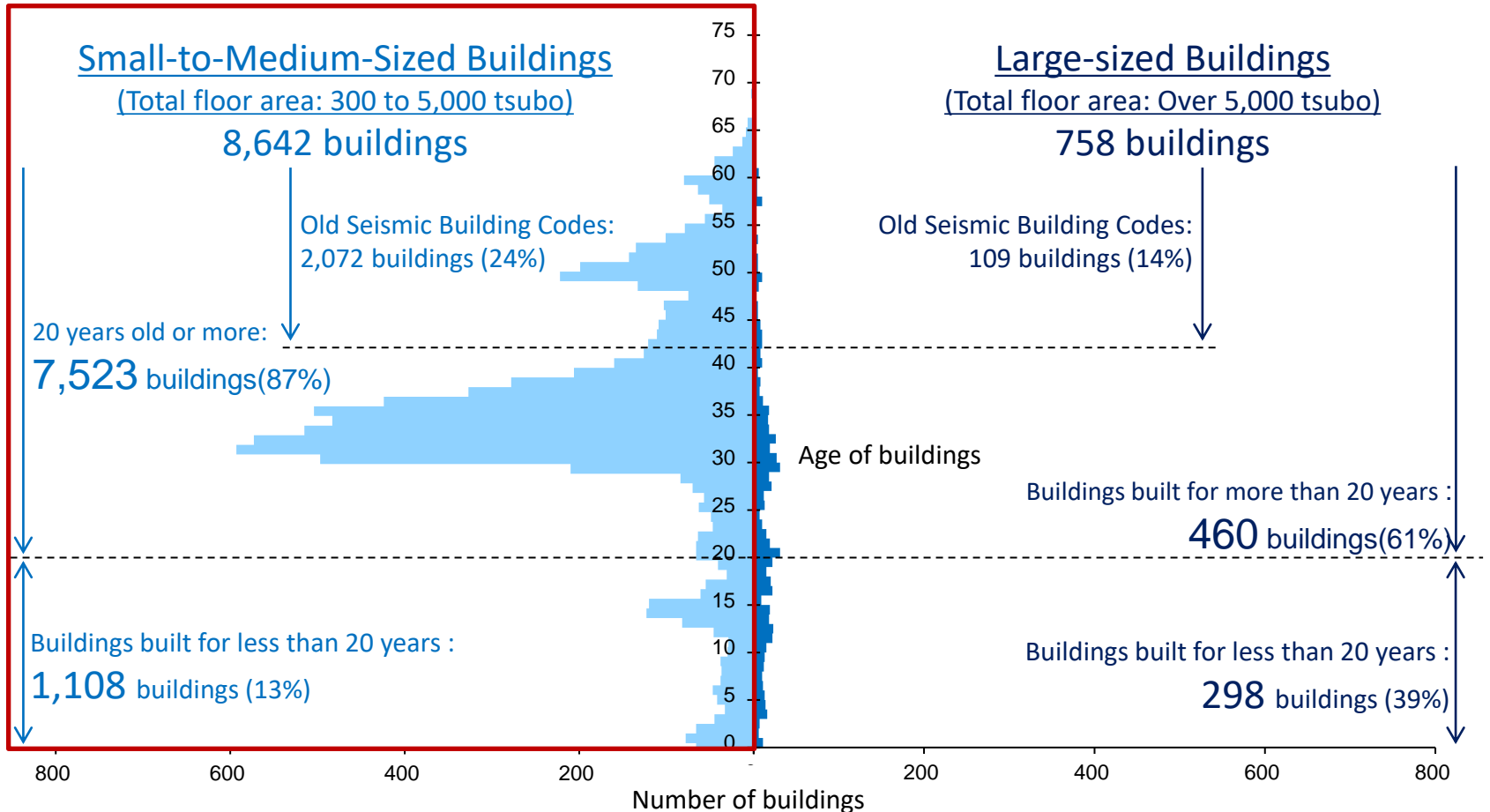
Source: Compiled by the Company based on Miki Shoji's "Office Report"

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 SUN FRONTIER

Solving social issues through revitalizing and utilizing Aging Small-to-Medium-Sized Buildings

Tokyo 23 cities with 9,400 buildings

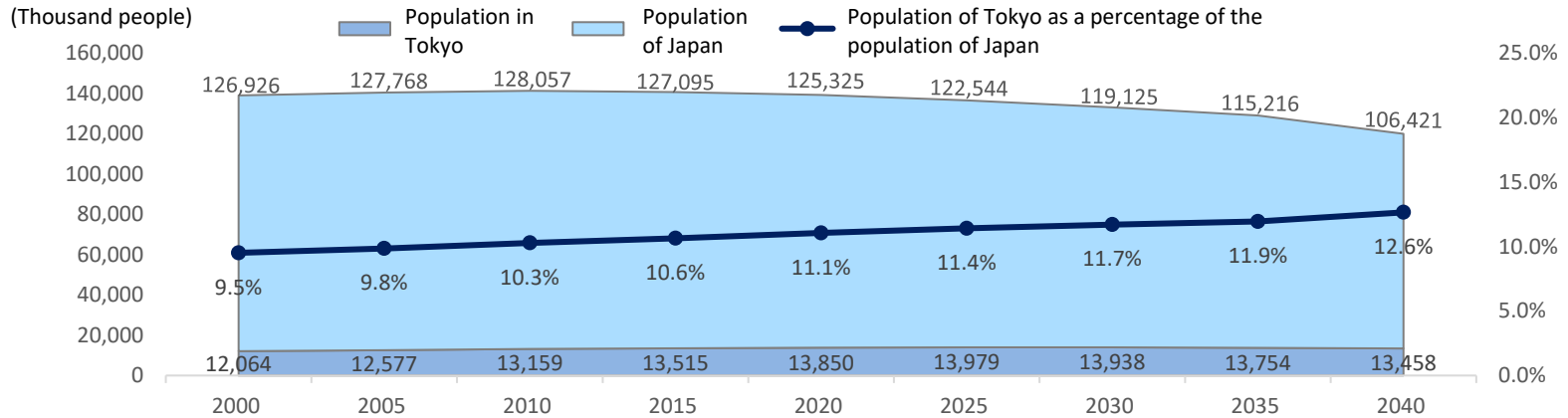


Source : Created by us based on "Tokyo 23 cities Office Pyramid 2023 (based on the number of buildings)" (Xymax Real Estate Institute)

# Market Size and Number of Corporations in Tokyo

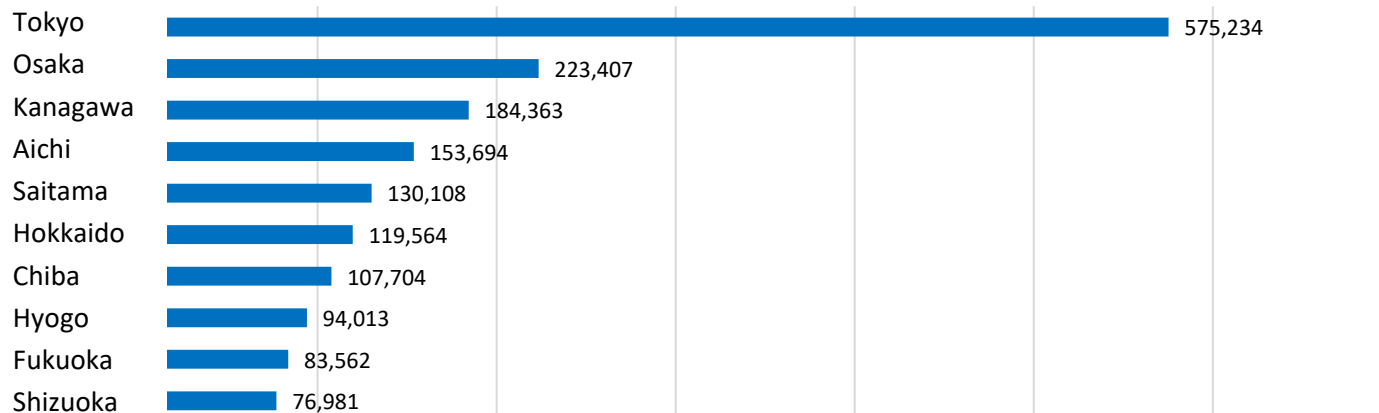
Provide happiness and improve society development in Tokyo which people and corporations gathering.

### Ratio of Tokyo population to Japanese population (estimate)



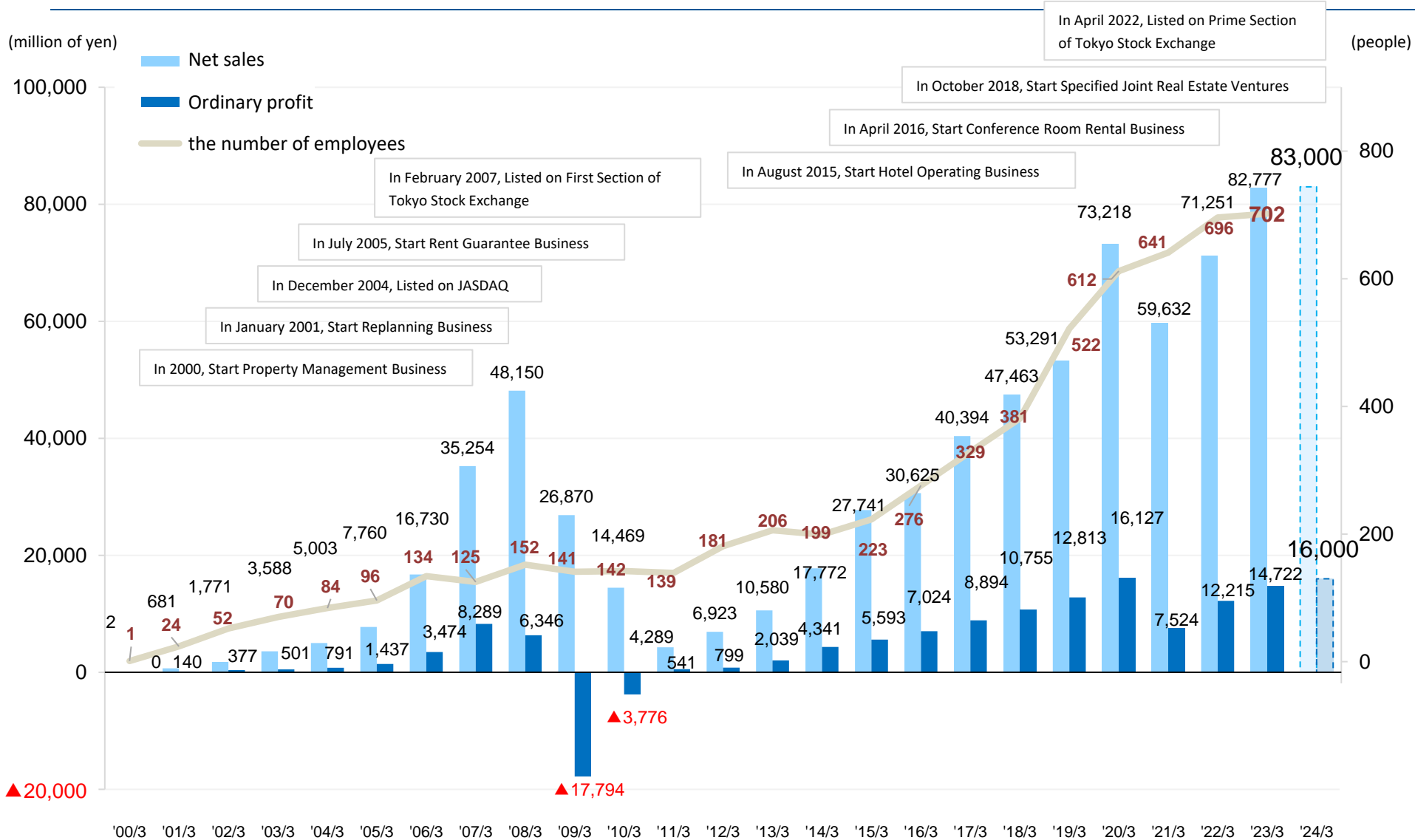
Source: Compiled by the Company based on Tokyo Metropolitan Government statistics - "Population of Tokyo (Estimate)."

### Top 10 Prefectures in Number of Corporations



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

# History



# Company Profile



<b>Company Name</b>	Sun Frontier Fudosan Co., Ltd.
<b>Location of Head Quarters</b>	1-2-2, Yurakucho, Chiyoda-ku, Tokyo
<b>Date of Foundation</b>	April 8, 1999
<b>Date of Listing</b>	February 26, 2007 (First Section of Tokyo Stock Exchange)
<b>Capital Stock *</b>	11,965 millions yen
<b>Representative</b>	Tomoaki Horiguchi, Chairman Representative Director Seiichi Saito, President Representative Director
<b>Number of Consolidated Employees *</b>	739 employees (1,371 including part-timers and temporary workers)
<b>Average Age of Employees*</b>	35.9 years old
<b>Business Profile</b>	<p><b>Real Estate Revitalization</b></p> <p><b>Real Estate Service</b> ( Properties Management, Brokerage, Construction Planning, Rent Guarantee, Building Operations, Asset Consultation )</p> <p><b>Hotel Development and Operation</b></p> <p><b>Others</b></p>
<b>Accounting Month</b>	March
<b>Listed Market</b>	Tokyo Stock Exchange Prime (Code number: 8934)

\* As of the end of June 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.

<Inquiries about this document>

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**SUN FRONTIER**