Sun Frontier Fudousan Co., Ltd

# Financial Results for the First Quarter of Fiscal Year Ending March 31, 2025

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

August 8, 2024

SUN FRONTIER

Securities Code : 8934

# Contents


1. Overview of the Results for FY2025/3 1Q P. 2
2. Forecast for FY2025/3 and Business Initiatives P.12
3. Medium-term Management Plan P.26
4. Philosophy and Business Initiatives P.36
5. References Materials P.59


Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Overview of the Results for FY2025/3 1Q

SUN FRONTIER

**Overall sales and profit decreased YoY due to fewer sales of large-scale properties in 1Q. In stock-type businesses such as Real Estate Services Business and Hotel Operation Business, both sales and profit increased and hit record highs.**

(Unit: million yen)

| | Results | Profit margin | Year-on-year | Growth rate | Forecast (disclosed on Feb. 8, 2024) | Achievement rate |
|---|---|---|---|---|---|---|
| Net sales | 15,685 | — | -2,766 | -15.0% | 100,000 | 15.7% |
| Operating profit | 2,834 | 18.1% | -1,372 | -32.6% | 20,870 | 13.6% |
| Ordinary profit | 2,739 | 17.5% | -1,444 | -34.5% | 20,000 | 13.7% |
| Profit※ | 1,878 | 12.0% | -1,256 | -40.1% | 14,000 | 13.4% |

*The profit attributing to owners of parent.

## Performance Highlights

- Sales including large-scale properties will accelerate from the second quarter. The sale (including contract-based sale) as of the day of this financial presentation is 30% of the full-year financial results forecast.
- In Replanning Business, both sales and profits increased as the number of sales increased YoY and the profit margin maintained a high level.
- In Real Estate Service Business, the performance is well with exceeding targets mainly due to the PM Business, which saw an increase in the number of entrusted buildings, and the Rental Conference Room Business, which saw an expansion of the new sites.
- In Hotel Operation Business, both sales and profits grew significantly due to continued strong inbound demand backed by the weak yen.
- In Hotel Development Business, the sale of properties is scheduled in the second half of the year. M&A and acquisition of land for development are in progress to increase the number of hotel rooms.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Consolidated Income Statement

(Unit: million yen)

| | FY2024/3 1Q | FY2025/3 1Q | YoY increase/decrease | YoY change rate |
|---|---|---|---|---|
| Net sales | 18,452 | 15,685 | - 2,766 | -15.0% |
| Real Estate Revitalization Business | 7,693 | 8,711 | 1,018 | 13.2% |
| Replanning Business | 7,083 | 8,020 | 936 | 13.2% |
| Rental Buildings Business | 609 | 690 | 81 | 13.4% |
| Real Estate Service Business | 2,665 | 3,119 | 454 | 17.1% |
| Hotel and Tourism Business | 8,029 | 3,681 | - 4,348 | -54.2% |
| Hotel Development Business | 5,270 | 0 | - 5,270 | – |
| Hotel Operation, etc | 2,759 | 3,681 | 921 | 33.4% |
| Other Business | 368 | 481 | 112 | 30.6% |
| Adjustments | -303 | -308 | -5 | – |
| Gross Profit (Loss) | 6,306 | 5,194 | - 1,112 | -17.6% |
| Real Estate Revitalization Business | 2,261 | 2,638 | 377 | 16.7% |
| Replanning Business | 2,125 | 2,591 | 465 | 21.9% |
| Rental Buildings Business | 135 | 47 | -88 | -65.1% |
| Real Estate Service Business | 1,557 | 1,699 | 141 | 9.1% |
| Hotel and Tourism Business | 2,665 | 888 | - 1,777 | -66.7% |
| Hotel Development Business | 2,200 | -0 | - 2,200 | – |
| Hotel Operation, etc | 465 | 888 | 423 | 91.0% |
| Other Business | 45 | 172 | 127 | 282.0% |
| Adjustments | -223 | -204 | 18 | – |
| Selling, General and Administrative Expenses | 2,099 | 2,359 | 259 | 12.4% |
| Operating Profit (Loss) | 4,206 | 2,834 | - 1,372 | -32.6% |
| Ordinary Profit (Loss) | 4,184 | 2,739 | - 1,444 | -34.5% |
| Profit | 3,134 | 1,878 | - 1,256 | -40.1% |
| EPS | 64.60 yen | 38.68 yen | - 25.92yen | -40.1% |

## Keynotes of Income Statement

**<Real Estate Revitalization Business>**
The number of sales was 6 (+1 YoY). The progress rate against the financial results forecast is over 30%, including the number of sales of contracted and shortly settled properties.

**<Real Estate Service Business>**
The performance of the PM Business, which saw an increase in the number of entrusted buildings, and the Rental Conference Room Business, which saw an expansion of the new sites, led to record highs for the first quarter.

**<Hotel and Tourism Business>**
Driven by robust inbound demand, Hotel Operation grew significantly in both sales and profits. The overall performance of Hotel Development was affected by a rebound of the sale of one hotel in the same period of the previous year.

**<Selling, General and Administrative Expenses>**
Increased as planned from the same period of the previous year as personnel expenses increased due to human capital investment, and depreciation expenses increased due to proactive business investment and system investment, etc.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Consolidated Balance Sheet
## - Assets -

SUN FRONTIER

<Cash and deposits> Decreased by 7.5 billion yen from the end of the previous fiscal year due to progress in purchasing properties, tax payments and dividends.

<Inventories> Increased by 12.3 billion yen from the end of the previous fiscal year due to purchase and construction of land or properties for RP products small-lot real estate products and hotel development.

| (Unit: million yen) | As of End of March 2023 | As of End of March 2024 | As of End of June 2024 | Increase/decrease (compared to the End of March 2024) |
|---|---|---|---|---|
| Current assets | 125,886 | 159,518 | 163,738 | +4,220 |
| Cash and deposits | 42,016 | 47,867 | 40,317 | -7,550 |
| Inventories | 80,182 | 106,869 | 119,213 | +12,344 |
| Breakdown) RP※ | 70,327 | 95,927 | 103,209 | +7,283 |
| Hotel | 9,750 | 9,545 | 14,509 | +4,963 |
| Overseas, etc. | 105 | 1,398 | 1,494 | +97 |
| Other current assets | 3,688 | 4,780 | 4,207 | -572 |
| Non-current assets | 26,633 | 29,143 | 29,807 | +664 |
| Property, plant and equipment | 20,410 | 22,323 | 22,662 | +339 |
| Intangible assets | 815 | 1,193 | 1,150 | -43 |
| Investments and other assets | 5,406 | 5,626 | 5,994 | +368 |
| Total assets | 152,519 | 188,661 | 193,546 | +4,885 |

Note : Includes properties in small-lot real estate properties and New York properties.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Consolidated Balance Sheet
## - Liabilities/Equity -

SUN FRONTIER

<Interest-bearing debt> Increased by 5.1 billion yen due to borrowings for purchase of properties. 10 billion yen was raised through CB issuance in the third quarter of the previous fiscal year, resulting in a total of 84.6 billion yen in interest-bearing debt.

<Equity ratio> Maintained at a high level of 47.1% while actively investing.

| Changes of Equity Ratio | | |
|---|---|---|
| As of End of March 2023 | As of End of March 2024 | As of End of June 2024 |
| 52.9% | 48.0% | 47.1% |

| (Unit: million yen) | As of End of March 2023 | As of End of March 2024 | As of End of June 2024 | Increase/decrease (compared to the End of March 2024 |
|---|---|---|---|---|
| Current liabilities | 16,363 | 24,767 | 19,962 | -4,804 |
| Short-term borrowings, etc. | 5,492 | 12,269 | 8,765 | -3,504 |
| Other current liabilities | 10,871 | 12,497 | 11,197 | -1,299 |
| Non-current liabilities | 52,190 | 69,477 | 78,450 | +8,973 |
| Long-term borrowings | 50,170 | 57,272 | 65,913 | +8,640 |
| Bonds payable | 0 | 9,999 | 9,999 | 0 |
| Other non-current liabilitie | 2,019 | 2,205 | 2,537 | +332 |
| Total liabilities | 68,553 | 94,244 | 98,413 | +4,168 |
| Shareholders' equity | 80,430 | 89,889 | 90,210 | +320 |
| Other | 3,535 | 4,526 | 4,923 | +396 |
| Total net assets | 83,965 | 94,416 | 95,133 | +716 |
| Total liabilities and net assets | 152,519 | 188,661 | 193,546 | +4,885 |

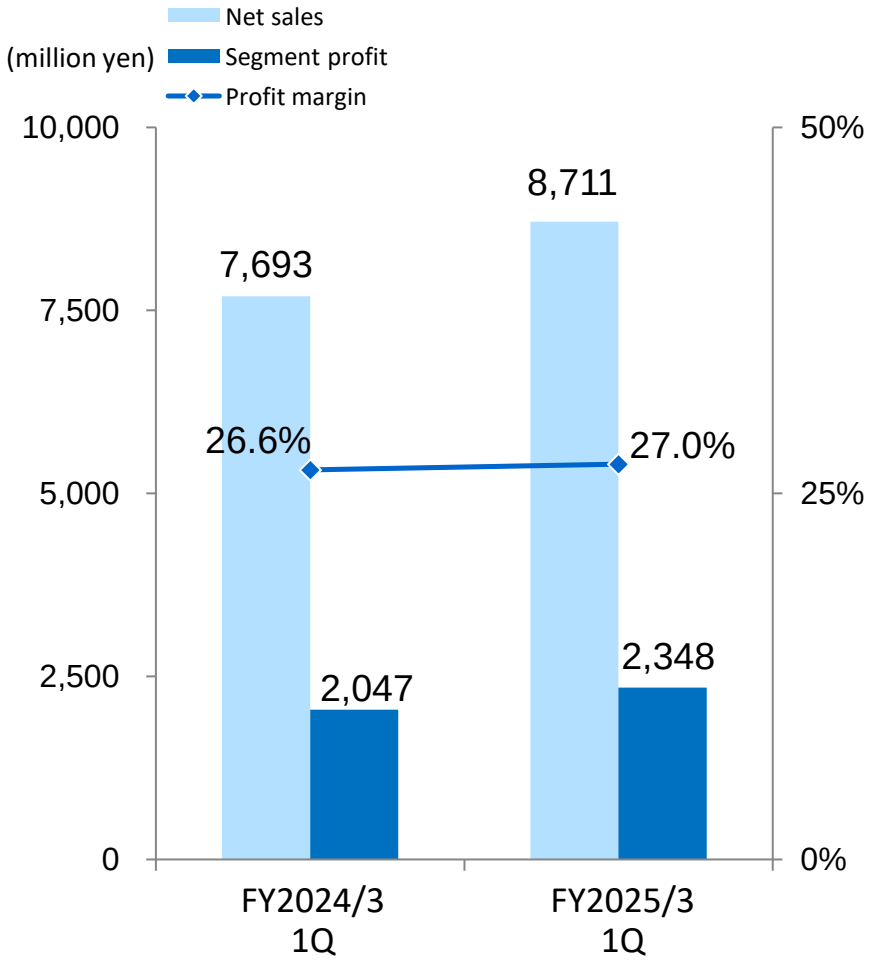
Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Real Estate Revitalization Business (Replanning and Rental Buildings)

**<Replanning Business>**

- The number of sales was 6 (+1 YoY). Both sales and profit increased YoY.
- The average business period was 583 days (down 122 days YoY). There were a lot of short-term properties sold in this period, resulting in a significant shortening of the business period.

| (Unit: million yen) | FY2024/3 1Q | FY2025/3 1Q | Increase/ decrease |
|---|---|---|---|
| Net sales | 7,693 | 8,711 | +13.2% |
| Replanning Business | 7,083 | 8,020 | +13.2% |
| Rental Building Business | 609 | 690 | +13.4% |
| Segment profit ※1 | 2,047 | 2,348 | +14.7% |
| Replanning Business | 1,911 | 2,300 | +20.4% |
| Rental Building Business | 135 | 47 | -65.1% |
| Profit margin | 26.6% | 27.0% | +0.3%pt |
| Replanning Business | 27.0% | 28.7% | +1.7%pt |
| Rental Building Business | 22.3% | 6.9% | -15.4%pt |
| Number of properties sold | 5 cases | 6 cases | +1 cases |
| Number of stocks | 57 cases ※2 | 59 cases ※2 | +2 cases |




※1 "Segment profit" is calculated by deducting specific costs of each segment, including interest expenses, sales commission and amortization of goodwill from gross profit.
※2 Land purchase and development projects are included.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

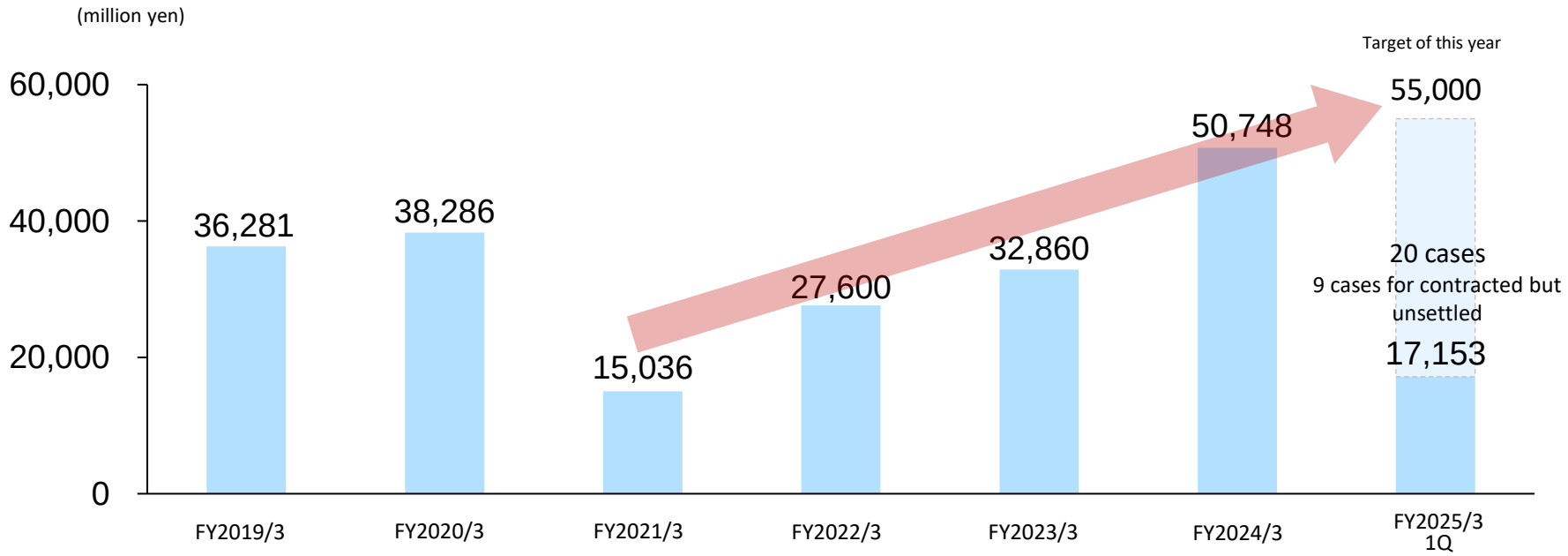
# Real Estate Revitalization Business

## <Purchasing properties of Replanning Business>

The purchase amount, including contracted and unsettled properties, is 17.1 billion yen.
More than 30% progress toward the full-year purchase target of 55 billion yen.

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

| (Unit: million yen) | FY2024/3 1Q | FY2025/3 1Q | Increase/ decrease |
|---|---|---|---|
| Number of properties purchased | 24 cases | 20 cases | -4 cases |
| (of which, contracted and unsettled) | 9 cases | 6 cases | -3 cases |
| Purchase amount | 22,510 | 17,153 | -5,357 |
| (of which, contracted and unsettled) | 12,590 | 3,428 | -9,162 |




Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Trends in Inventories and Gross Profit of Property Sales

SUN FRONTIER

Ahead of the Medium-Term Management Plan Targets, aggressively invest for sustainable growth and plan to build up inventories

| | FY2021/3 (Results) | FY2022/3 (Results) | FY2023/3 (Results) | FY2024/3 (Results) | FY2025/3 (Forecast) |
|---|---|---|---|---|---|
| Sales of properties | 45.1 billion yen | 57.0 billion yen | 61.7 billion yen | 53.7 billion yen | 70.0 billion yen |
| Cost of property sales | 33.1 billion yen | 40.3 billion yen | 44.9 billion yen | 36.1billion yen | 49.0 billion yen |
| Gross profit ※ | 12 billion yen<br>RP 9.2 billion yen<br>Hotel 2.8 billion yen | 16.7 billion yen<br>RP 16.0 billion yen<br>Hotel 0.7 billion yen | 16.8 billion yen<br>RP 15.3 billion yen<br>Hotel 1.5 billion yen | 17.6 billion yen<br>RP 15.5 billion yen<br>Hotel 2.1 billion yen | 21.0 billion yen<br>RP 20.0 billion yen<br>Hotel 1.0 billion yen |
| Gross profit margin | 26.6% | 29.2% | 27.2% | 32.8% | 30.0% |
| Purchases during the fiscal year, construction work, etc. | 27.4 billion yen | 31.6 billion yen | 47.7 billion yen | 62.8 billion yen | 62.2~67.2 billion yen |
| Ending balance of the inventory | 86 billion yen | 77.3 billion yen | 80.1 billion yen | 106.8 billion yen | 120.0~125.0 billion yen |
| | Affected by COVID-19, both net sales and purchase decreased, and causing the decrease of the balance of inventories . | Although COVID-19 prolonged, sales were good. Started refocusing on purchases, but the balance of inventories declined. | Sales remained strong. The results of strengthening purchase emerged, leading to the increase of the balance of inventories . | Increase in the balance by selling as planned and investing aggressively. | Aggressively invest for the next fiscal year and beyond while selling at high margins and achieving the Medium-Term Management Plan |

Sale in the following fiscal year → Keep holding

Sale during the year / Carry-over

| Ending balance for FY2025/3 (Forecast) | Gross profit margin (Assumed) | Net sales (Assumed) | Unrealized gains on inventories (Assumed) |
|---|---|---|---|
| 120.0~125.0 billion yen | 25~30% | 160.0~178.5billion yen | 40.0~53.5 billion yen |

※ Gross profit ＝ ordinary profit － sales commission

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Real Estate Services Business

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

SUN FRONTIER

**<Property Management and Building Maintenance>**

- Business, both sales and profit increased due to an increase in the number of entrusted buildings
- In BM Business, sales increased due to an increase in the number of managed buildings, but profits did not increase due to an increase in costs associated with rising prices.

**<Brokerage>**

- Leasing brokerage was flat compared with the same period of the previous year.
- Sales brokerage, in addition to referral projects, projects for repeat customers and new customers also led steadily to contracts, resulting in a strong performance.

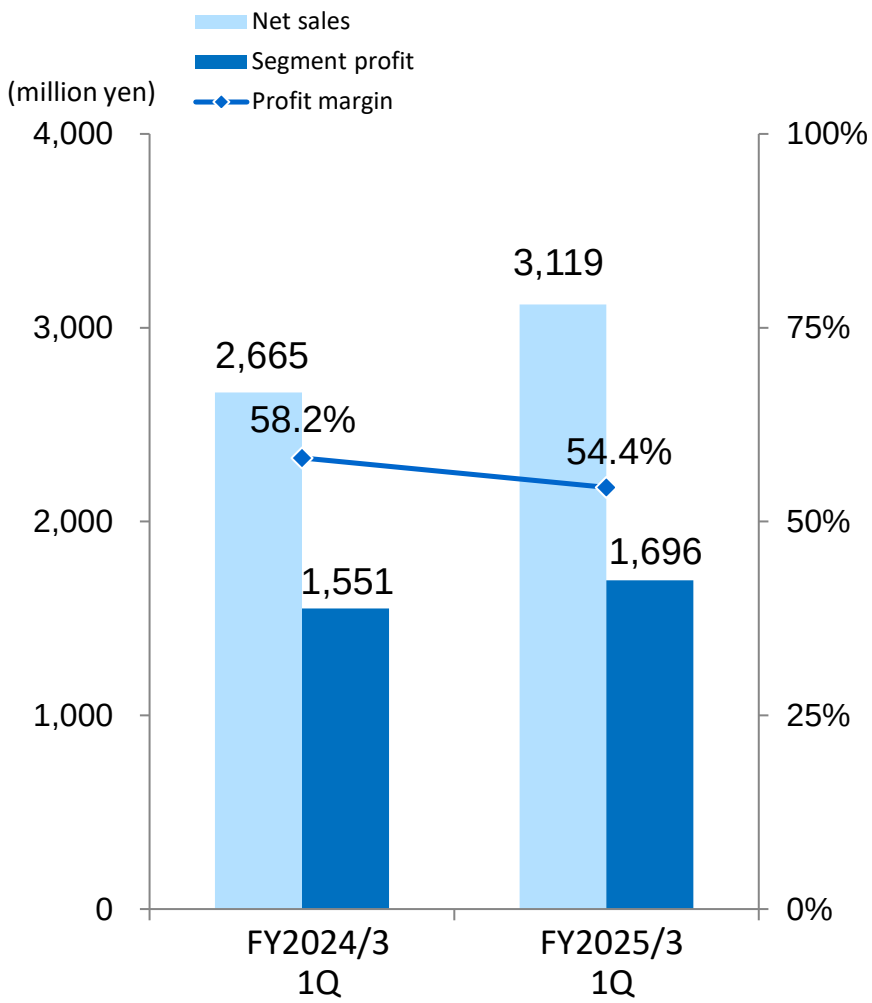
**<Rental Conference Room>**

- New sites contributed to sales and profit growth while making progress in investment for further expansion of sites.

**<Rent Guarantee>**

- Both sales and profit increased YoY due to an increase in the number of new contracts.

| (Unit: million yen) | FY2024/3 1Q | FY2025/3 1Q | Increase/ decrease |
|---|---|---|---|
| Net sales | 2,665 | 3,119 | +17.1% |
| Segment profit ※1 | 1,551 | 1,696 | +9.4% |
| Profit margin | 58.2% | 54.4% | -3.8%pt |




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

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

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

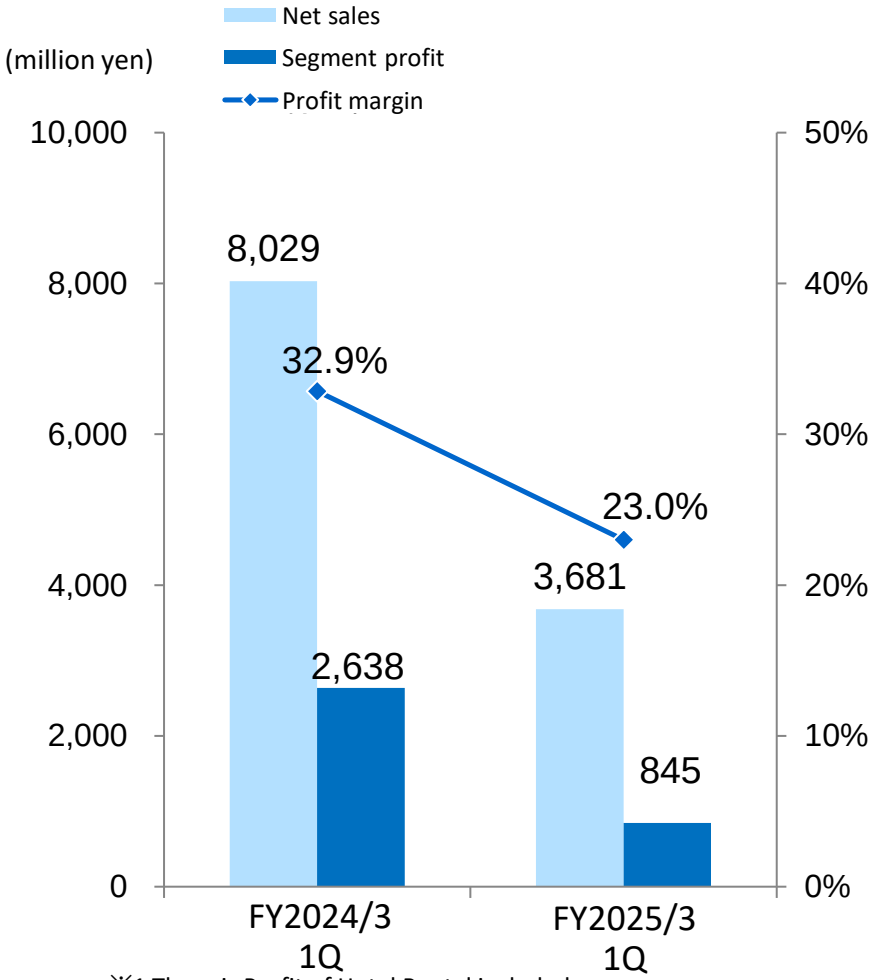
**<Hotel Development Business>**

- Both sales and profit decreased due to a reaction of the sale of one hotel in the previous year.
- Making a progress in land acquisition in Karuizawa, Akita, etc., and many ongoing development projects in other regions.

**<Hotel Operation Business ※1>**

- Both sales and profit increased significantly due to an increase in occupancy rate and average daily rate as travel demand continued to expand and inbound demand recovered.

| (Unit: million yen) | FY2024/3 1Q | FY2025/3 1Q | Increase/ decrease |
|---|---|---|---|
| Net sales | 8,029 | 3,681 | -54.2% |
| Hotel Development Business | 5,270 | 0 | — |
| Hotel Operation Business, etc. | 2,759 | 3,681 | 33.4% |
| Segment profit ※2 | 2,638 | 845 | -68.0% |
| Hotel Development Business | 2,173 | -22 | — |
| Hotel Operation Business, etc. | 465 | 867 | 86.5% |
| Profit margin | 32.9% | 23.0% | -9.9%pt |
| Hotel Development Business | 41.2% | — | — |
| Hotel Operation Business, etc. | 16.8% | 23.6% | 6.7%pt |




※1 There is Profit of Hotel Rental included.

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

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

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

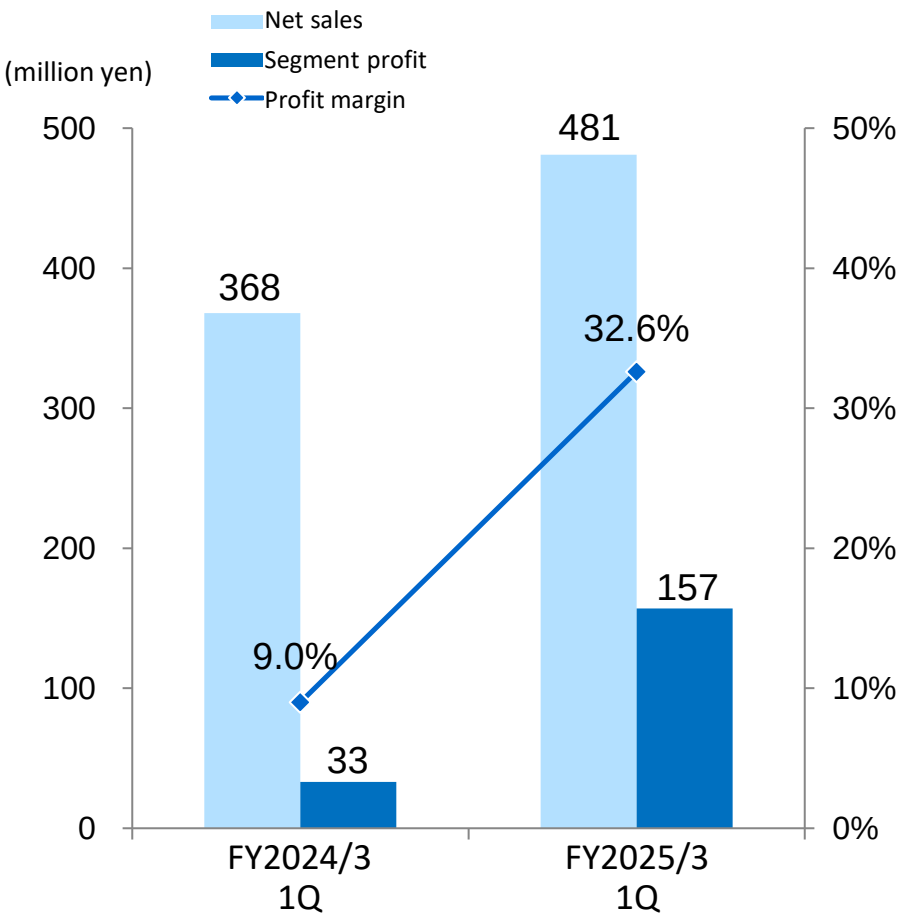
**<Construction Business>**

- Both sales and profit increased due to an increase in sales of percentage of construction completion method at a Group subsidiary compared to the previous year and settlement of labor costs for completed projects in the previous fiscal year.

**<Overseas Development Business>**

- Construction of the second condominium project in Viet Nam (HIYORI Aqua Tower), for which land was acquired, is scheduled to begin in August 2024.

| (Unit: million yen) | FY2024/3 1Q | FY2025/3 1Q | Increase/ decrease |
|---|---|---|---|
| Net sales | 368 | 481 | +30.6% |
| Segment profit ※1 | 33 | 157 | +371.5% |
| Profit margin | 9.0% | 32.6% | 23.6%pt |




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

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Forecast for FY2025/3 and Business Initiatives

SUN FRONTIER

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# 2025年3月期 業績予想に対する進捗

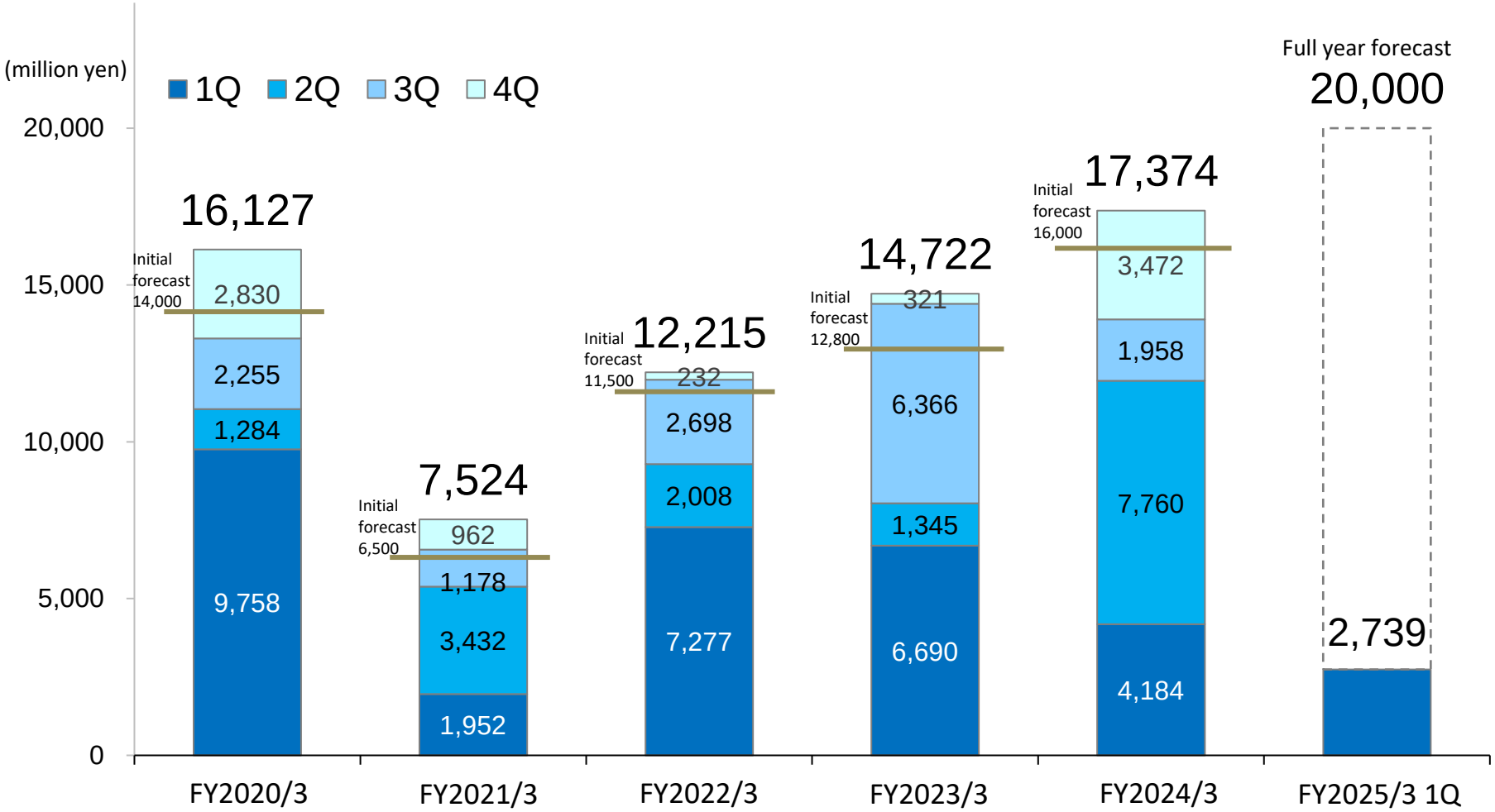
SUN FRONTIER

| (Unit: million yen) | Result for FY2024/3 | Forecast for FY2025/3 | Result for FY2025/3 1Q | Progress Rate |
|---|---|---|---|---|
| Net sales | 79,868 | 100,000 | 15,685 | 15.7% |
| Real Estate Revitalization Business | 51,027 | 69,800 | 8,711 | 12.5% |
| Replanning Business | 48,395 | 67,000 | 8,020 | 12.0% |
| Rental Buildings Business | 2,632 | 2,800 | 690 | 24.7% |
| Real Estate Service Business | 10,497 | 11,650 | 3,119 | 26.8% |
| Hotel and Tourism Business | 16,977 | 17,430 | 3,681 | 21.1% |
| Hotel Development Business | 5,270 | 3,000 | 0 | 0.0% |
| Hotel Operation, etc | 11,707 | 14,430 | 3,681 | 25.5% |
| Other Business | 2,409 | 2,560 | 481 | 18.8% |
| Adjustments | -1,043 | -1,440 | -308 | — |
| Gross Profit (Loss) | 26,405 | 31,000 | 5,194 | 16.8% |
| Real Estate Revitalization Business | 16,593 | 21,230 | 2,638 | 12.4% |
| Replanning Business | 15,981 | 20,600 | 2,591 | 12.6% |
| Rental Buildings Business | 612 | 630 | 47 | 7.5% |
| Real Estate Service Business | 5,636 | 6,300 | 1,699 | 27.0% |
| Hotel and Tourism Business | 4,440 | 3,840 | 888 | 23.1% |
| Hotel Development Business | 2,200 | 1,100 | -0 | 0.0% |
| Hotel Operation, etc | 2,240 | 2,740 | 888 | 32.4% |
| Other Business | 352 | 420 | 172 | 41.1% |
| Adjustments | -618 | -790 | -204 | — |
| Selling, General and Administrative Expenses | 8,804 | 10,130 | 2,359 | 23.3% |
| Operating Profit (Loss) | 17,600 | 20,870 | 2,834 | 13.6% |
| Ordinary Profit (Loss) | 17,374 | 20,000 | 2,739 | 13.7% |
| Profit | 11,917 | 14,000 | 1,878 | 13.4% |
| EPS | 245.50 yen | 288.41 yen | 38.68 yen | 13.4% |

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Trends in Ordinary Profit for recently 5 fiscal years

Progress against the financial results forecast was in line with the plan. Many of the planned sales of the properties are scheduled for 2Q or later.



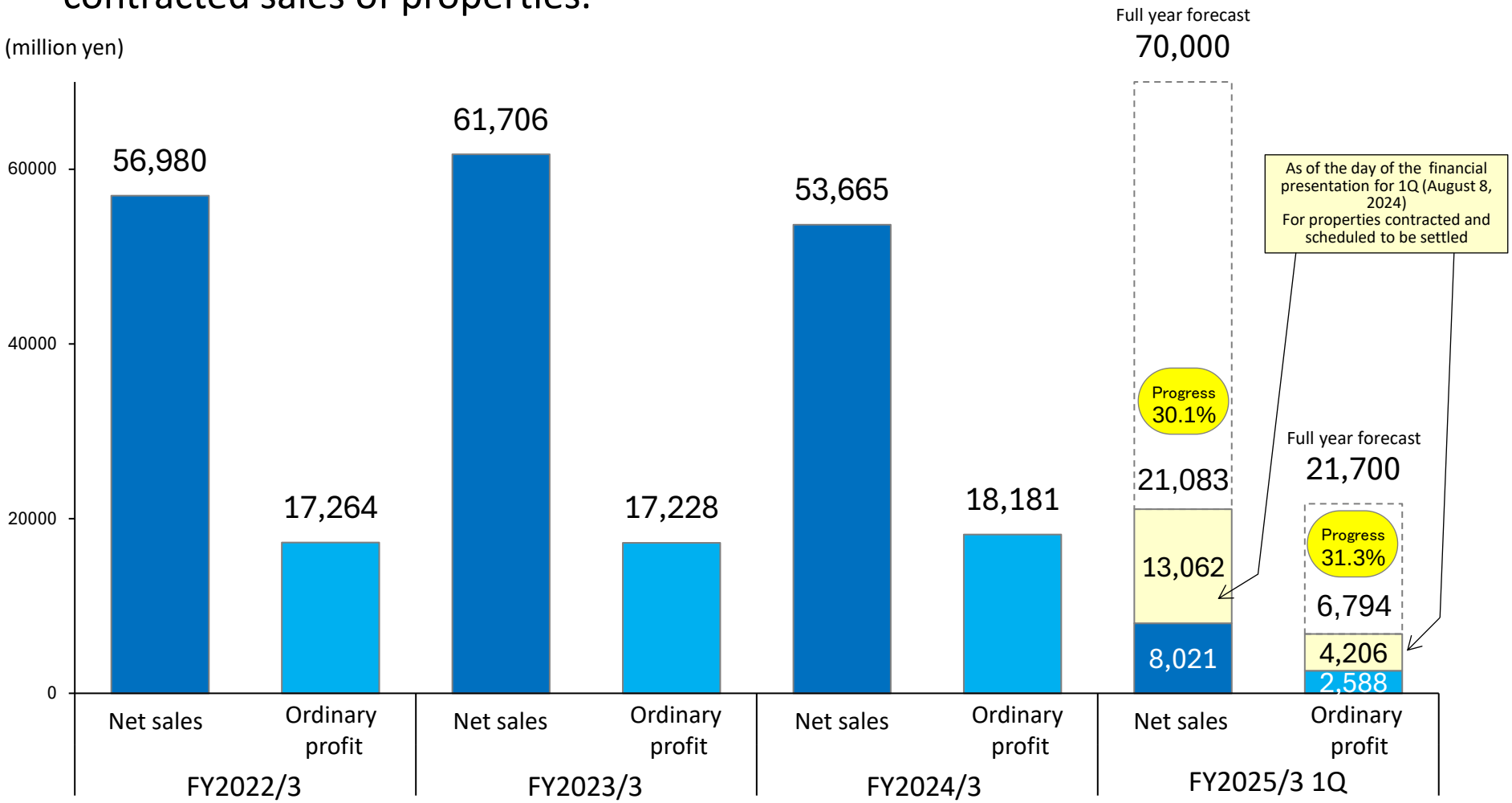

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Progress of Flow-Type Businesses

(Sale of properties in RP Business, Hotel Development Business, Overseas Development Business)

SUN FRONTIER

Steady progress of more than 30% against the full-year forecast, including contracted sales of properties.



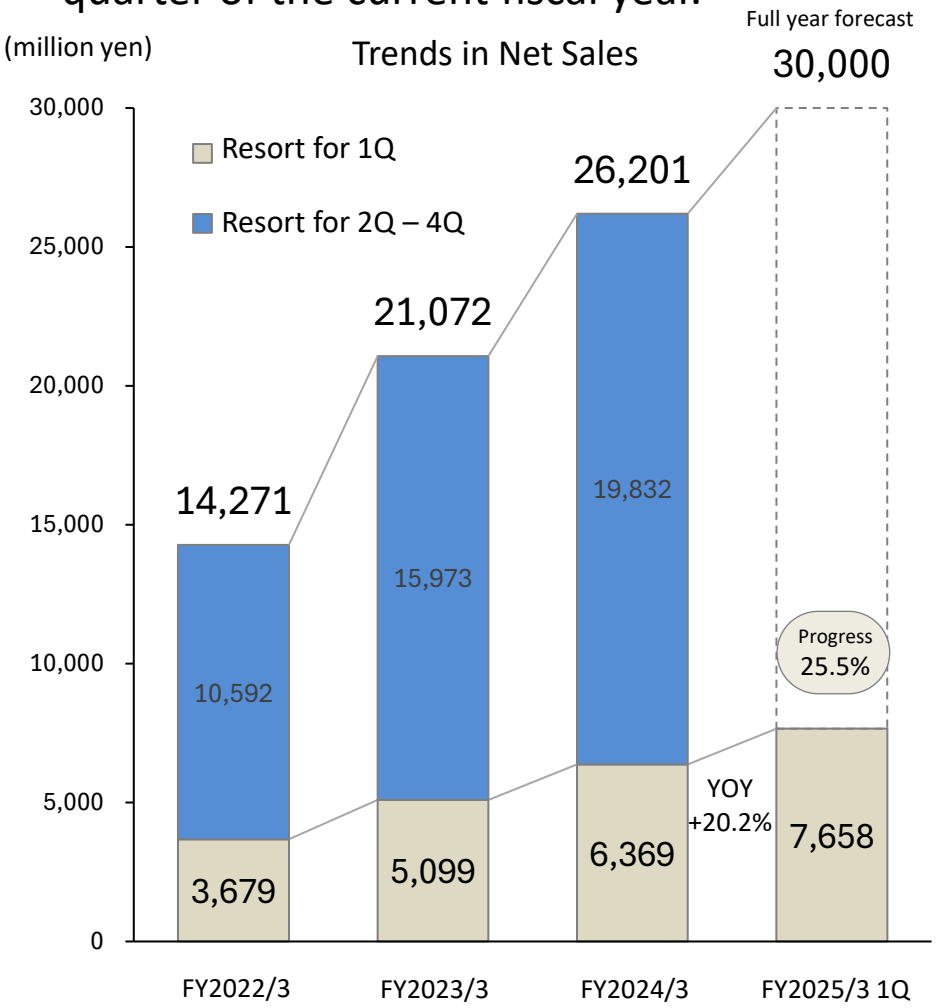

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

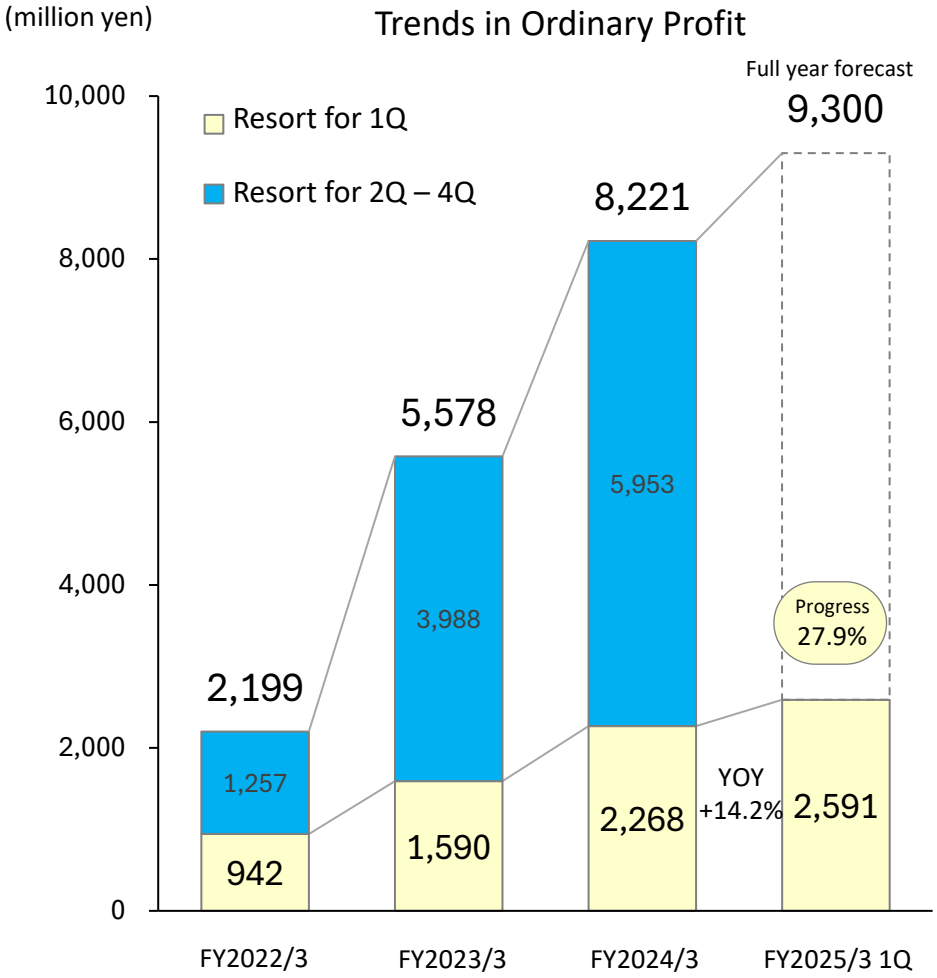
# Progress of Stock-Type Businesses

(All businesses other than sale of properties such as Real Estate Services, Hotel Operation Business, etc.)

SUN FRONTIER

Continued growth in sales and profits. Both sales and gross profit hit record highs in the first quarter of the current fiscal year.




Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Business Environment Awareness

SUN FRONTIER

**1. The global economy is showing signs of a slowdown in inflation trends, with expectations of interest rate cuts in Europe and the United States, leading to a potential soft landing.**

◆The IMF has not changed its global growth forecast for 2024 of 3.2%, despite concerns over prolonged inflation.

◆While the U.S. Federal Reserve is figuring out the right timing of the start of interest rate cut, attention should be paid to the outcome of the U.S. presidential election.

**2. The Japanese economy is facing uncertainty as the financial markets become chaotic due to a sudden surge in the yen and a sharp drop in stock prices, triggered by a policy rate hike.**

◆Despite the continued rise in prices, personal consumption is expected to remain firm due to rising wages and incomes.

◆The Bank of Japan decided to raise its policy interest rate by about 0.25% and reduce its amounts of purchases of Japanese government bonds, suggesting the possibility of further rate hikes.

**3. In the central Tokyo office building market, vacancy rate will continue to decline and rents will continue to rise as the demand for office is recovering.**

◆The new supply of office space was less than the previous year, vacancy rate is expected to decrease, and rents are expected to bottom out and gradually rise.

◆Despite rising expectations for higher interest rates, the desire to invest in real estate remains strong.

**4. In the hotel and tourism market, inbound demand has been brisk due to the depreciation of yen, and domestic travel demand has been also strong.**

◆From April to June 2024, spending by foreign visitors to Japan hit a record high of 2.1 trillion yen.

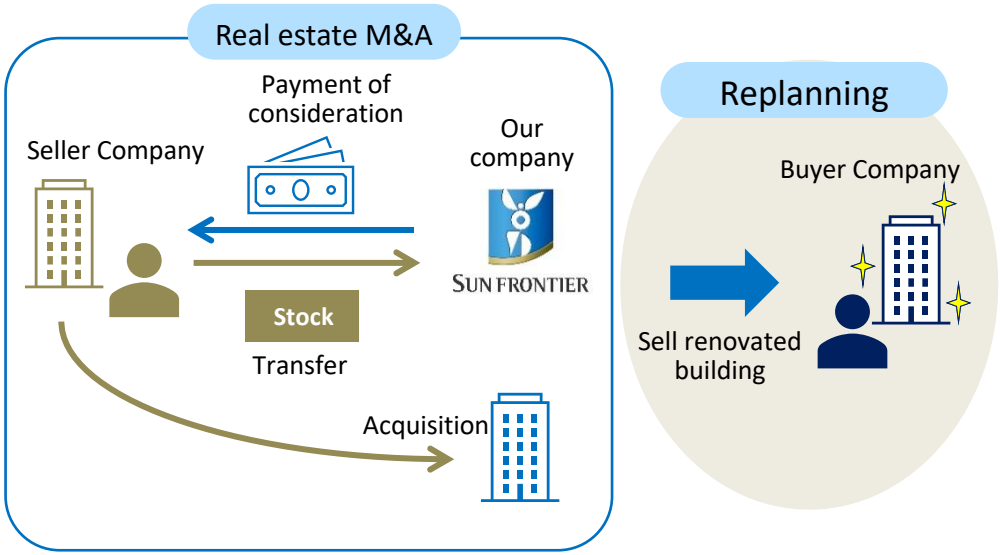
◆ The number of foreign visitors to Japan reached a record high of 3.13 million in June and 17.77 million in the six months from January.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Replanning Business, An Example of Initiatives (1)

Renovated a building acquired through real estate M&A into one with excellent design and functionality.

[Building exterior] Sendagaya Head Office Building, Shibuya-ku, Tokyo
4-story reinforced concrete building with deck roof



A telephone conference booth is also installed in the spacious and bright office

A meeting room made of glass with soft light shining through

A wood-grain interior that harmonizes with the greenery spreading over the windows

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Replanning Business, An Example of Initiatives (2)

Converted parking lots to office space to increase operating area and improve profitability of buildings.

[Building exterior]
Nihonbashi Kodenmacho, Chuo-ku, Tokyo
8-story steel structure building with deck roof

Before

Parking lot on the first floor, which had been losing profitability due to low occupancy

After

Renovated entrance with a sense of unity that matches the color tone of the office converted from the parking lot

After

Converted to a set-up office and increased profitability

Various fixtures in the lounge can support various working styles and stimulate communication

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

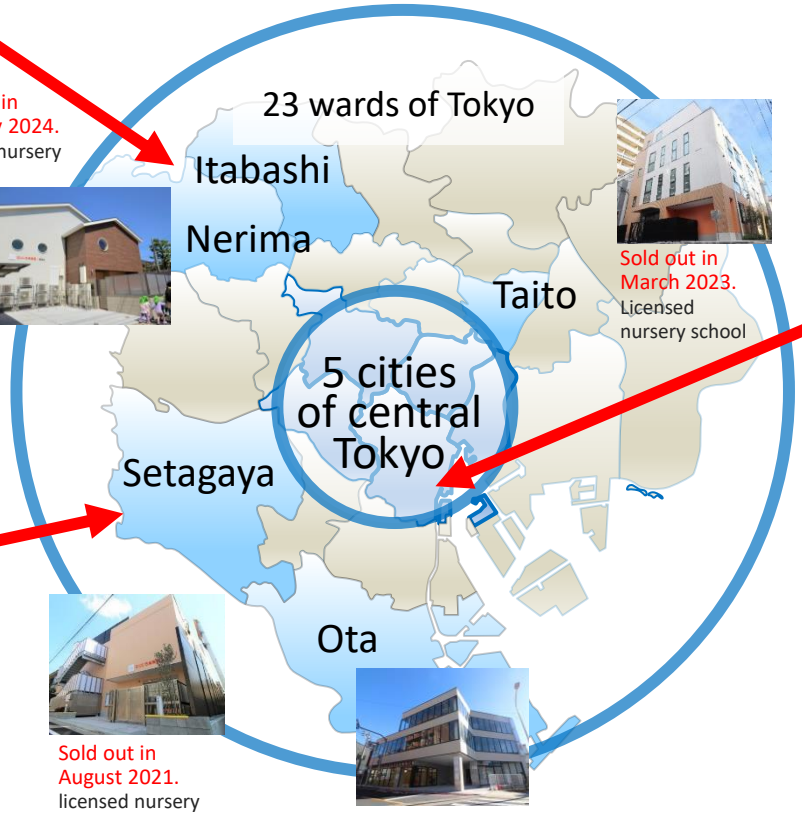
# Promote Sales of Small-lot Real Estate Property

SUN FRONTIER

In addition to promoting sales of educational and medical facilities, launched new small-lot real estate property.

**Compass Oyama** (Condominium type)
A licensed nursery school in Oyama, Itabashi, Tokyo
Sale in April 2024

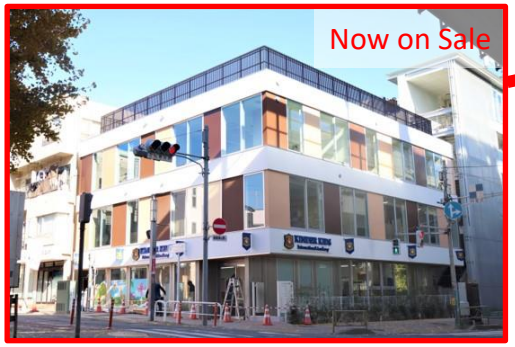
Sold out in February 2024.
licensed nursery school






Sold out in March 2023.
Licensed nursery school

**Compass JINUSHI**
In front of Keio University
Land Owner Project. Sale in June 2024




**Compass Sakurashinmachi**
International Academy in Sakurashinmachi, Setagaya, Tokyo
Sale in December 2023

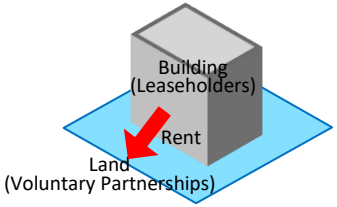


Sold out in August 2021.
licensed nursery school



Sold out in November 2022
medical and educational mall

Landlord project



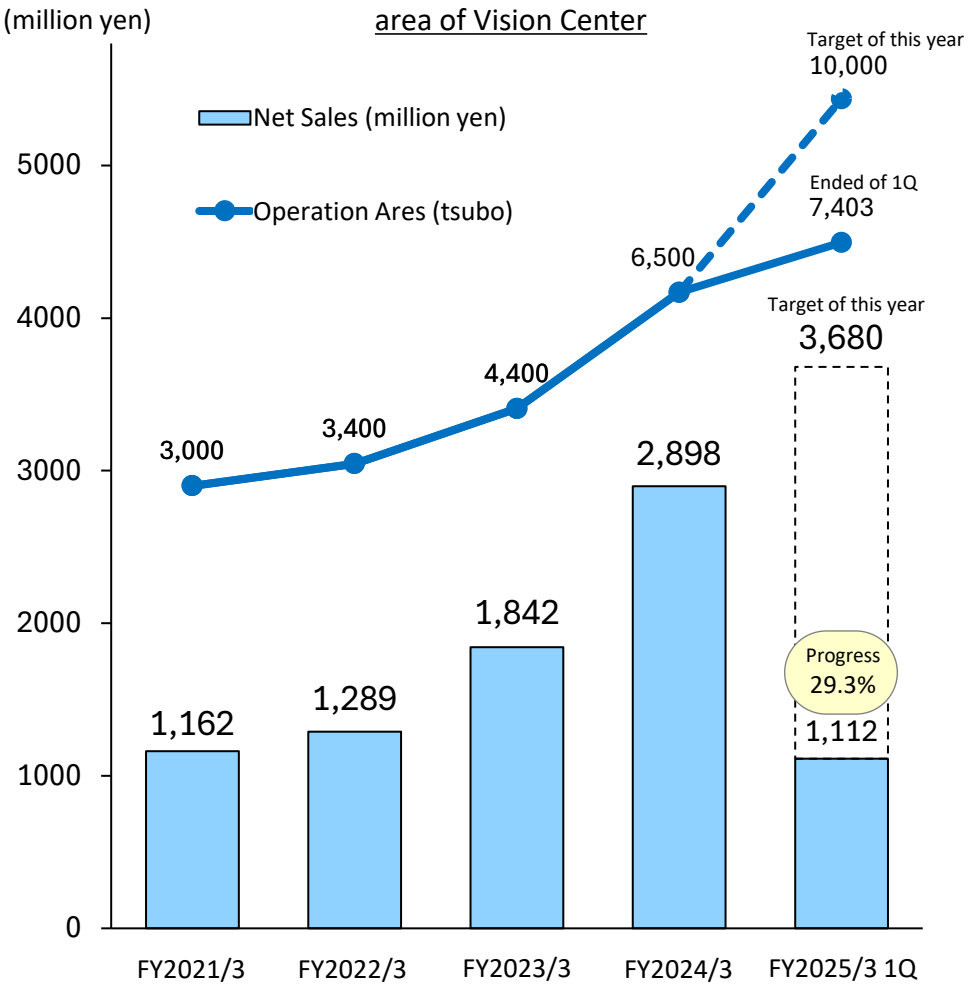

Own sub-divided land. Stable investment income can be obtained over a long-term by the rent from the leaseholders.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Strong Performance at New Sites Continuing Opening New Sites Actively

The performance was strong due to the effects of new site openings and floor space expansion, and an increase in repeat customers. Plan to open more sites in the future.

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



Vision Center Grande Tokyo Hamamatsucho
Operation Area :1,456 tsubo

Vision Center Tokyo Toranomon
Operation Area: 697 tsubo

Vision Center Yokohama Minatomirai
Operation Area: 427 tsubo

Operating area opening in August and September:
Total of 2,580 tsubo at three sites

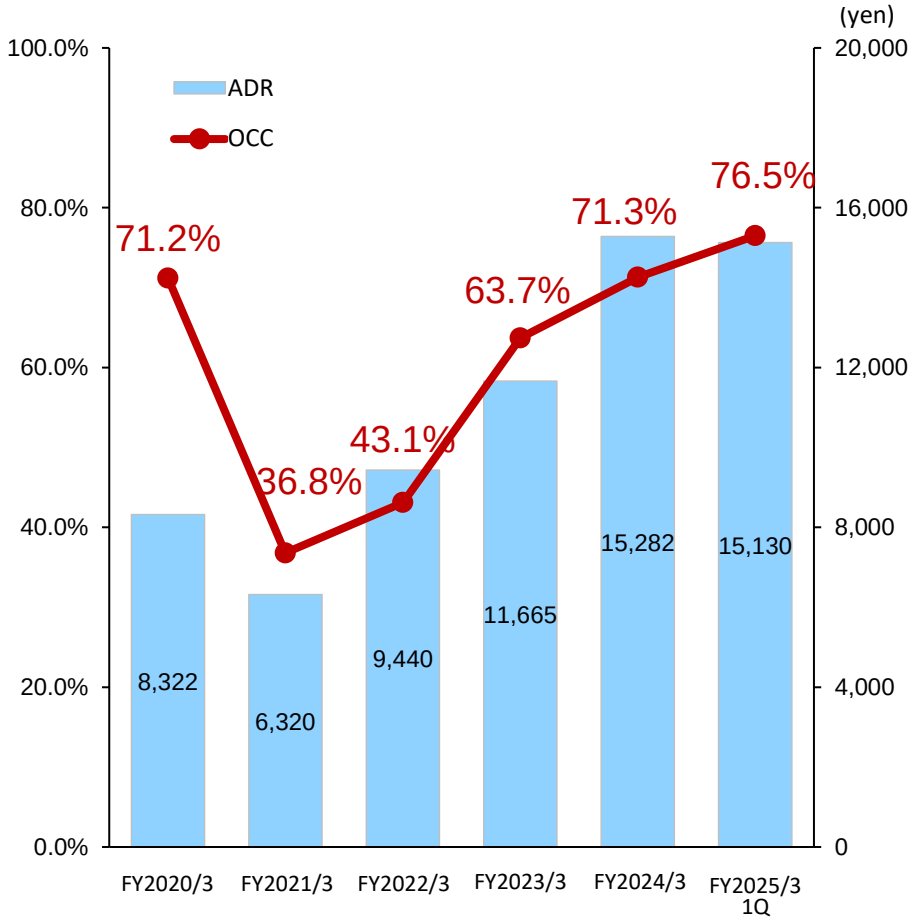
Operating area as of the end of 1Q:
Together with 7,403 tsubo,
Around 10,000 tsubo in total.
Expected to achieve the full-year target ahead of schedule

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

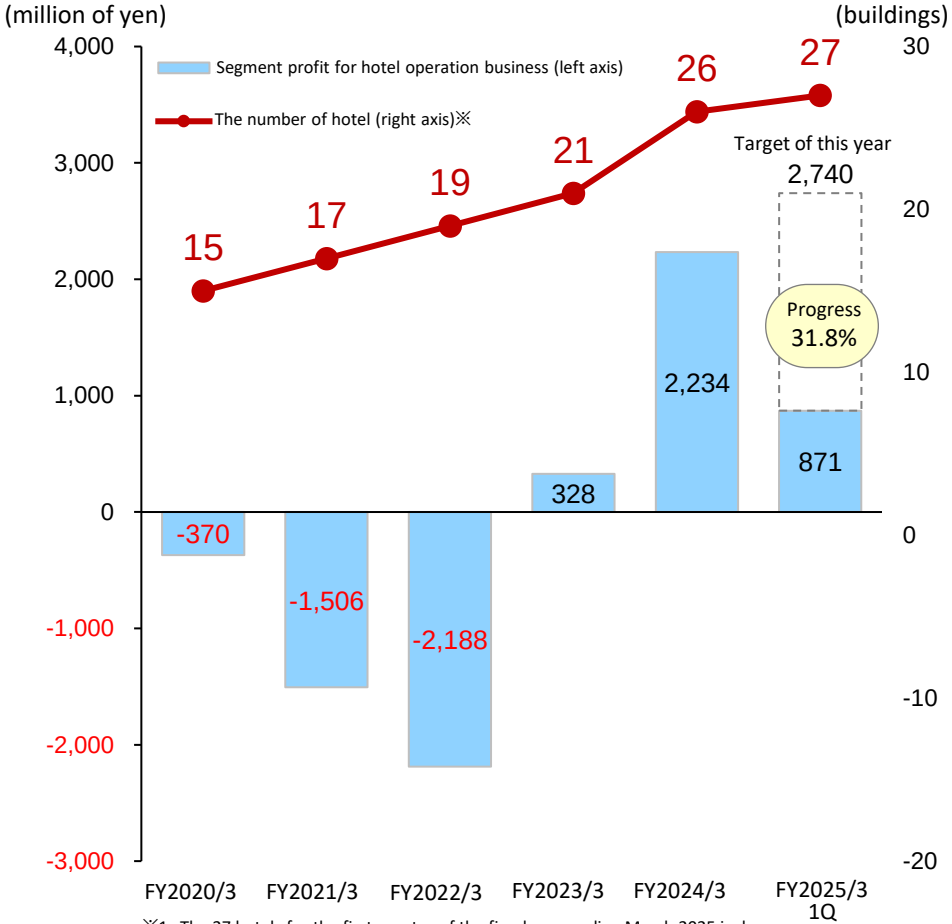
# Occupancy Rates and Average Daily Rates

Demand recovery and our heart-warming services has grown our performance. Accelerating business growth by increasing the number of operating rooms and improving service capabilities.

## Trends in occupancy rate and average daily rate




## Trends in Segment profit and number of hotel




※1 The 27 hotels for the first quarter of the fiscal year ending March 2025 incl
Oriental Hills Okinawa, which was acquired through M&A in July.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Expanding Hotel Business actively with Hotel Development and M&A

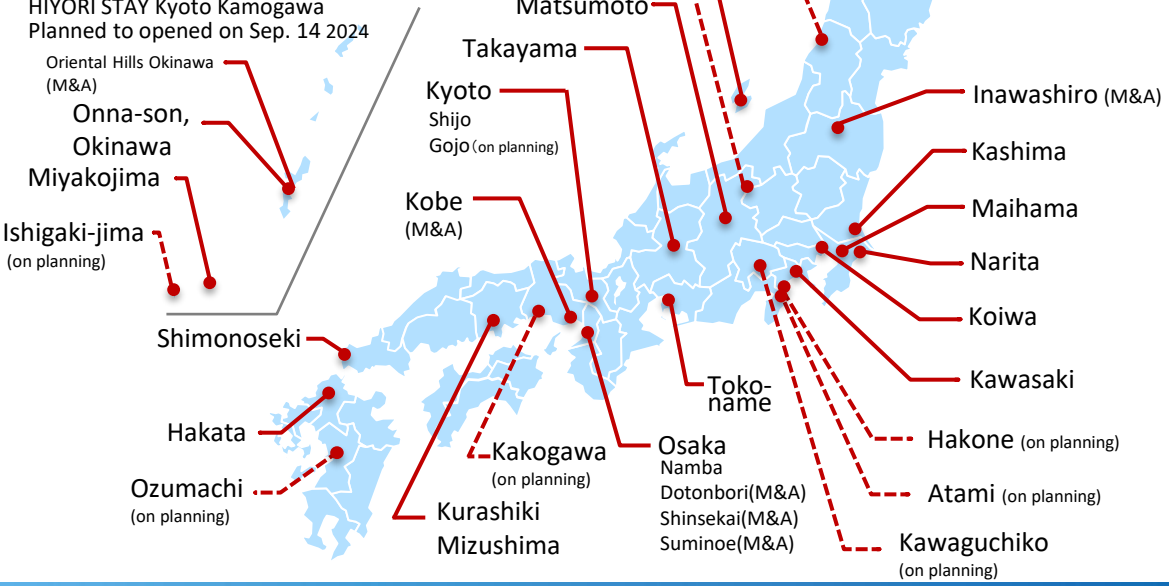
SUN FRONTIER

**<Number of hotel rooms>**

| | | |
|---|---|---|
| In operation | 3,123 rooms | 27 hotels |
| Scheduled to open in FY2025/3 | 40 rooms | 1 hotels |
| Planned | 1,638 rooms | 11 hotels |
| Total | 4,801 rooms | 39 hotels |

Kyoto Gojo

HIYORI STAY Kyoto Kamogawa
Planned to opened on Sep. 14 2024



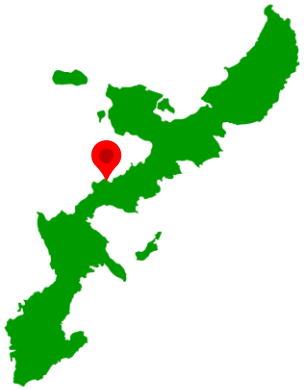

(As of August 2024)

| | | |
|---|---|---|
| **Luxury Class** | | |
| Sora Niwa Terrace Kyoto Bettei | 32 | |
| Hiyori Ocean Resort Okinawa | 203 | |
| Atami Hotel Project | 150 | ※on planning |
| HIYORI Hotel Karuizawa Spa & Resort | 85 | ※on planning |
| Seifutei | 11 | |
| Oriental Hills Okinawa | 14 | ※M&A |
| **Upper Class** | | |
| Sora Niwa Terrace Kyoto | 102 | |
| SADO RESORT HOTEL AZUMA | 52 | |
| SADO NATIONAL PARK OOSADO | 72 | |
| Hakone Hotel PJ | 110 | ※on planning |
| **Upper Middle Class** | | |
| HIYORI HOTEL MAIHAMA | 80 | |
| HIYORI HOTEL OSAKA NAMBA STATION | 224 | |
| Tabino Hotel lit Matsumoto | 176 | |
| Tabino Hotel lit Miyakojima・Villa Miyakojima | 115 | |
| Spring Sunny Hotel Nagoya Tokoname Station | 194 | |
| Tabino Hotel lit Sakata | 174 | ※on planning |
| Tabino Hotel lit Kawaguchiko | 130 | ※on planning |
| Tabino Hotel lit Ishigakijima | 200 | ※on planning |
| Tabino Hotel lit Akita Ekimae | 216 | ※on planning |
| Kyoto Shijo Hotel PJ | 16 | ※on planning |
| Kyoto Gojo Hotel PJ | 40 | ※2024/9/14 OPEN |
| **Economy Class** | | |
| Tabino Hotel Hida Takayama | 80 | |
| Tabino Hotel Kashima | 194 | |
| Tabino Hotel Kurashiki Mizushima | 155 | |
| Tabino Hotel Sado・live Sado | 129 | |
| Tabino Hotel EXpress Narita | 100 | |
| Tabino Hotel Ishikari | 175 | ※on planning |
| Tabino Hotel Kumamoto Ozu | 210 | ※on planning |
| Tabino Hotel Kakogawa | 172 | ※on planning |
| Joytel Hotel Namba Dotonbori | 53 | |
| Joytel Hotel Shinsekai Sakaisujidori | 103 | |
| Osaka Joy Hotel | 229 | |
| Kobe Plaza Hotel | 107 | |
| Kobe Plaza Hotel West | 120 | |
| DONDEN Highland | 12 | |
| **Budget Class** | | |
| SKY HEART Hotel Keisei Koiwa Mae | 105 | |
| SKY HEART Hotel Kawasaki | 200 | |
| SKY HEART Hotel Hakata | 157 | |
| SKY HEART Hotel Shimonoseki | 104 | |

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Acquired ORIENTAL HILLS OKINAWA

## Improve the service capabilities of the entire hotel group through the operation of luxury class hotels



Opened in 2006 in Onna-son, Okinawa, one of the best resorts in Okinawa.

Nestled on a small hill 30 meters above sea level overlooking the East China Sea, this all-suite villa consists of 14 cottage-type buildings.

| | | | |
|---|---|---|---|
| Stock Acquisition date | July 23, 2024 | Sun Frontier Hotel Management Inc.<br>100% investment | |
| Management Facility | Oriental Hills Okinawa<br>(Opened in June 2006) | 79-1 Serakaki, Onna-son,<br>Kunigami-gun, Okinawa | 14 buildings |

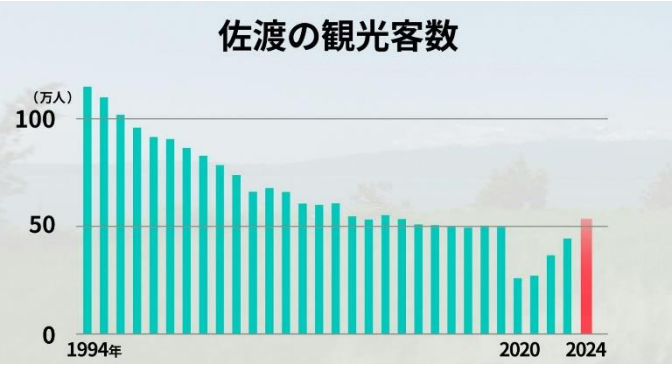
We have one of the largest private pools in Japan in all of our buildings. Our meals are prepared with local ingredients carefully selected by our three expert chefs who specialize in sushi, French cuisine and teppanyaki. We are the auberge that offers the best experiences to suit each guest's preferences.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Sado Island's Gold Mine Registered as a World Cultural Heritage Site

With the registration of Sado Gold Mine as a World Heritage Site, the number of tourists to Sado is expected to increase. We will support tourism in Sado and contribute to regional prosperity through hotel operations and transportation infrastructure projects.

The symbol of Sado “Aikawa Gold and Silver Mine" is registered as a World Cultural Heritage Site.




As a result of the World Heritage registration, the number of tourists is expected to exceed pre-pandemic levels.

## UNESCO World Heritage Centre and Business of Sun Frontier Sado

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Medium-term Management Plan

SUN FRONTIER

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Road Map for the next Medium-term Management Plan

SUN FRONTIER

**Long-term vision 2035**

Utilize limited resources to fill the world with smiles and excitement!
Becoming a corporate group that continues to challenge the creation of future value.

| | |
|---|---|
| Net sales | 300 billion yen |
| Ordinary profit | 60 billion yen |

**Next Medium-term Management Plan FY2026/3 to FY2028/3**

Basic policy
Work to resolve social issues by promoting cooperation and diversification within core business, providing manufacturing through clients' point of view and heart-warming services.

| | |
|---|---|
| Net sales | 135 billion yen |
| Ordinary profit | 27 billion yen |
| Ordinary profit margin | 20% |
| ROE | 10% or more |
| Equity ratio | Around 45% |

**Extant Medium-term Management Plan FY2019/3 to FY2025/3**

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

| | |
|---|---|
| Net sales | 100 billion yen |
| Ordinary profit | 20 billion yen |
| Ordinary profit margin | 20% |
| ROE | 10% or more |
| Equity ratio | Around 50% |

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Long-term vision 2035

Utilize limited resources to fill the world with smiles and excitement!

Becoming a corporate group that continuing to challenge and create future value.

**FY2035/3**

Net Sales **300** billion yen

Ordinary Profit **60** billion yen

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Basic Policy for the next Medium-term Management Plan

SUN FRONTIER

Work for resolving social issues by promoting cooperation and diversification within core business, providing manufacturing through clients' point of view and heart-warming services.

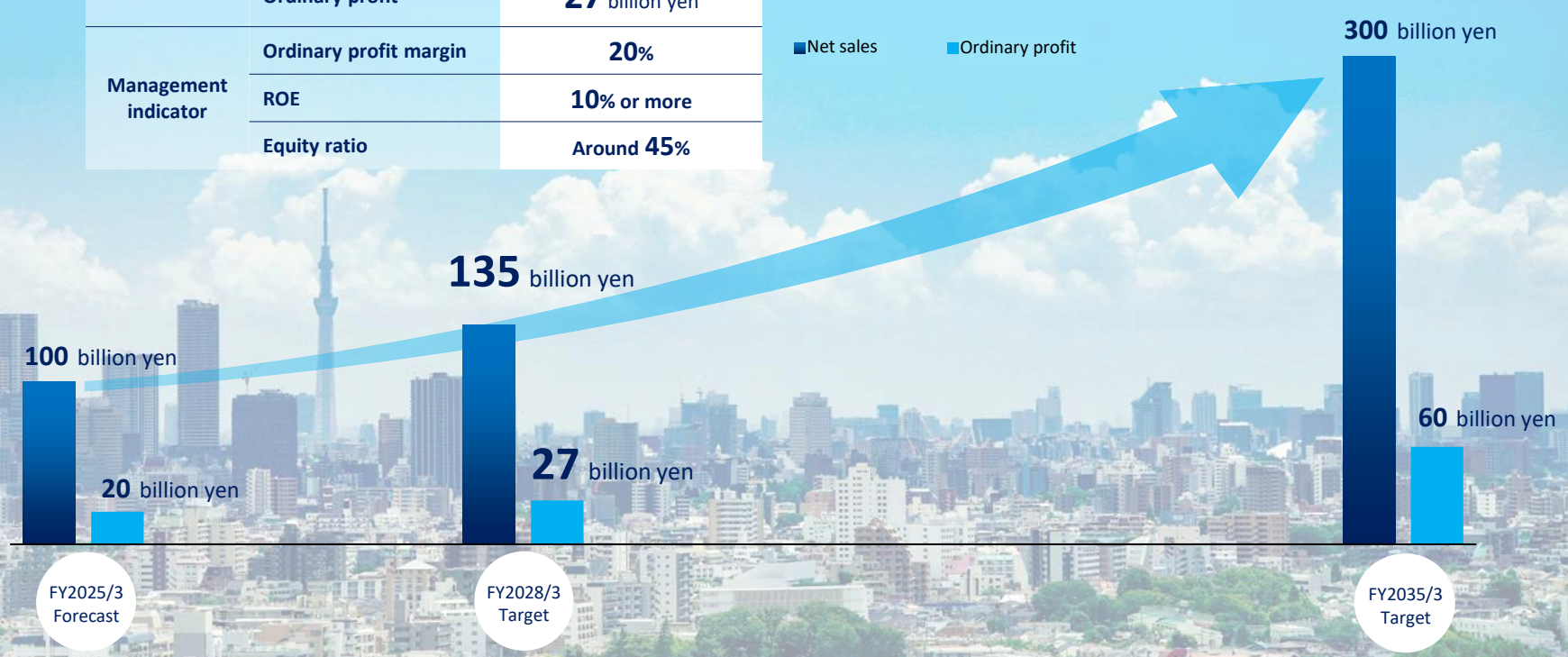
Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Quantitative Plan for the next Medium-term Management Plan

SUN FRONTIER

**Continuing high profitability and growth even after achieving the current medium-term plan.**
**Invest more actively in business while maintaining financial discipline and develop business with high capital efficiency.**

| | | FY2028/3 Plan |
|---|---|---|
| Profit Plan | Net sales | 135 billion yen |
| | Ordinary profit | 27 billion yen |
| Management indicator | Ordinary profit margin | 20% |
| | ROE | 10% or more |
| | Equity ratio | Around 45% |




Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Focus points for the Next Medium-term Management Plan

SUN FRONTIER

## 1 Strengthening human resource base

- Strengthen recruitment and training to enhance human recourse.
- Cultivating human resources as leaders through education and expanding organizations through amoeba division.
- Further evolve into a corporate group that attracts human resource with diversity and our values of altruism regardless of age, sex, or nationality

## 2 Manufacturing through clients' point of view and heart-warming services

### Manufacturing through clients' point of view

- To develop new buildings, hotels, apartments in New York City, and condominiums in Viet Nam through utilizing the creativity cultivated by clients' point of view in Office Replanning and further strengthen.
- Strengthening base of Construction Business through M&A.

### Heart-warming services through clients' point of view

- Working closely with building owners to improve long-term problem-solving ability.
- Improving ability of responding to needs of tenants and service users with care and warmth.
- Educate and create an organizational culture to provide heart-warming and enjoyable services that impress hotel guests

## 3 Cooperation and diversification within core business

### Cooperation and diversification within core business (flow-type business)

- Development of New Construction Business that aims to maintain the long-term economic value of buildings through the cooperation with Leasing Management, Property Management, and Construction department.
- Promotion of small-lot real estate property (properties in Osaka and Nagoya in addition to the central Tokyo area)
- Development of apartment replanning in New York and condominium in Vietnam.

### Cooperation and diversification within core business (stock-type business)

- Provide further variegate service for real estate to solve clients' problems.
- Increase branches in Tokyo, focus on sub-leases entrusted, and increase entrusted buildings for Property Management.
- Increase operating area in Rental Conference Room Business
- Increase rooms of hotel operation（including M&A).

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Growth Strategies in the Next Medium-Term Management Plan

SUN FRONTIER

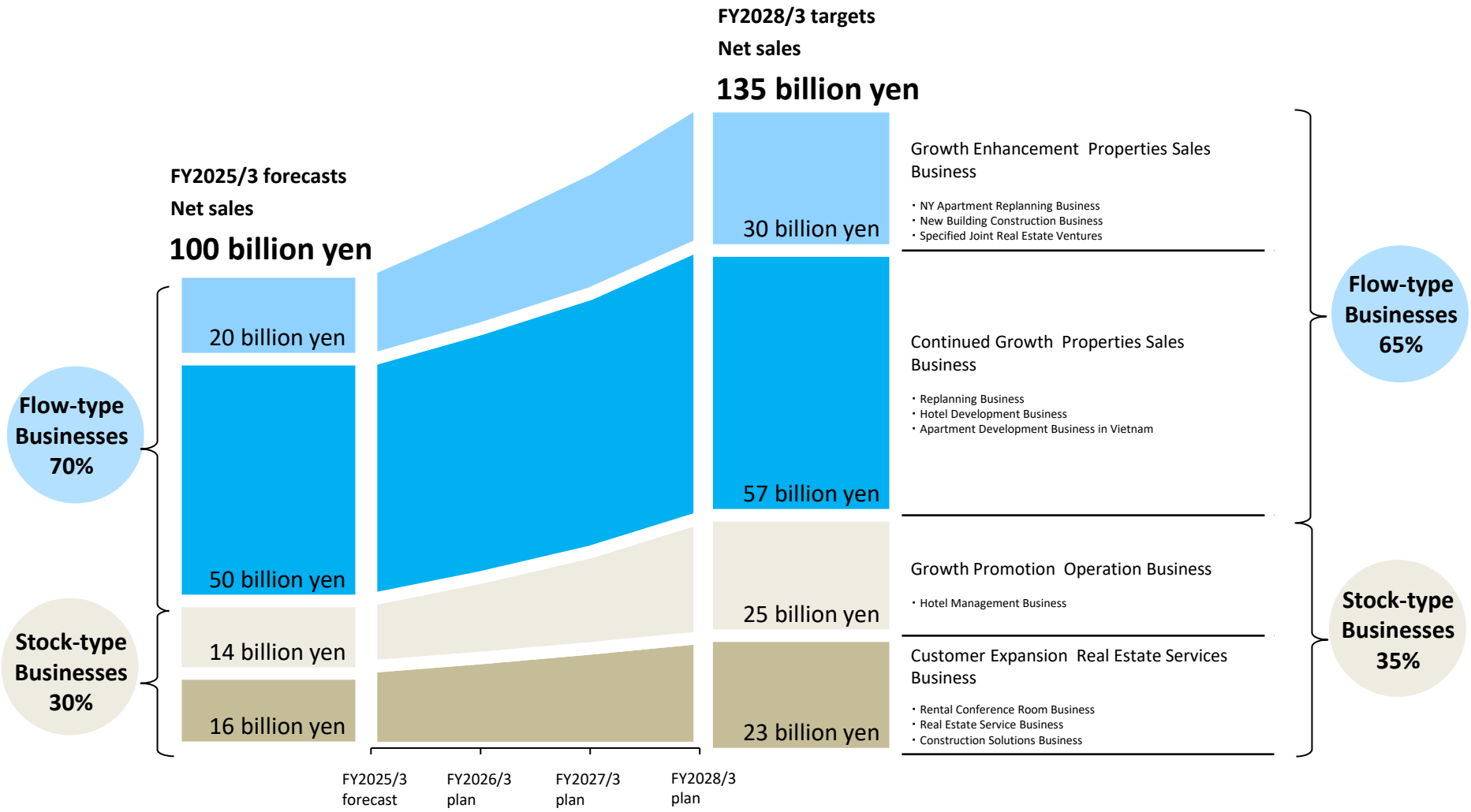
Diversify the use of real estate by combining development and services, and expand business domains and areas and accelerate growth

| Three markets to focus | Business model | Business domain | Area | | Our goal |
|---|---|---|---|---|---|
| Office | Development | Renovation | Tokyo | | Contribute to the realization of a sustainable society by utilizing real estate in resource recycling methods. |
| | | Business domain expansion<br>New construction | | | |
| | | Sale of small-lot<br>(Act on Specified Joint Real Estate Ventures) | Tokyo | Area expansion<br>Osaka, Nagoya | |
| | Services | Real Estate Services | Tokyo | | Resolve our clients' concerns from their perspective, for their smile and excitement. |
| | Operation | Rental conference rooms | Tokyo | Area expansion<br>Osaka, Nagoya | |
| Hotel | Development | New construction | Nationwide | | Expand heartwarming and fun hotels nationwide to grow with local communities. |
| | | Renovation | | | |
| | Operation | Hotel operation | | | |
| Residential | Development | Business domain expansion<br>New construction | Area expansion<br>Vietnam | Tokyo | Provide high quality residential environment full of safety, security and comfort to contribute to the development of nations. |
| | | Renovation | New York | | |
| | Services | Real Estate Services | Vietnam<br>New York | | |

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Diversification of Flow-type Business and Expansion of Stock-type Business

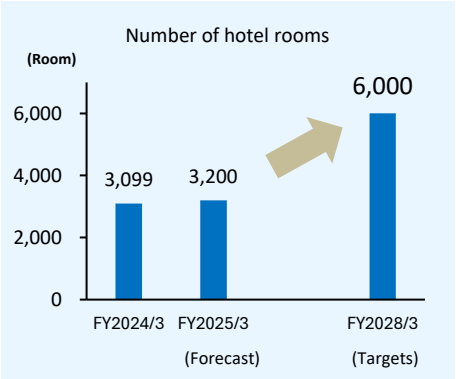
As we expand our business areas, we will diversify our flow-type businesses and increase the sales ratio of our stock-type businesses.



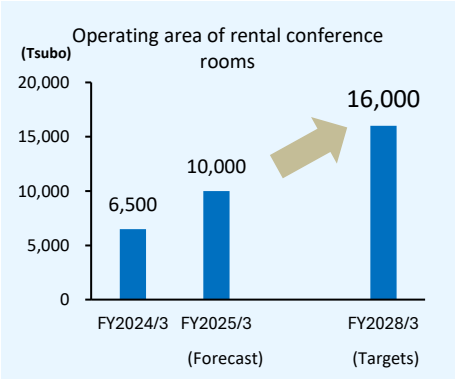

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Expanding the Business Base and Customer Base of Stock-Type Business

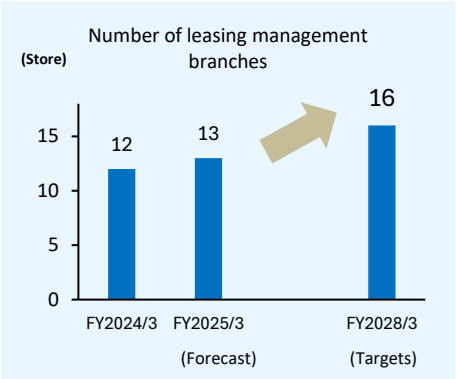
Accelerate growth of stock-type businesses and strengthen the stable earnings base of the Group as a whole



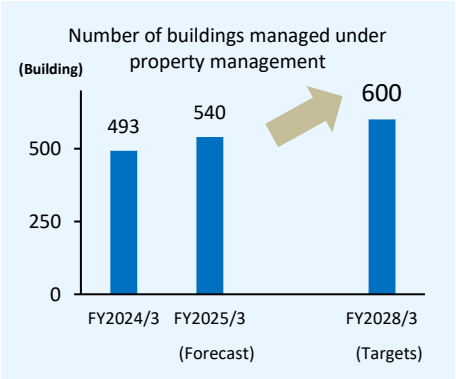

Promote development and M&A, aiming for 10,000 rooms



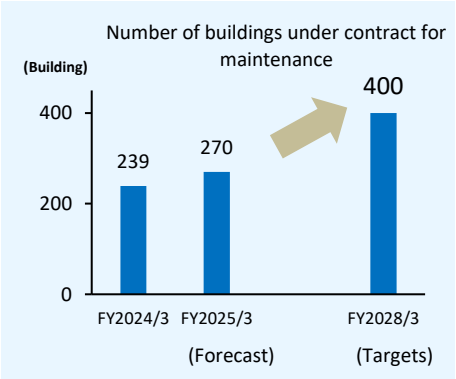

In addition to promoting business in the Tokyo area, planning to expand business in the Kansai area



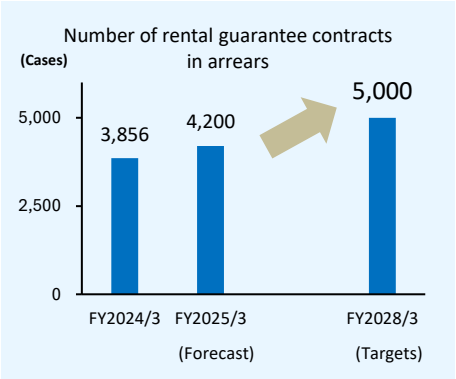

Strengthening community-based branch network in central Tokyo
Further improve our ability to solve customer problems




Increase the number of entrusted buildings in central Tokyo with the aim of increasing the number of entrusted buildings to 1,000 by 2035




Aiming to "Make Tokyo the Most Beautiful City in the World," increase the number of entrusted buildings for cleaning, sanitation and safety




Specializing in Rent Guarantee Business for commercial buildings
Focusing on new acquisitions and contract growth

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Aggressive Investment for Future Business Growth

SUN FRONTIER

Actively invest in growing fields while paying attention to the capital cost, focusing on the profitability and turnover of each business.
Total investment in the next Medium-term Management Plan (FY2026/3-FY2028/3): will be 310 billion yen

【Cumulative capital income】

**Business proceeds from sales etc. of properties**

**Loans**

**Cash and deposits**

**322 billion yen**

【Cumulative capital expenditure】

**Business growth Investment**

**310 billion yen**

**Return to shareholders**

| | | |
|---|---|---|
| Short-term Replanning | 100 billion yen | Continue to actively invest in small and medium-sized buildings in the five central wards of Tokyo |
| Mid- to long-term Replanning | 50 billion yen | Invest in buildings that can be developed on a relatively large scale |
| New construction development | 30 billion yen | Expanding investment in New Construction Business with our cultivated technologies |
| NY Apartments Replanning | 20 billion yen | Increase investment to expand business in high-growth markets |
| Small-lot real estate properties | 21 billion yen | Promotion of commercialization in Kansai and other regions in addition to Tokyo |
| Hotel development | 70 billion yen | Aggressively invest to increase the number of operating rooms to 10,000 |
| Vietnam Apartment development | 9 billion yen | Investment in Da Nang, where high growth potential and housing demand are expected |
| Other M&A | 10 billion yen | Actively use to accelerate business growth and create synergies |
| Dividend | 12 billion yen | Increase dividends in line with profit growth and return to shareholders |

* From FY3 / 25 to end-FY3 / 27, conversion of convertible bonds into shares is expected to progress at the end of each fiscal year, resulting in increased number of shares issued and outstanding.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Philosophy and Business Initiatives

SUN FRONTIER

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Sun Frontier Philosophy

SUN FRONTIER

Company policy

**Credo**

**COMPASSION**

**We believe in helping others, as many as we can, throughout our lives.**

Management Philosophy

**Mission**

**Our mission is to look after every employee and pursue the happiness of both mind and matter. At the same time, to co-create a rich and sustainable society by contributing to the evolution and the development of the human society.**

Future Image

**Vision**

**Our vision is to become the most appreciated visionary company that fully utilizes limited resources and continues the challenges to create new values.**

Course of Action

**Value**

1. **Work For Your colleagues**
2. **Do The Right Thing**
3. **Absolute Proactiveness**
4. **Do it immediately, do it definitely, do it until success**
5. **Stay Humble, Thankful, And Respectful**
6. **Always Work Creatively**
7. **Be GENBA-Centric**
8. **Be Open-Minded Cheerful and Wonderful**

The Value and the Course of Action shared by all employees, the Core of our Corporate Culture

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Sustainability Management

## Sustainability Vision

The Group's sustainability website → https://www.sunfrt.co.jp/en/sustainability/

We will contribute to the realization of a sustainable society through our business activities, respecting the heart of altruism that is our company policy.

| Important Challenges | Social issues to be solved | Main Measures | Targets (KPIs) | Related SDGs |
|---|---|---|---|---|
| Environmental Protection | Small and medium-sized buildings that can still be used if their value increases are being demolished = Waste of resources | ■ Extension of healthspan of real estate<br>■ "Energy conservation" and "Reduction of environmental impact" through real estate revitalization | ・Economic lifespan extended by 30% or more<br>・Occupancy rate of buildings over 30 years old: 90% or more<br>・Continuation of management after the sale of replanning properties: 90% or more<br>・Reduce CO2 emissions by an average of 12% or more compared to building reconstruction work<br>・Carbon offset 100%<br>• Reduce greenhouse gas emissions by 22% from fiscal 2022 levels by 2030 and achieve carbon neutrality by 2050 | 12 つくる責任 つかう責任<br>7 エネルギーをみんなに そしてクリーンに<br>13 気候変動に具体的な対策を |
| Regional Revitalization | Revitalization of the regional economy | ■ Create buildings, offices, and spaces that are motivating and creative and contribute to economic growth | ・Establish "Sun Frontier Wellness Score (SWO)," an in-house standard for the revitalization of real estate that takes well-being into consideration and increase the ratio of newly supplied replanning properties that exceed SWO to at least 30% in fiscal 2023, 50% in fiscal2025 and 70% in fiscal 2030.<br>・Conduct tenant satisfaction survey (Company-owned properties) | 8 働きがいも経済成長も<br>9 産業と技術革新の基盤をつくろう |
| | Response to devastating natural disasters | ■ Disaster prevention and mitigation through regional cooperation | ・Provide set-up offices with emergency supplies or installation space<br>At least five lots by fiscal 2023, and at least 20 lots by fiscal 2023<br>・Posting disaster prevention information on a dedicated website: 100% in fiscal 2023 (Company-owned properties) | 11 住み続けられるまちづくりを |
| Human Resource Development | Decrease in the working-age population (decrease in the real labor force) due to the declining birthrate and aging population, and elimination of the gender gap | ■ Respect for and utilization of diversity<br>■ Create a workplace with "Job satisfaction," "creativity" and "growth opportunities" | • Increase the ratio of female managers to at least 12% by April 2025<br>・Ratio of training hours to designated working hours: 12% or more<br>・Increase the amount of ordinary profit per hour compared to the previous year | 5 ジェンダー平等を実現しよう<br>4 質の高い教育をみんなに<br>8 働きがいも経済成長も |

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Sun frontier's Strength

SUN FRONTIER

**Create a good corporate climate and culture based on the two wheels of Philosophy and Amoeba Management to realize our Management philosophy.**

## Realization of the Management philosophy

### Corporate climate and culture

**Management among all employees' participation**

**(1) Management based on the hearts of people (2) Culture that values challenges**

### Philosophy

**(1) The heart of altruism**
**(2) Being right as a person**
**(3) Absolute proactivity**

**By philosophy,**
**even as the Group's businesses diversify and various employees work, it is possible to create a corporate culture that transcends the boundaries of businesses and enables each and every employee to connect with each other across the organization and to co-create ambitious goals.**

### Amoeba management *

**(1) Realization of all-employee participatory management**
**(2) Development of human resources with management awareness**
**(3) Market-based divisional accounting system**

**What is Ameba Management?**
**A process in which all members of an organization participate in management through the use of a divisional accounting system by functional small groups (ameba). Management status of each division can be grasped even in the midst of business expansion**

* Amoeba management is the registered trademark of KYOCERA Corporation.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Human Resource Development

**Desired image of human resources**

**Human resources with both "the heart of altruism" and "frontier spirit"**

## Human Resources Development Policy

Develop human resources who can develop new fields with a frontier spirit toward the realization of a sustainable and affluent society together with colleagues who share values of altruism.

We aim to realize a society that can be passed down to future generations by fostering human resources who have the kindness to care for others around them and the strength to maintain personal integrity, and boldly take on challenges in areas where they have no experience. To this end, the pillars of our human assets are exploration, curiosity, self-motivation, autonomy, and respect for and utilization of diversity.

## Environmental Improvement Policy

Create a work environment that provides "job satisfaction," "creativity," and "growth opportunities." Create a "co-creation" organization in which all employees set their own goals, work toward those goals with enthusiasm, and continue to create new value based on mutual trust.

| | | |
|---|---|---|
| **Job satisfaction** | —— | A corporate culture that encourages challenge and growth |
| **Creativity** | —— | A corporate culture that envisions the future and aims to create new value |
| **Growth opportunity** | —— | A corporate culture that stimulates the desire to learn and works toward high goals |

**Human Resources Development Policy**

Respect for and utilization of diversity

**Environmental Improvement Policy**

Creating a workplace with motivation, creativity, and growth opportunities

## Measures

- Creation of a work environment suited to each employee's life stage and provision of flexible training opportunities
- Cultivating Ameba leaders for business diversification and organizational expansion
- Establish training programs for the next generation leaders, improve support systems for external training, and increase the ratio of training hours to designated working hours to 12% or more.
- Use of DX, improvement of business processes and individual capabilities, and year-on-year increase in ordinary profit per hour

## Key Points

Strengthening the human resource base

Manufacturing from the perspective of customers and heart-warming services

Promotion of core business tie-ups and diversification

**Basic Policies of the next Medium-Term Management Plan**

Working to resolve social issues by promoting core business tie-ups and diversification through customer-oriented manufacturing and heart-warming services

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Shareholders Return

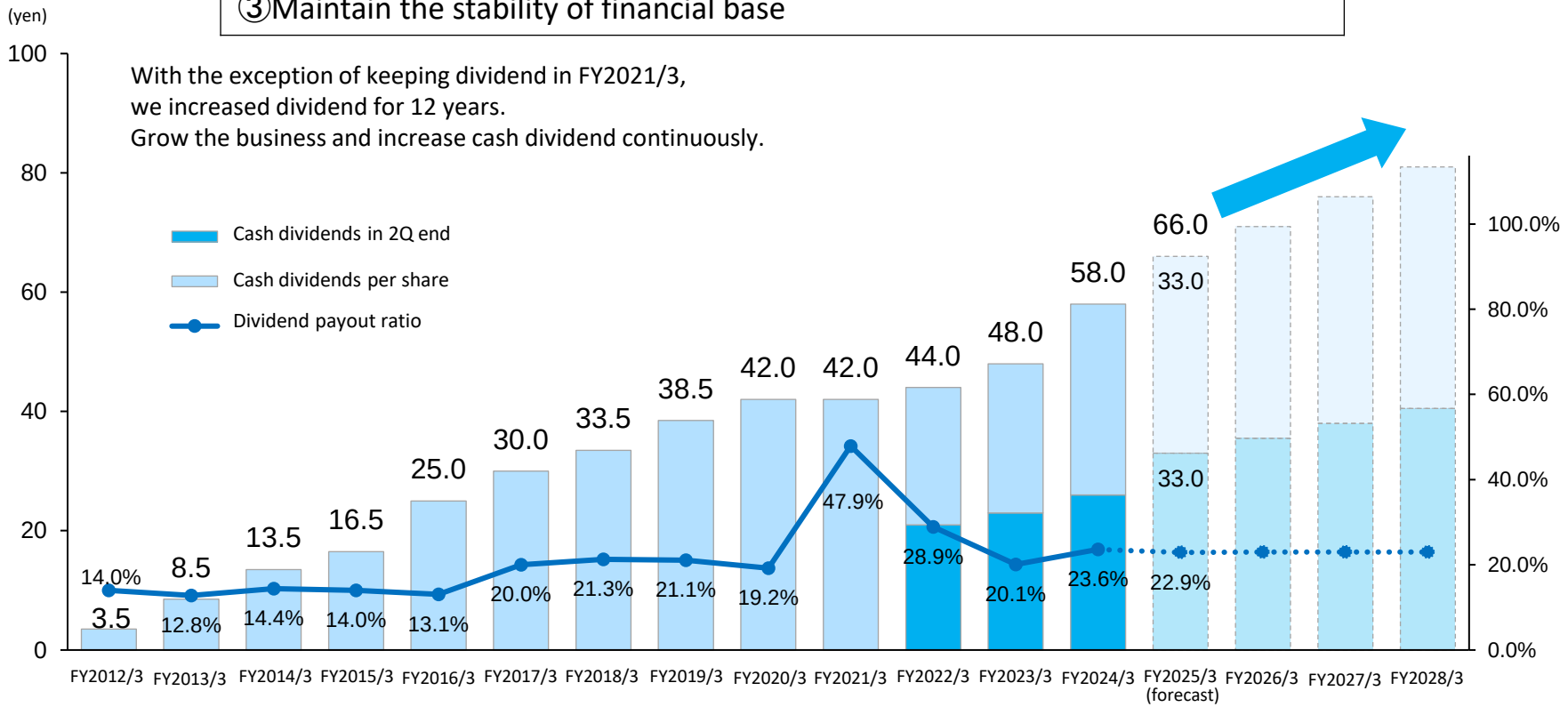
SUN FRONTIER

## Basic Policy for Shareholder Return

①Strive to provide long-term and stable shareholder return

②Secure investment funds for future growth

③Maintain the stability of financial base



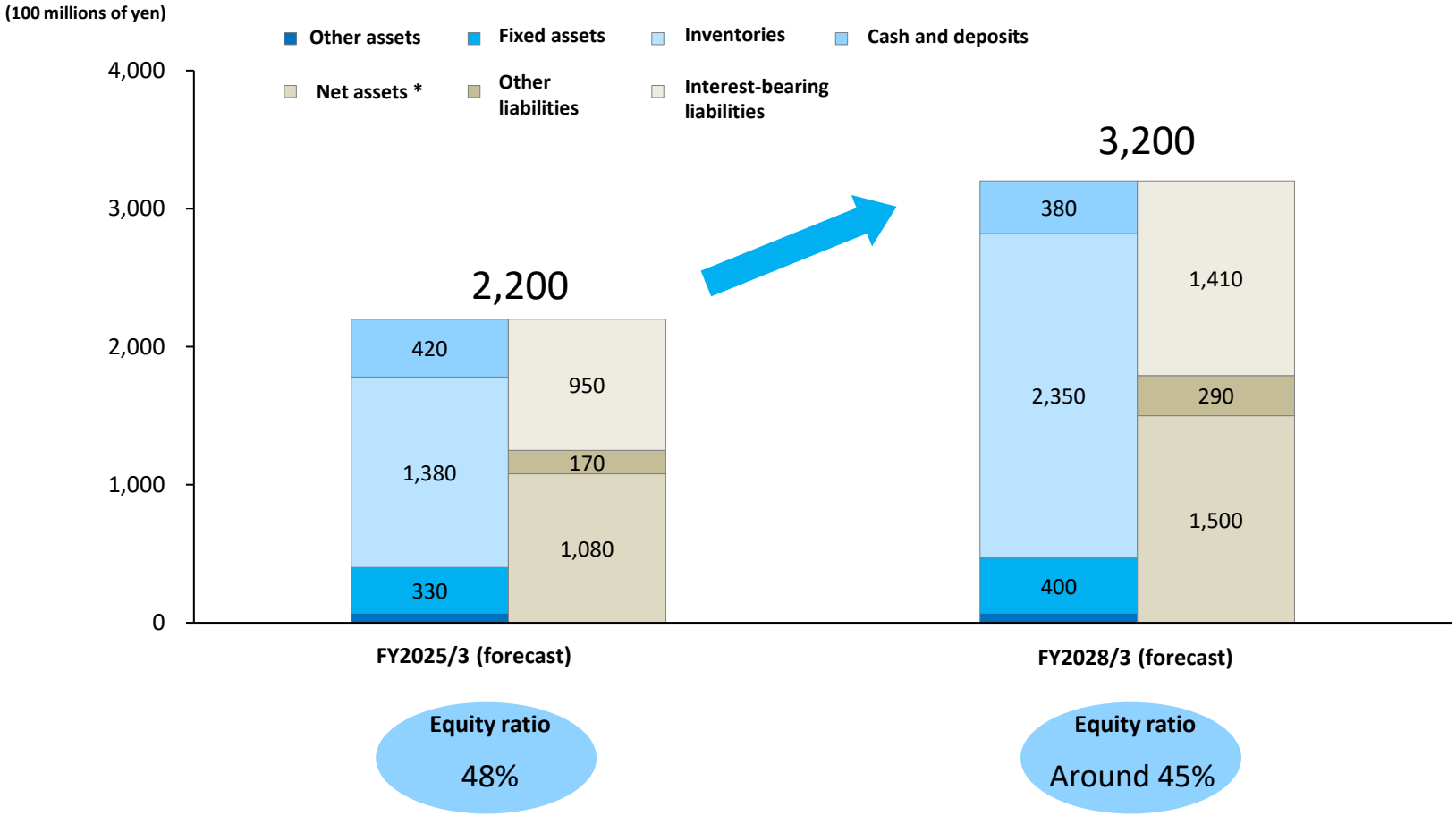

※1 Interim dividend started from FY2022/3

※2 Dividends are anticipated in expectation of the progress of conversion of CB to stocks at the end of each period from FY25/3 to the end of FY27/3.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Simulation of Balance Sheet

Expand total assets by investing more aggressively for future business growth while maintaining financial discipline



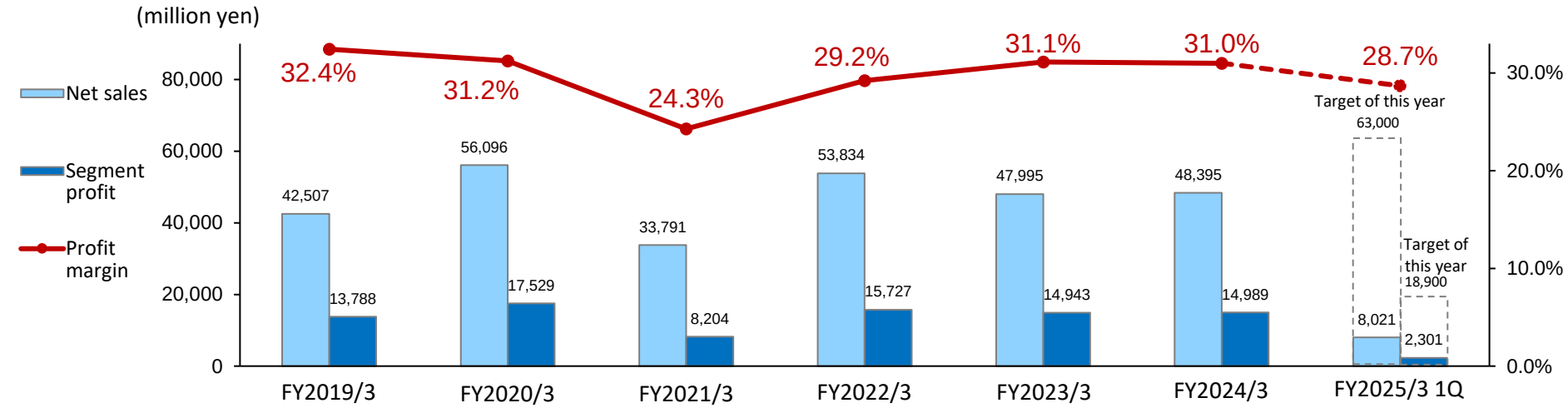

* From FY2025/3 to end-FY2027/3, conversion of convertible bonds into shares is expected to progress at the end of each fiscal year.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

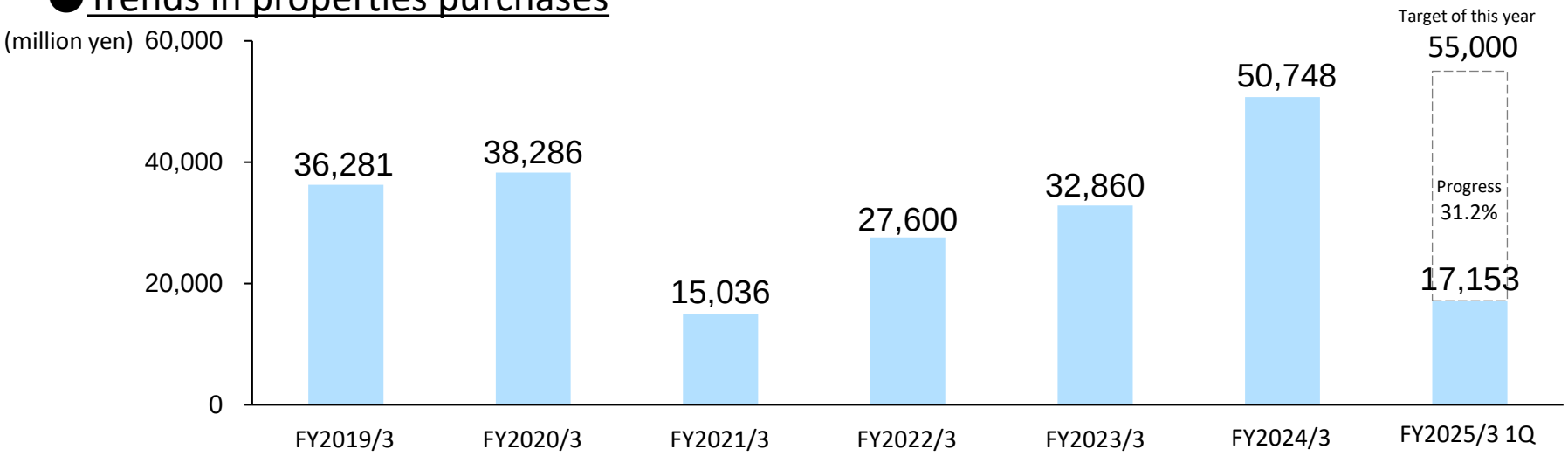
# Trends in Performance of Replanning Business and Properties Purchase

SUN FRONTIER

## ●Trends in net sales, Segment profit and Segment margin




## ●Trends in properties purchases

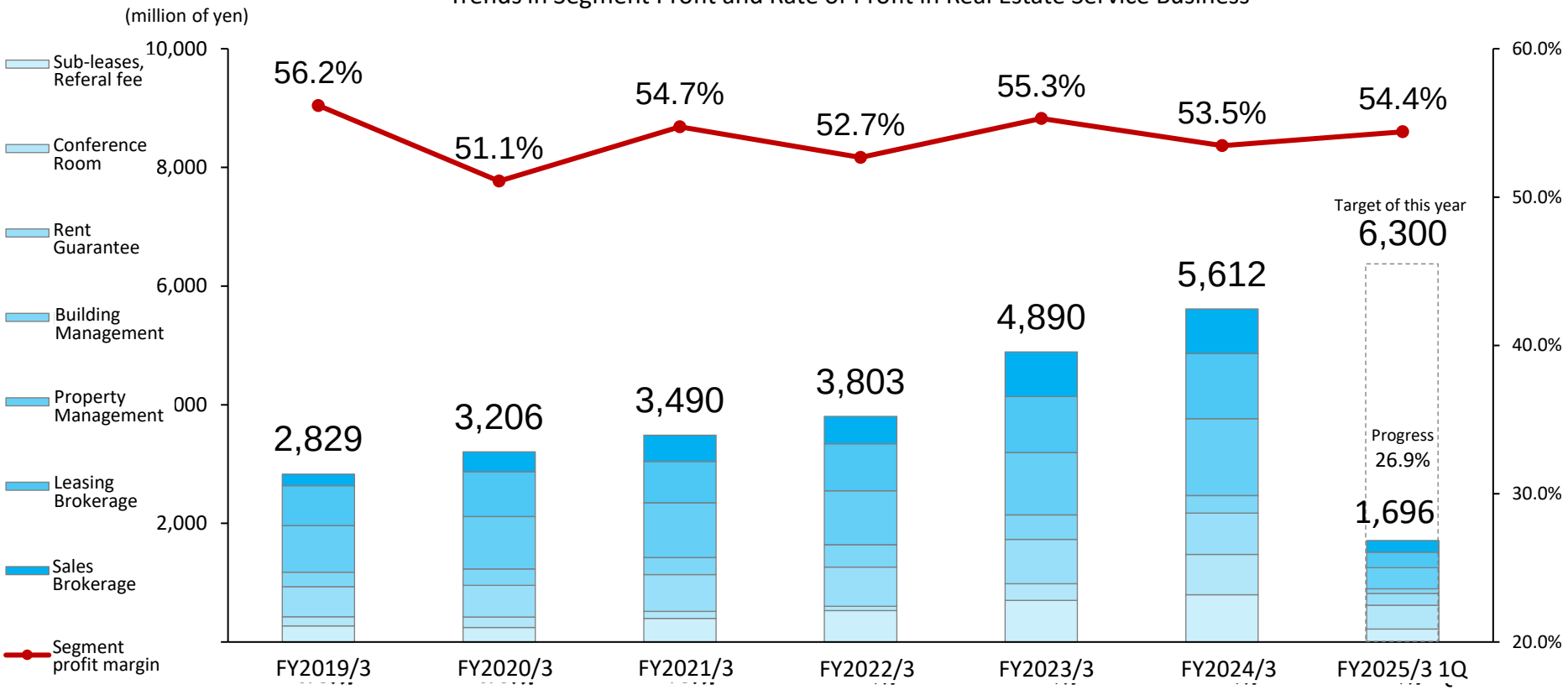



Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Steady Growth in Real Estate Service Business

Stock Business continues to grow steadily as stable business. The profit in FY2025/3 is expected to record a new high.

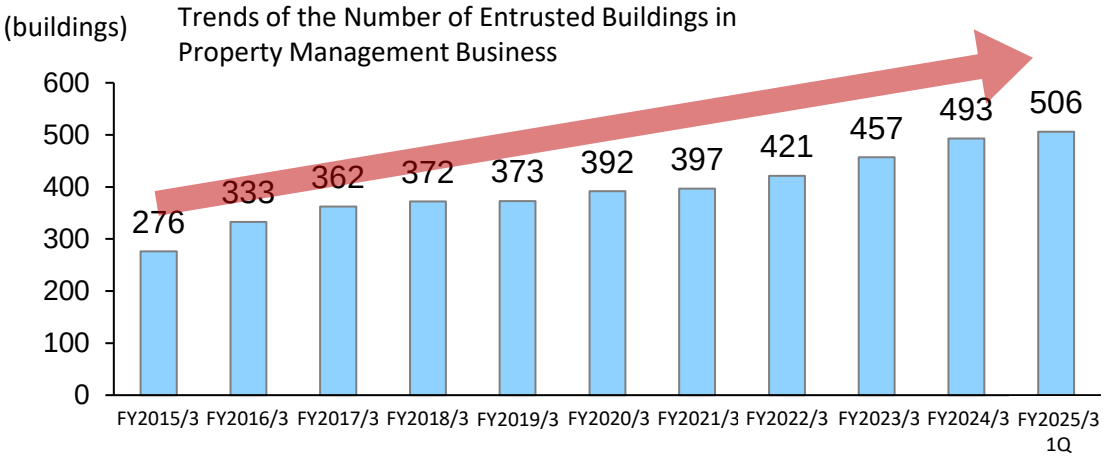
Trends in Segment Profit and Rate of Profit in Real Estate Service Business




Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

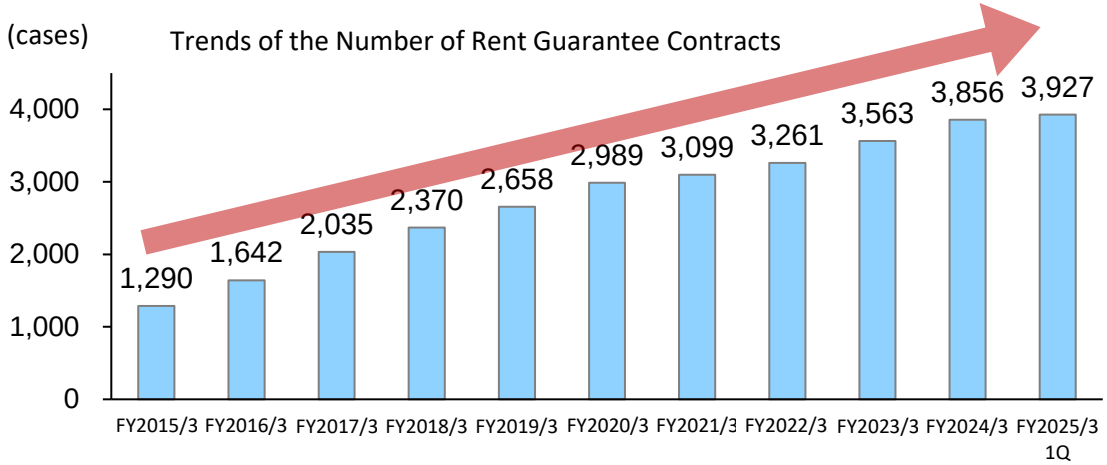
# Real Estate Service Business Continues to Expand Its Customer Base

## Expanding as a platform for business growth

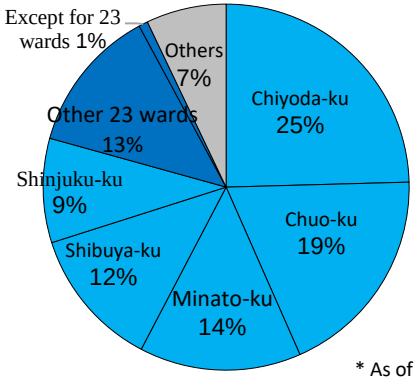



【Property Management entrusted property distribution】

Entrusted properties of the Company




【Percentage of new contracts of Rent Guarantee by area】




5 cities of central Tokyo 79%

Other Tokyo 14%

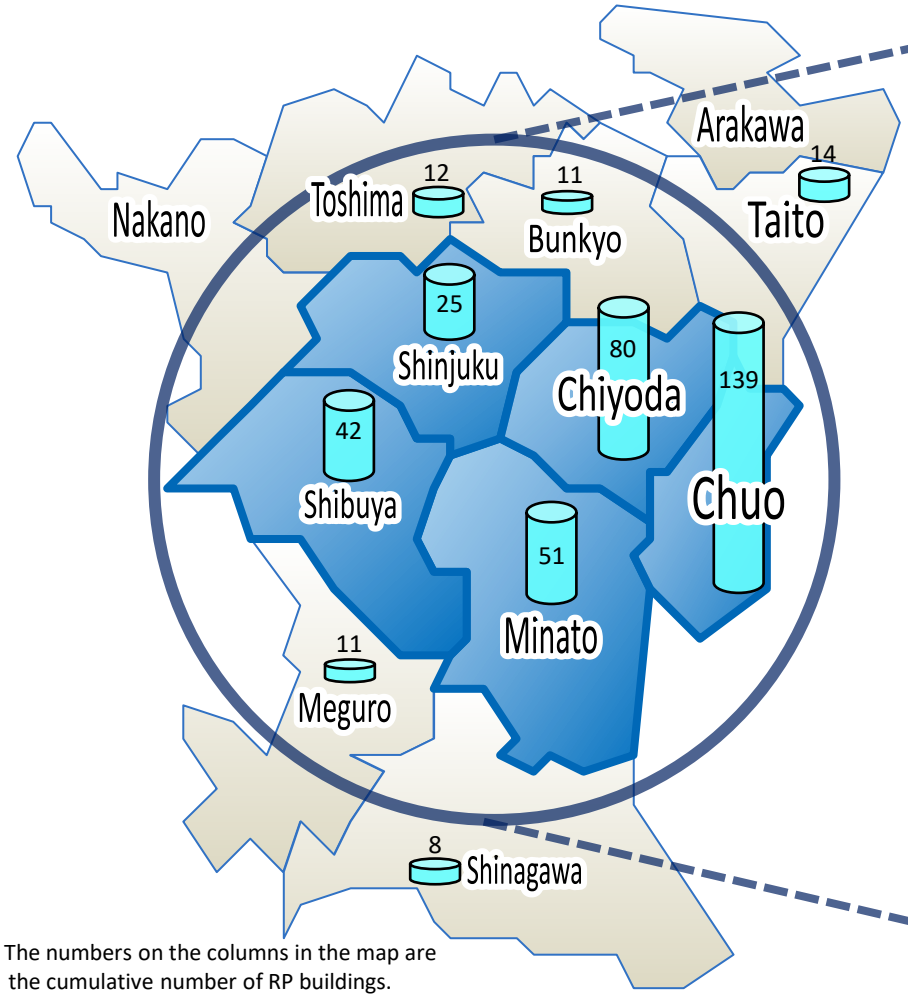
Total of 93% in Tokyo

* As of March 31, 2024 : 701 new contracts

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Strategy in Office Business

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



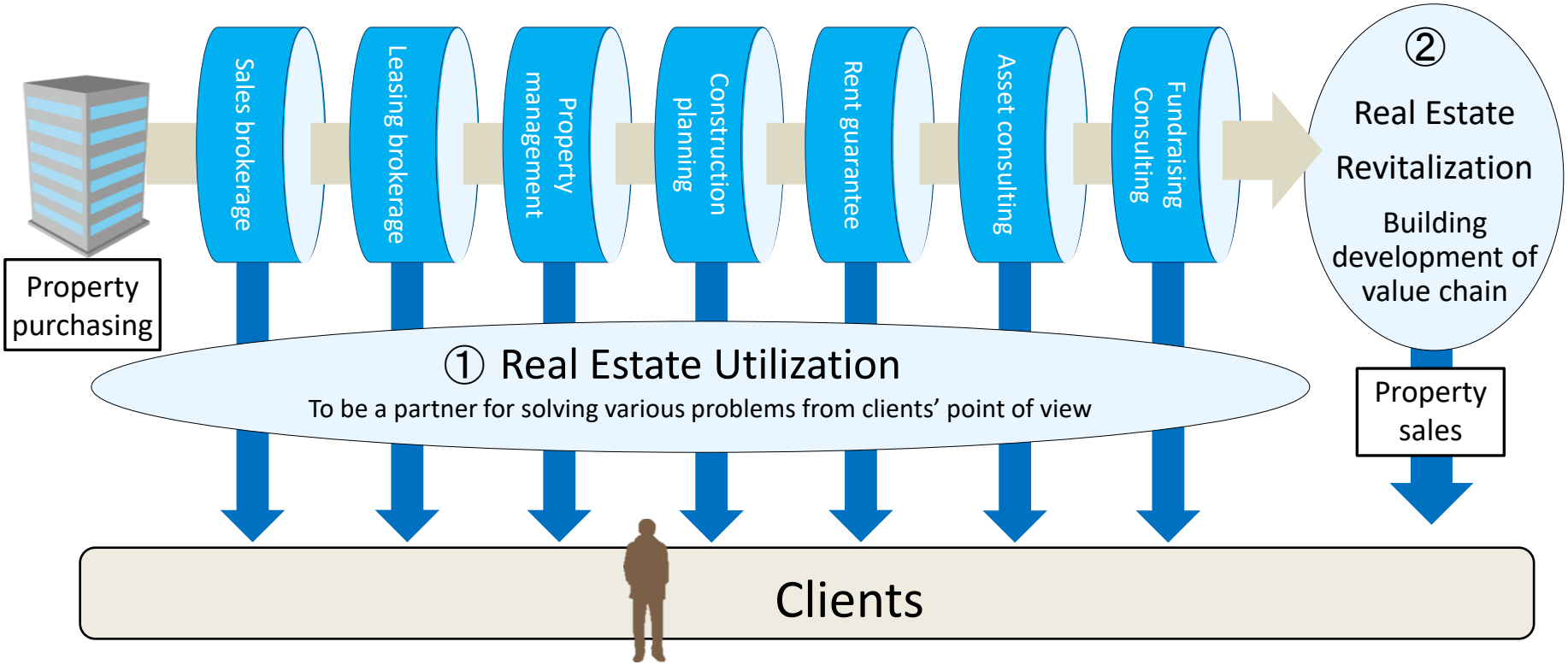

* The numbers on the columns in the map are the cumulative number of RP buildings.

| | |
|---|---|
| **R P** | Of the total number of RP buildings, 488 buildings, 80% are in the five cities of central Tokyo and adjacent cities.<br>*As of the end of June 2024 |
| **L M** | Community-based 12 branches<br>Ginza, Kanda, Nihonbashi, Kodemmacho, Kojimachi, Shinjuku, Shibuya,Gotanda,Hamamatsucho, Yokohama, Shimbashi, Ikebukuro |
| **P M** | Of the 506 entrusted properties, over 80% are in the five cities of central Tokyo.<br>*As of the end of June 2024 |
| **B M** | Of the 270 buildings under comprehensive management, 85% are in the five cities of central Tokyo.<br>*As of the end of June 2024 |
| **Rent Guarantee** | Of the 8,054 cumulative new contracts signed, 90% are in the five cities of central Tokyo.<br>*As of the end of June 2024 |
| **Rental Conference Room** | 15 of the 14 sites are in the five cities of central Tokyo.<br>*As of the end of June 2024. The rest of one is in Yokohama |

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# 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.

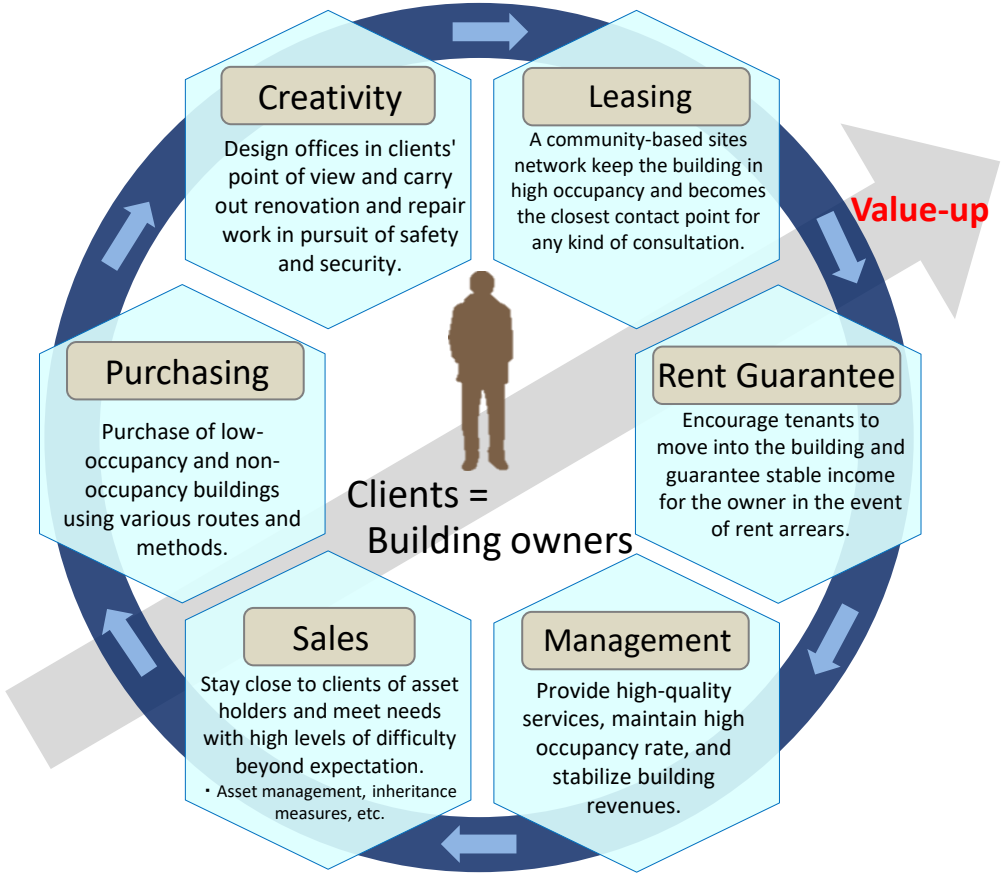



1. Real estate utilization: Get close to our clients and solve various problems. Capture the source of added value from clients' voices.
2. Real estate revitalization: Utilize the needs we earned and the know-how for improving the valuation to conduct sales activities.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# 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.”




High-occupancy high-profit buildings sought by owners

- Full occupancy
- Improve income and expenditure
- Stable income

Low-occupancy low-profit buildings

- Aging degradation
- Earthquake resistance anxiety
- Violation of legal compliance, etc.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# 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.

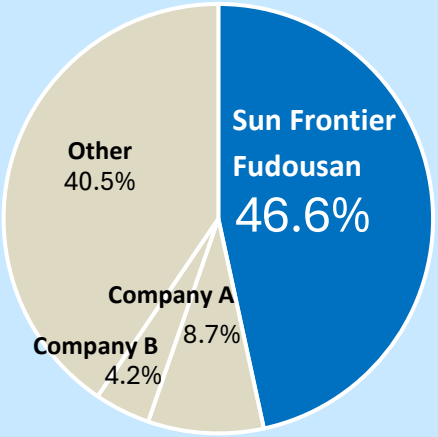
**Merit 2) Immediately available after moving**
Increase the net estimated internal useful life due to no work other than wire-related work and moving, a significant reduction in the relocation period and a shorter construction period for interior finishing and restoration.

**Merit 3) Reduced financial burden**
Significant cost reduction for office interiors, etc., and no interior assets recorded by tenants.

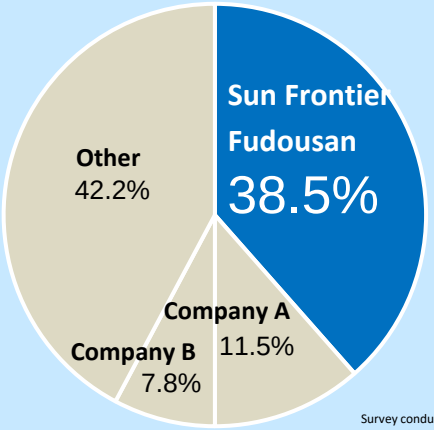
**Merit 4) Employment, motivation and productivity improvement**
Improve employment of human resources, employee motivation, and office productivity by the office interior that pursues a high level of design, focusing on design, functionality, and various usage scenes.

## 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 February 2024
Survey planning: Sun Frontier Fudousan Co., Ltd.
Survey conducted: H. M. Marketing Research

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Create both Customer Value and Social Value

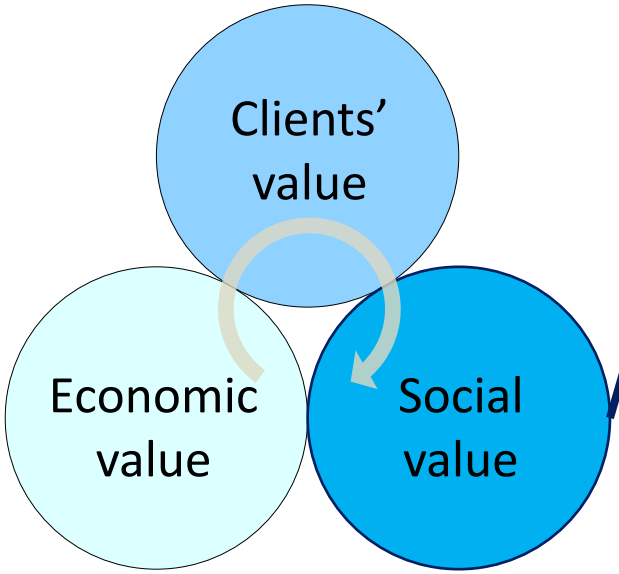
SUN FRONTIER

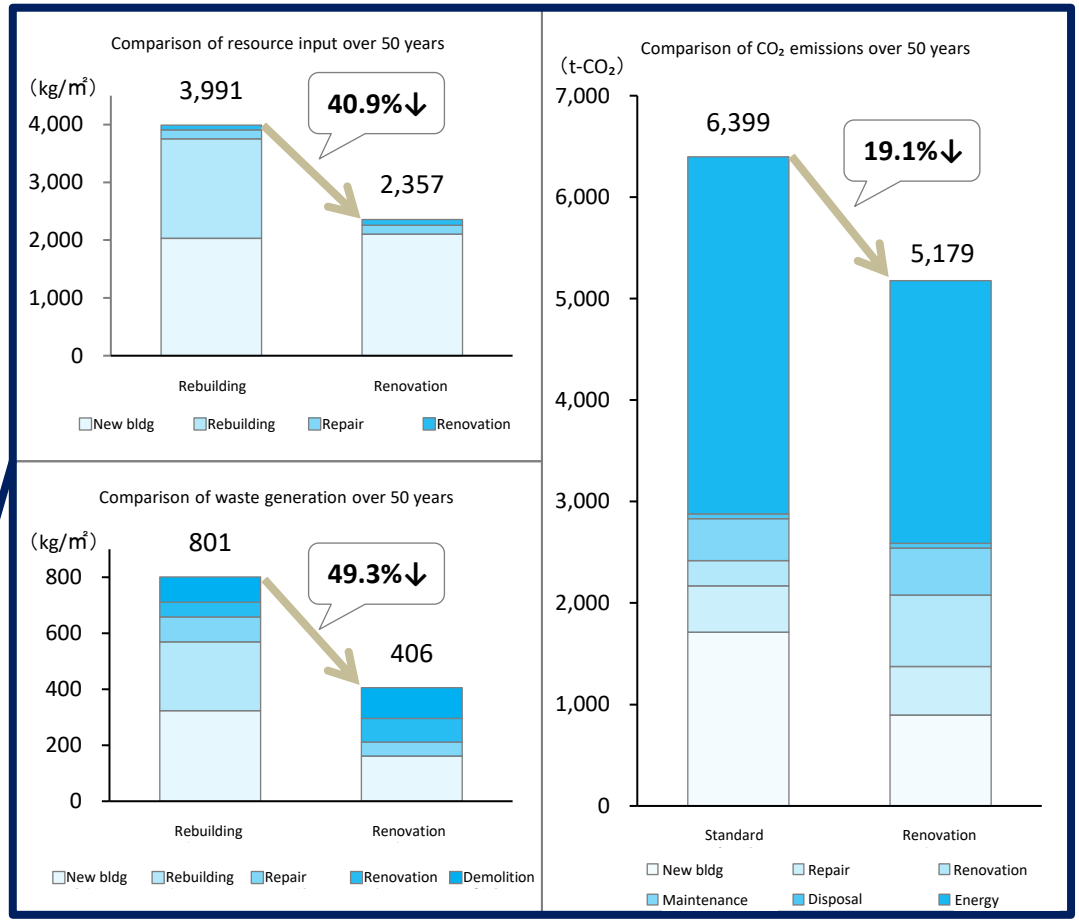
## Solving social issues through supporting our clients' business.

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.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Business Model of NY Apartment Replanning Business

SUN FRONTIER

**Use high-quality technology to add value to apartments that are over 100 years old in the United States, where growth is high**

**A 100-year-old brick apartment in Manhattan, New York**

**The United States has a high growth rate and its population continues to grow. Manhattan in New York has many jobs and high housing demand.**

**▪ Example of construction**

**Separate bathrooms and toilets**
**Installation of washlet toilets**

**Installation of a built-in kitchen**

**Replanning to a comfortable living space (Interior and furniture are a sample image)**

| | |
|---|---|
| Point 1 | Long-term stable assets can be held in New York, the world's largest city |
| Point 2 | High-quality building renovated and repaired by Sun Frontier |
| Point 3 | Sun Frontier's buildings can be purchased after consideration. |
| Point 4 | Sun Frontier will conduct both building management and lease operation after purchase. |

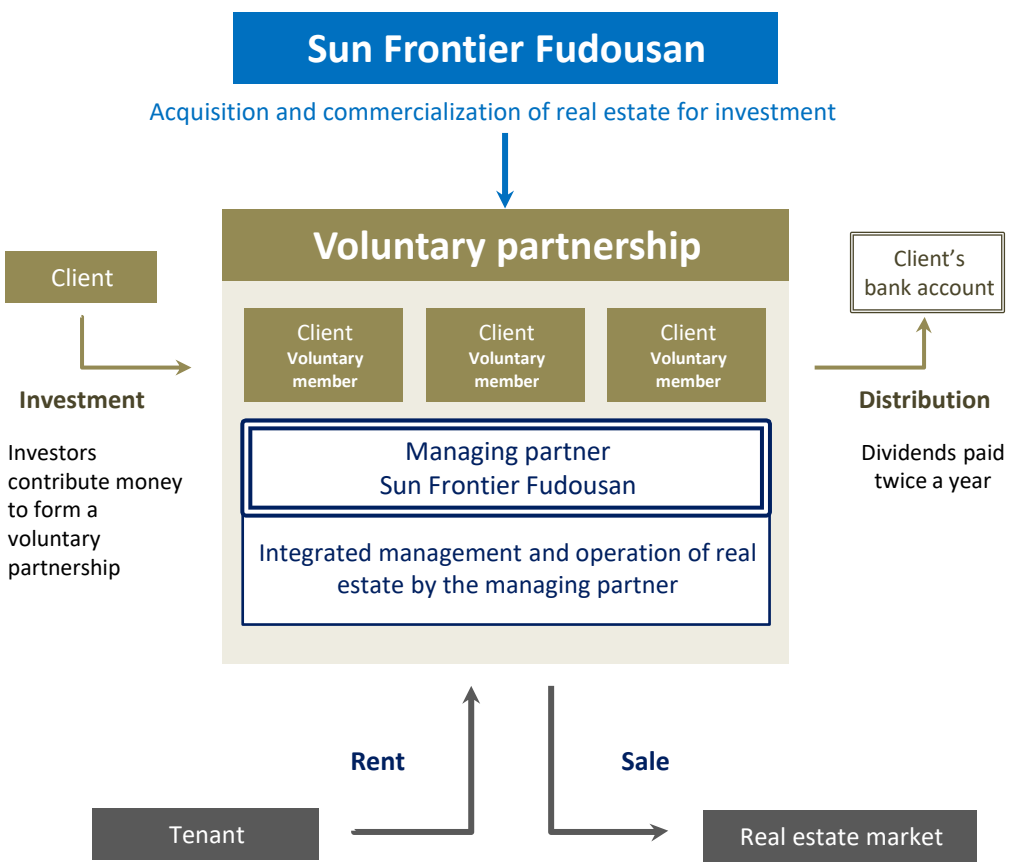
Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Specified Joint Real Estate Ventures

## (Sale of Small-lot Real Estate Properties)

Realizing a form of real estate ownership that makes it easy to divide the estate to the successor and makes asset management easy.

### Scheme of the Compass series




### Features of the Compass Series

**Point 1** Easy acquisition of prime real estate that can be expected to operate stably

**Point 2** Easy and secure management and operation by Sun Frontier Fudousan

**Point 3** Can be used as a measure against asset division

### Examples of Compass Series

New licensed nursery school in Setagaya, Tokyo

New licensed nursery school in Ueno

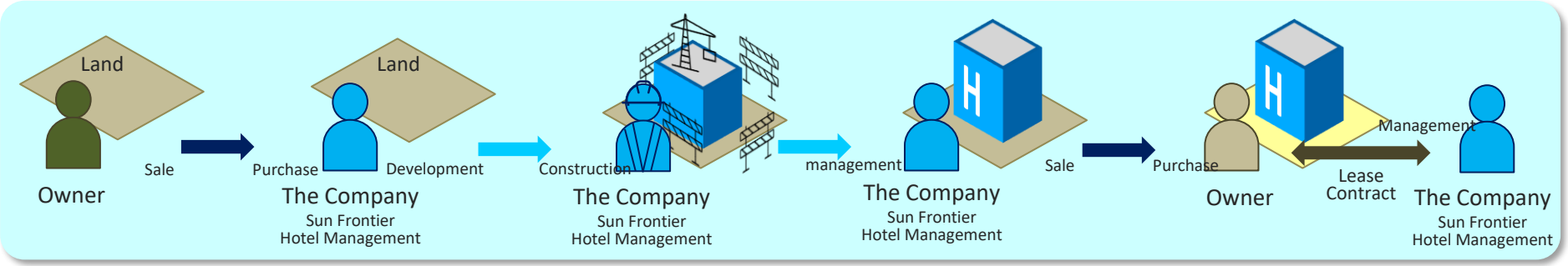
New Medical and Educational Mall in Ota-ku, Tokyo

New licensed nursery school in Takanodai, Nerima

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Hotel Development Business and Hotel Management Business

Selling the hotel we developed after operation
After the sale, the property is leased and managed, contributing to asset formation as a profit-making property




* In addition to the method of acquisition and development of the land, the optimal development method is selected according to the case, such as renting and leasing the land and the building.

Examples of hotels under development and management

Hiyori Hotel Maihama
Opened in July 2017, sold and currently in operation

Hiyori Hotel Nanba Ekimae
Opened in May 2019, currently in operation

Tabino Hotel Kurashiki Mizushima
Opened in February 2020, currently in operation

Tabino Hotel Kashima
Opened in April 2020, currently in operation

HIYORI Ocean Resort Okinawa
Opened in February 2021, sold and currently in operation

Tabino Hotel lit Miyakojima
Opened in June 2021, currently in operation

Tabino Hotel lit Matsumoto
Opened in July 2021, currently in operation

Sora Niwa Terrace Kyoto
Sora Niwa Terrace Kyoto Bettei
Opened in June 2022, currently in operation

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

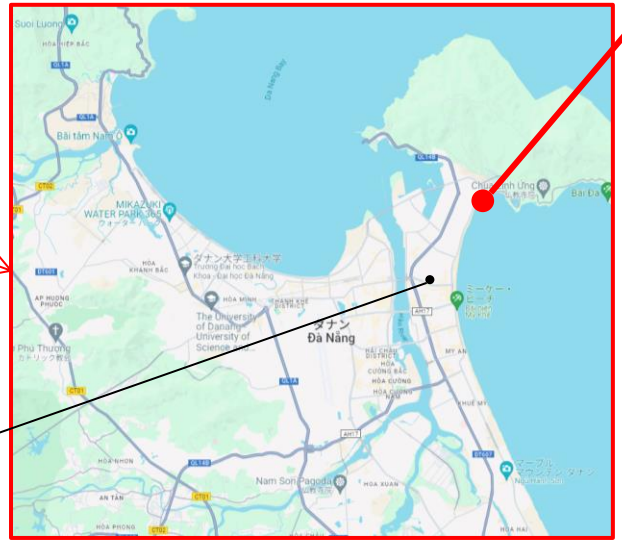
# Vietnam HIYORI Aqua Tower PJ Starting

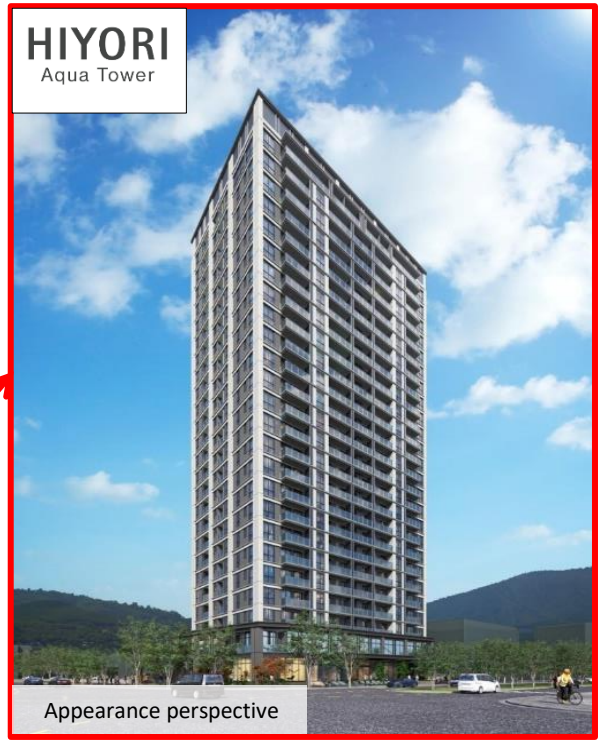
SUN FRONTIER

Second condominium project (202 units), construction scheduled to begin in August.

## Project Overview

| | |
|---|---|
| Location | Lot 3-A2-1, Son Tra-Dien Ngoc Complex Center, Tho Quang Ward<br>Son Tra District, Da Nang City, Vietnam |
| Area size | Land area 1,850㎡ Building area 1,062㎡ Total floor area 24,498㎡ |
| Building structure | Reinforced concrete construction 25 floors with 2 basement floors |
| Facilities | 202 residences, stores, kindergarten, swimming pool, fitness gym, community room, car parking lot, motorcycle parking lot |
| Schedule | Construction start in August, completion in Autum 2026 |



Appearance perspective

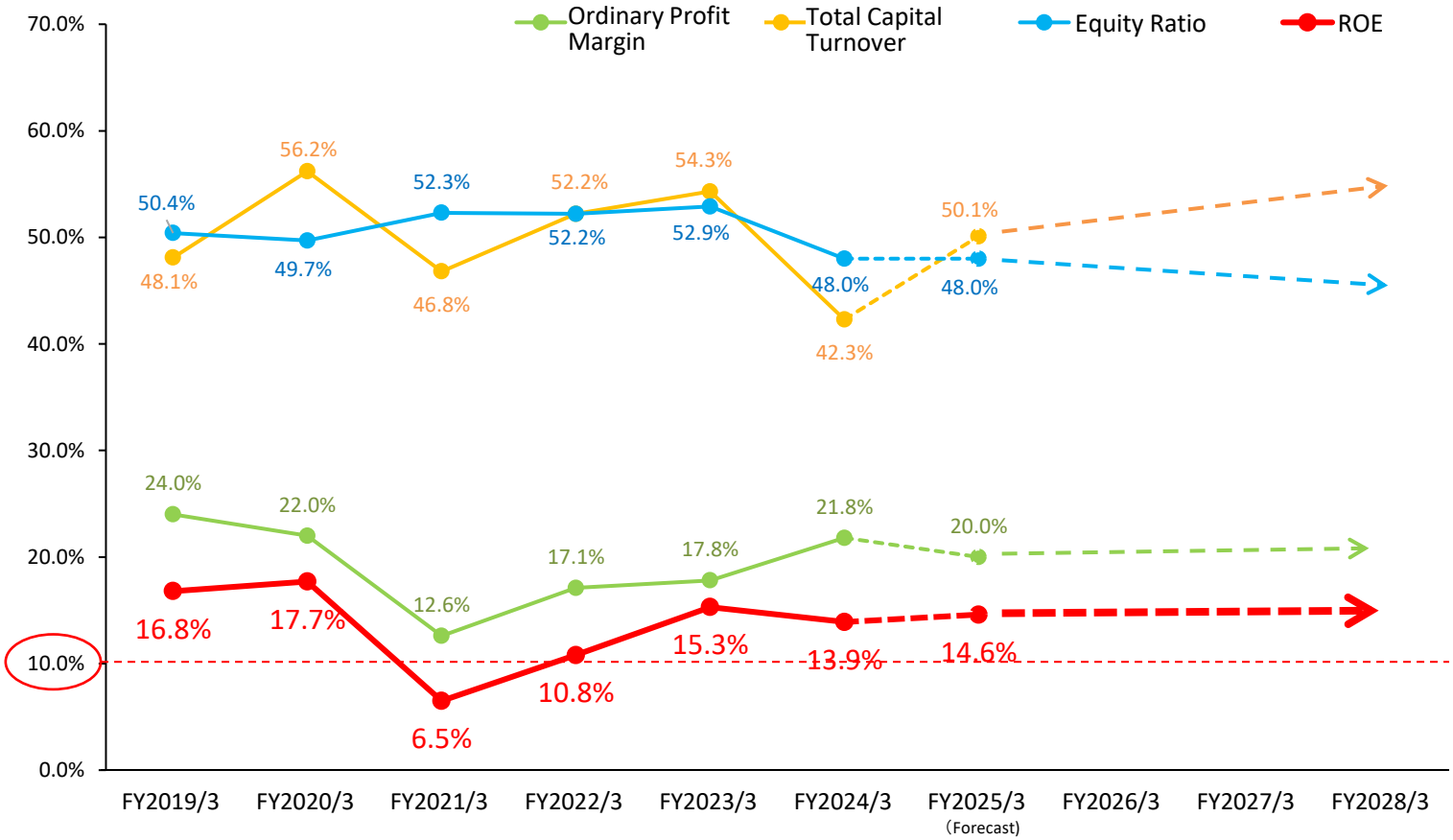
Interior perspective

HIYORI Garden Tower
Completed in December 2019
306 houses sold
2 blocks of stores

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

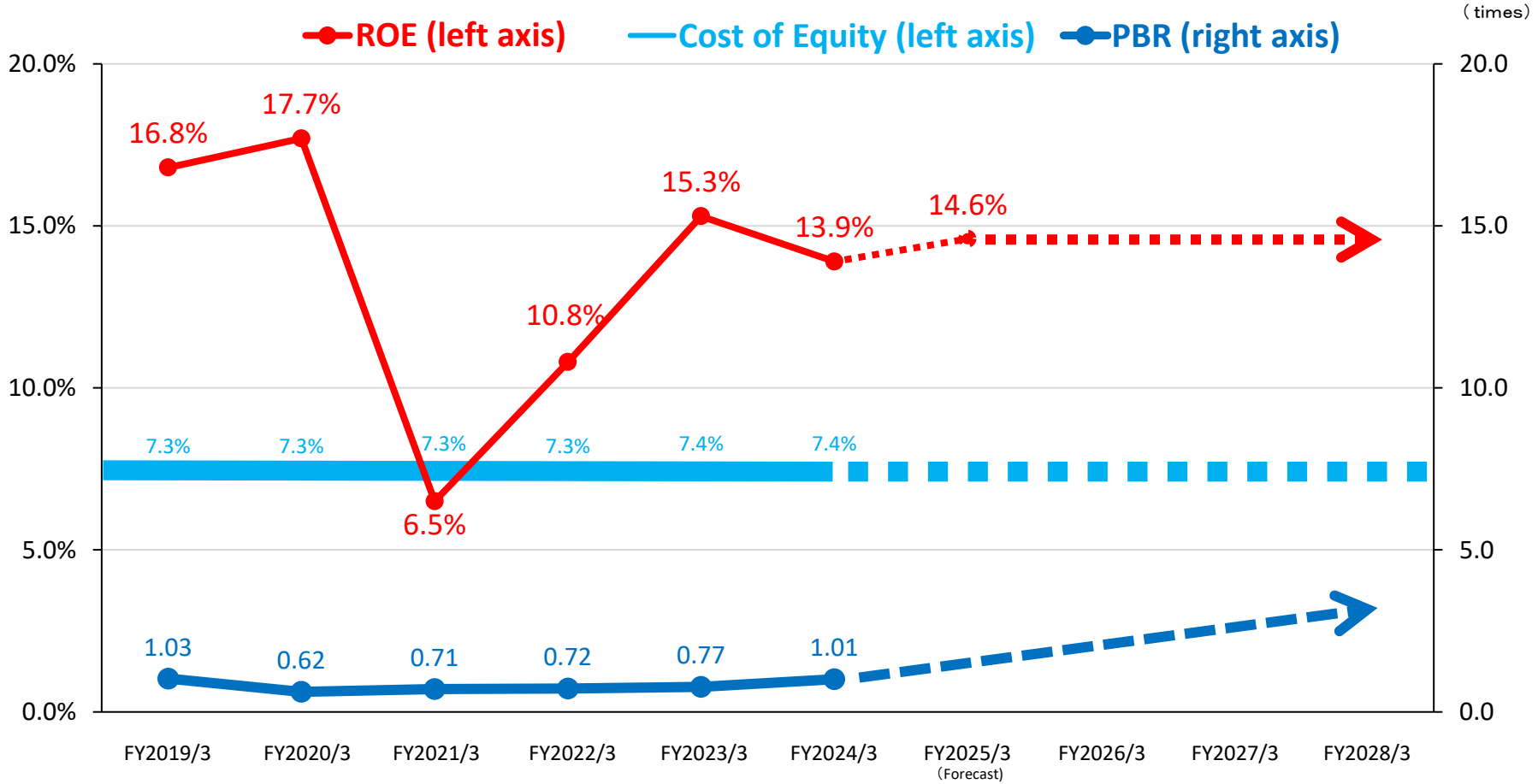
# Trends for Each Indicator and Initiatives for ROE Improvement

| Ordinary Profit Margin | | Total Capital Turnover | | Equity Ratio | | |
|---|---|---|---|---|---|---|
| Enhance added value in clients' point of view and evolve and grow highly profitable businesses. | × | Increase efficiency by shortening business period and increasing stock business sales. | × | Maintain financial soundness while promoting investment and accelerating business. | = | Improving ROE |




Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Improve PBR by the initiatives for ROE Improvement

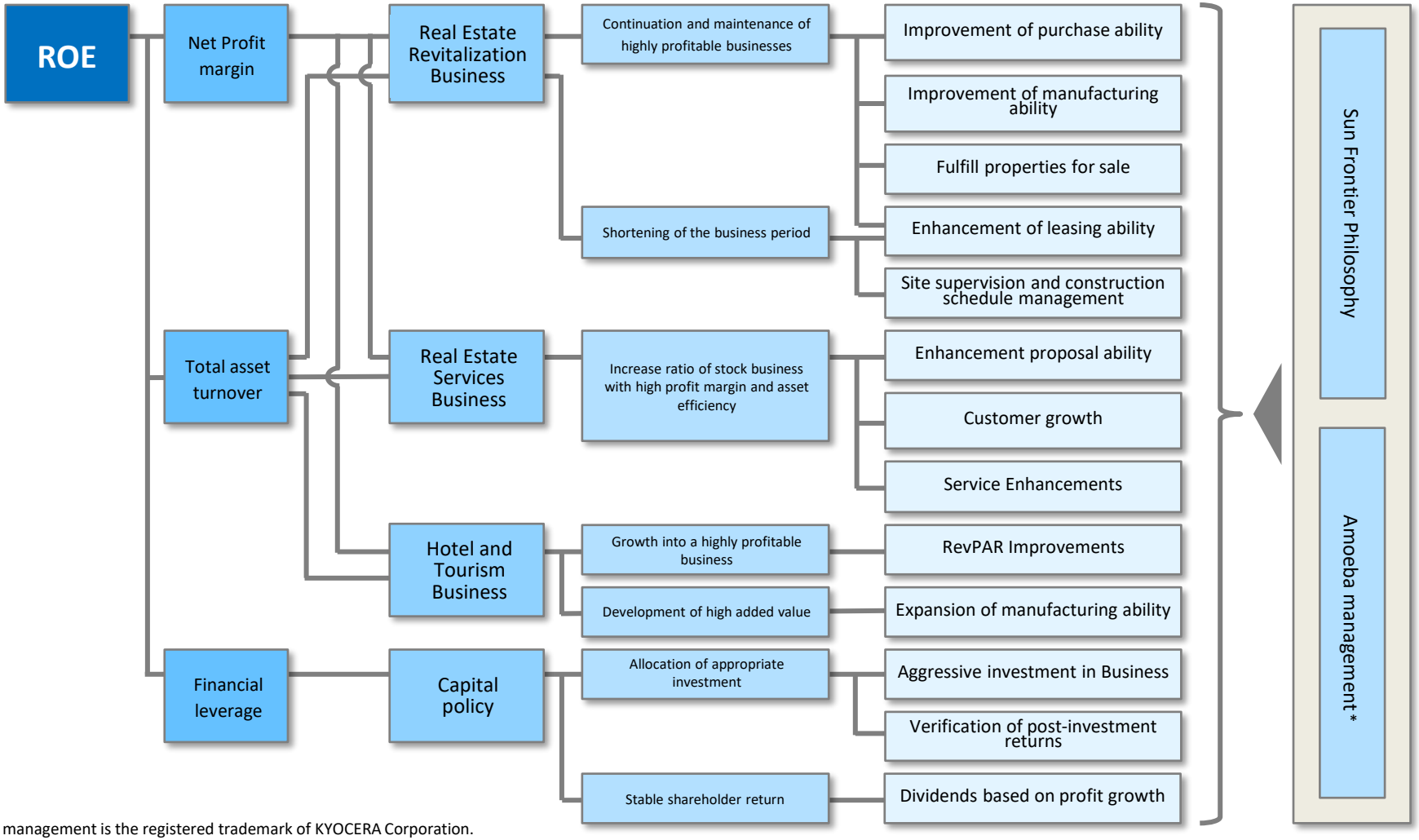



※Cost of Equity is calculated by Capital Asset Model. Cost of Equity will be around 7 to 8%.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Driver to improve ROE

Keep employees in high engagement through Sun Frontier Philosophy and Ameoba Management. Promoting Business by the style of “All join to Management”.




* Amoeba management is the registered trademark of KYOCERA Corporation.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Strengthening IR Activities

By expanding IR activities, we aim to make more conversation with capital market actively.

| IR activities | | |
|---|---|---|
| Presentation of financial results | Held every quarter by President Representative Director, Seiichi Saito. | Website for on-demand broadcast (including Q&A)<br>https://www.sunfrt.co.jp/ir_info/ir_doc/on-demand.html |
| Individual IR meetings | Conducted individually as needed.<br>(mainly handled by IR staff). | 22times in 1Q for FY2025 (FY2024/3: 68 times, FY2023/3: 61 times) |
| Property visit | Invite to our RP property (3 times in 1Q for FY2025/3) ※for analysts and institutional investors. (FY2024/3: 9 times) | |
| Web sites for investors | FISCO: https://web.fisco.jp/platform/companies/0893400 | |

| Disclosed materials | | |
|---|---|---|
| Financial Results | Disclose Japanese and English version simultaneously.<br>Disclose Chinese version within a week after Japanese. | Website (IR Library)<br>Japanese: https://www.sunfrt.co.jp/ir_info/ir_doc/statement-of-accounts/<br>English: https://www.sunfrt.co.jp/en/ir_info/ir_doc/statement-of-accounts/<br>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/<br>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/<br>English: https://www.sunfrt.co.jp/en/ir_info/annual_general_meeting/ |
| Analyst Report | FISCO 、Shared Research | Japanese: https://www.sunfrt.co.jp/ir_info/<br>English: https://www.sunfrt.co.jp/en/ir_info/ |

| Shareholder benefit program | |
|---|---|
| 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<br>https://www.sunfrt.co.jp/ir_info/stockholder_benefit_plan/ |

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# References Materials

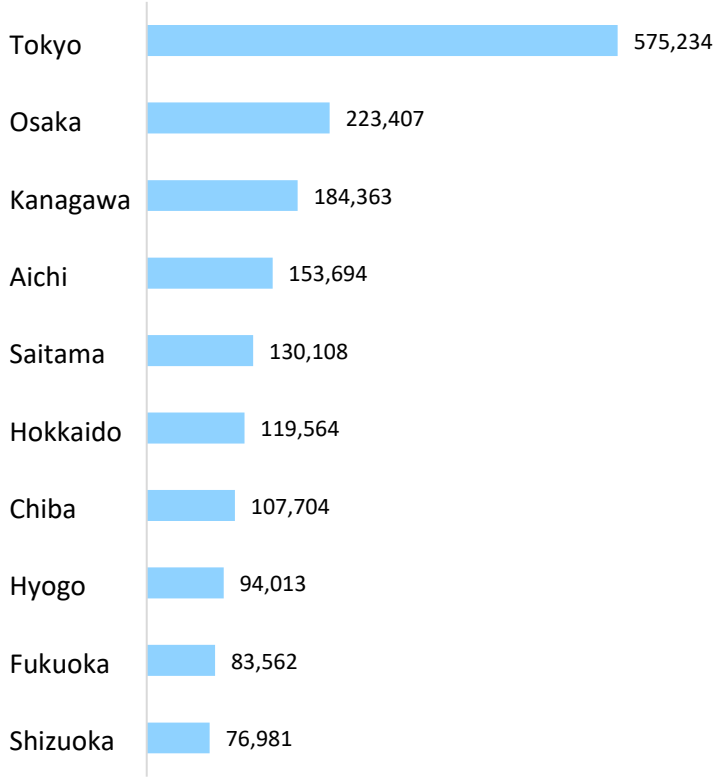
SUN FRONTIER

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Number of Corporations by Prefecture and Number of Office Buildings in Tokyo's 23 wards

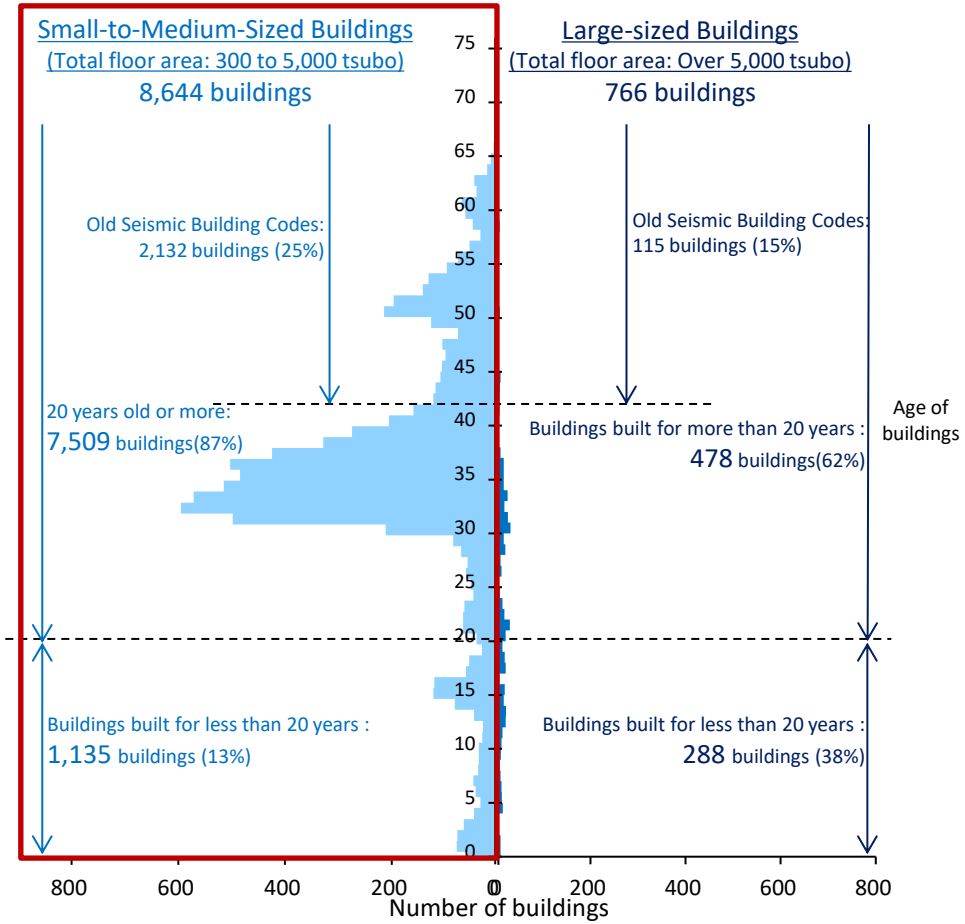
In Tokyo concentrated many companies, demand renovation and rebuilding suppressed waste of resources remains high in while small and medium-sized buildings continue to age.

Top 10 Prefectures in Number of Corporations




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

Tokyo 23 cities with 9,410 buildings

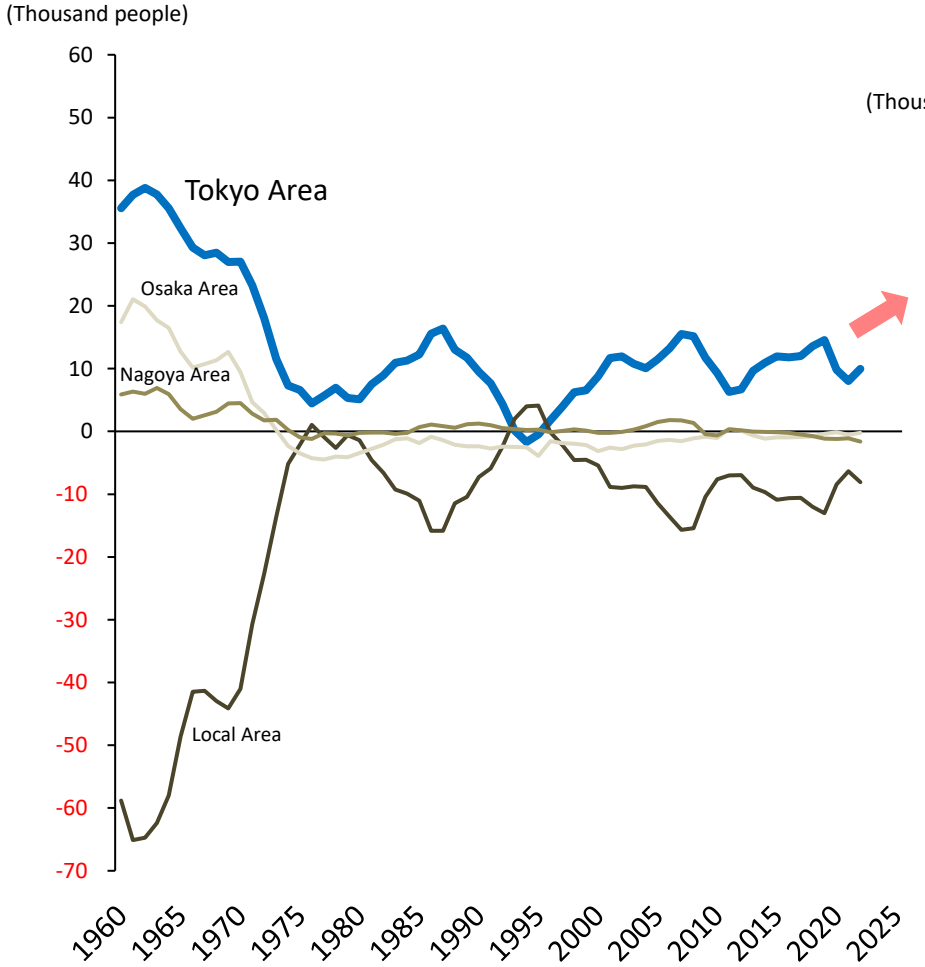



Source : Created by us based on "Tokyo 23 cities Office Pyramid 2023 (based on the number of buildings)" (Xymax Real Estate Institute)

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

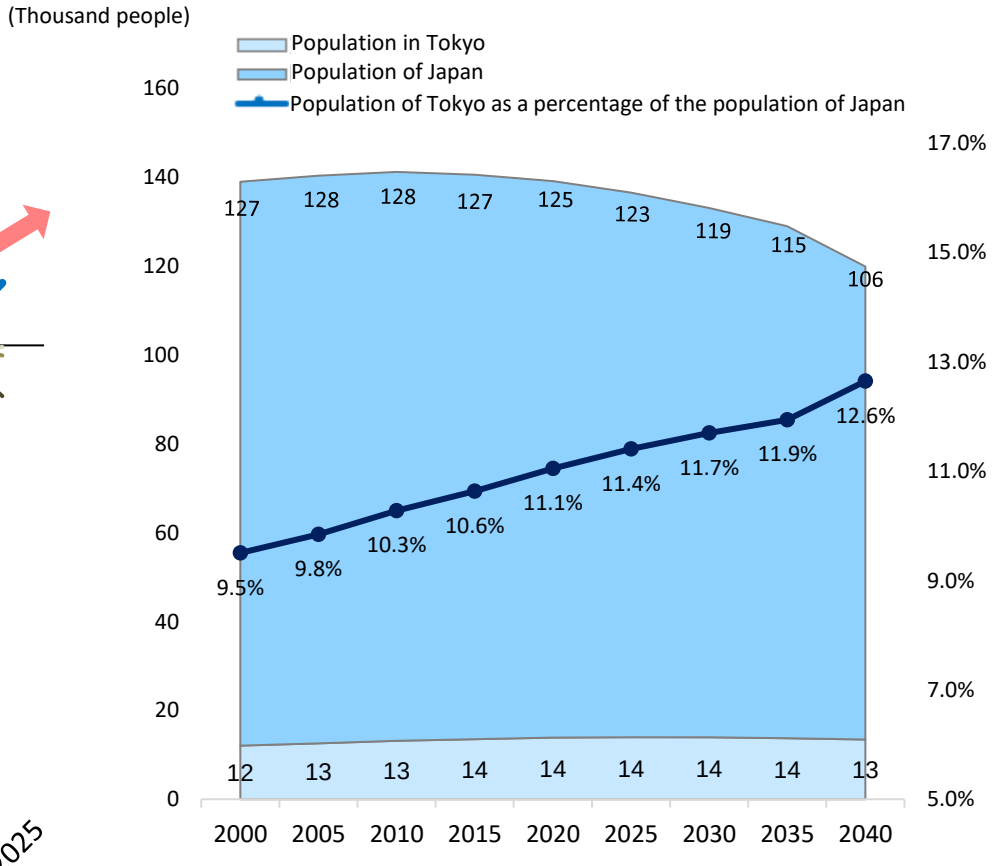
# Transfer of Tokyo Area and Japanese Population

While the population of Japan is decreasing, the population of Tokyo is increasing as more people are moving into the Tokyo area.




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

Ratio of Tokyo population to Japanese population (estimate)



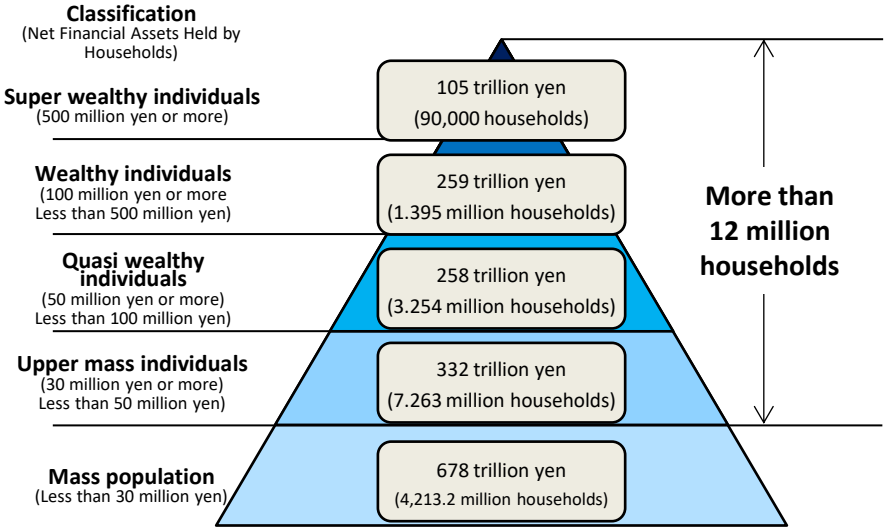

Source: Compiled by the Company based on Tokyo Metropolitan Government statistics - "Population of Tokyo (Estimate)."

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

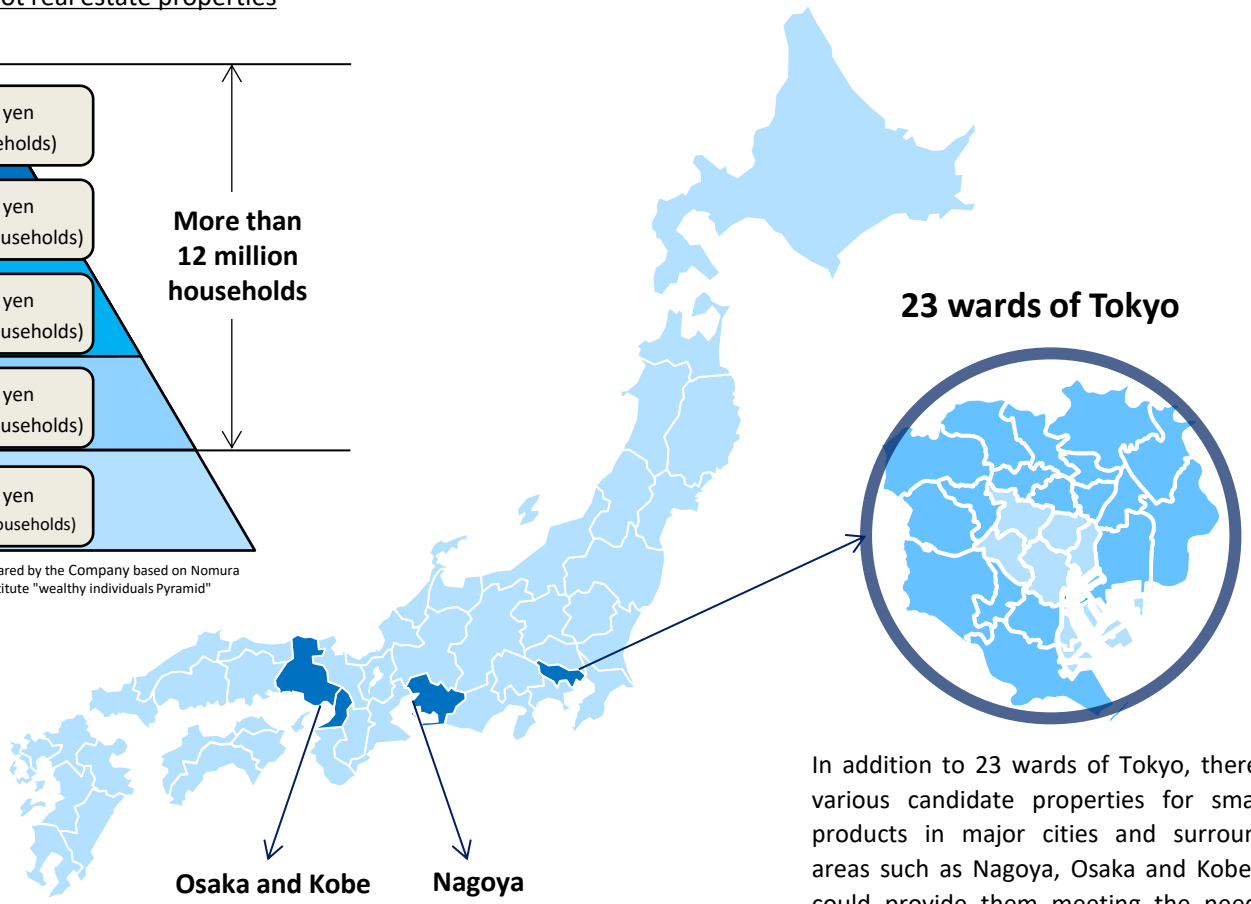
# Marketability in small-lot real estate property

Promote commercialization of small-lot real estate properties in major cities. Make proposals meeting needs of investors throughout Japan.

There are more than 12 million households nationwide of potential customers in small-lot real estate properties




Source: Prepared by the Company based on Nomura Research Institute "wealthy individuals Pyramid"




Small-lot real estate properties

- Nursery school
- Educational and medical malls
- Commercial buildings
- Office buildings
- Land, etc.

Provide wide varieties of properties

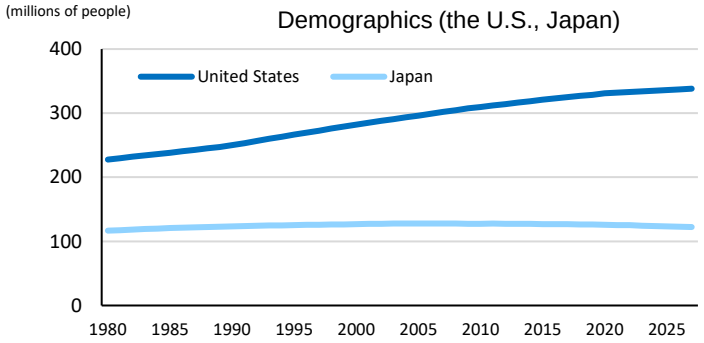
In addition to 23 wards of Tokyo, there are various candidate properties for small-lot products in major cities and surrounding areas such as Nagoya, Osaka and Kobe. We could provide them meeting the needs of investors nationwide

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

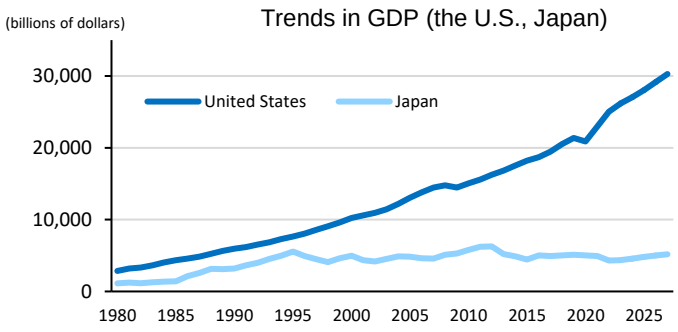
# Overseas Markets (the U.S., Vietnam)

Supplying Japan's high-quality residential real estate in the United States (New York) and Vietnam (Danang), where population growth and high growth rates continue

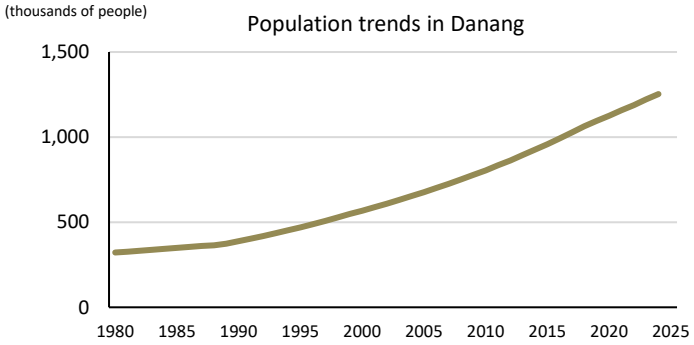
**While the population of Japan is decreasing, the population of the United States continues to increase, and there is a high possibility of continued housing demand.**



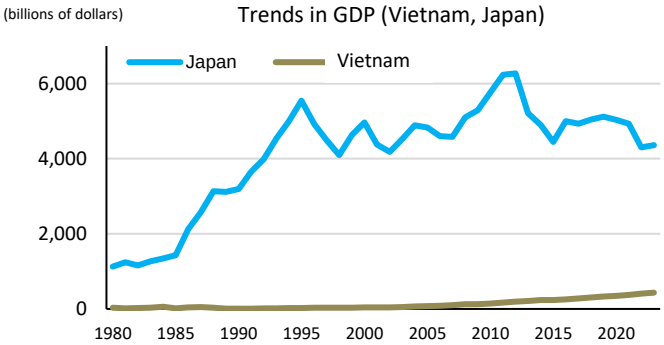

**In contrast to Japan, where the growth rate is flat, the U.S. has a very high growth rate, has many jobs, and is expected to continue to have a high demand for real estate.**




**Da Nang is the third largest city in Vietnam. The population exceeded 1 million in 2017 and has continued to increase since then, and high housing demand is expected in the future.**




**Although the GDP of Vietnam is lower than that of Japan, the growth rate is higher than that of Japan, and Vietnam is considered to have a high potential for future.**

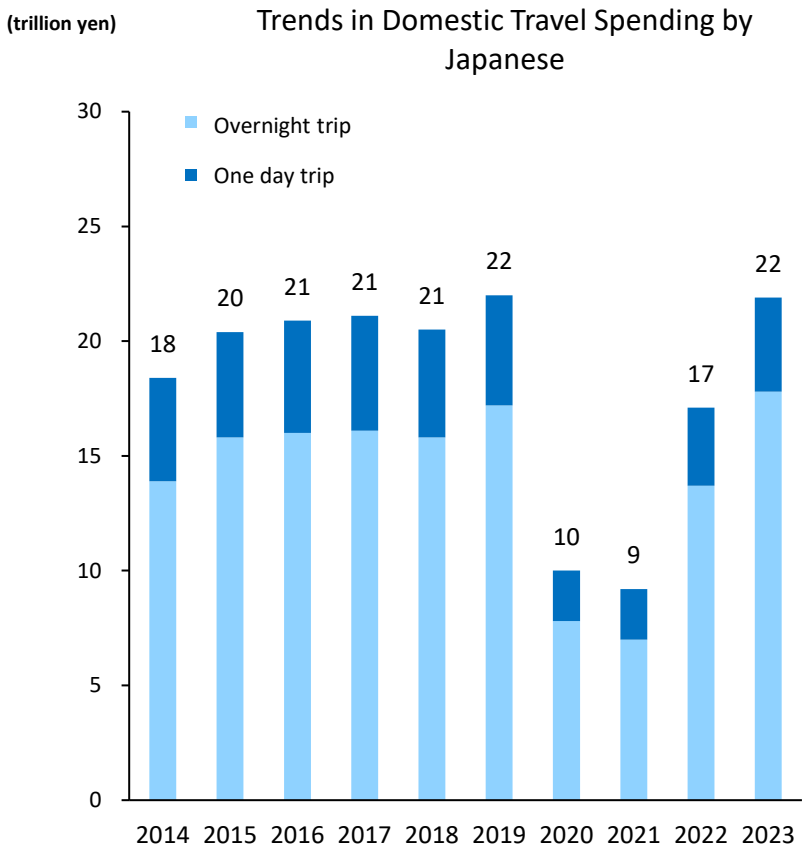



Source: IMF World Economic Outlook database (prepared by the Company)

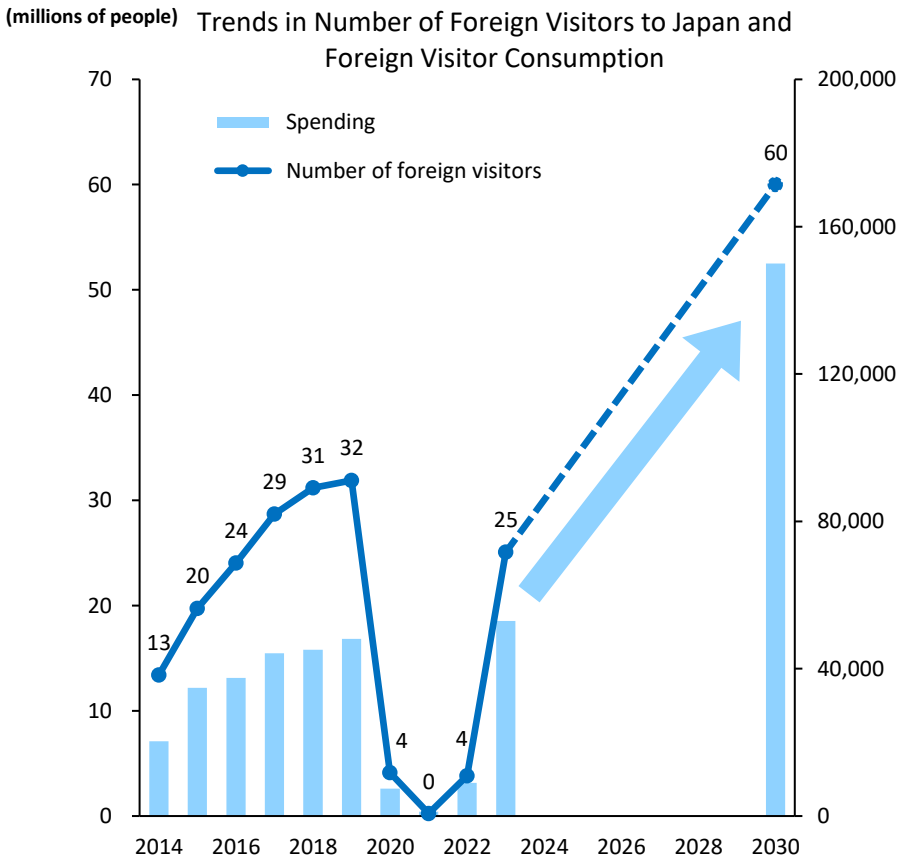
Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Demand recovery and growth potential in the hotel market

The recovery in travel demand has been remarkable, and both the number of foreign visitors to Japan and their spending are expected to further expand in the future.




Source: Compiled by the Company based on the Japan Tourism Agency's Travel and Tourism Consumption Trend Survey "Domestic Travel Spending of Japanese"




Source: Compiled by the Company based on the JNTO Statistics on the Number of Foreign Visitors to Japan and the government's targets for the number of foreign visitors to Japan and the amount of consumption

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# ESG Data

SUN FRONTIER

## Environment

As of June 30, 2024

Actual number of RP buildings

Total **488** buildings

Carbon Offset

Cumulative total **3,046t**

RE100/Mori no Denki

Total 19 buildings 2,241t

RP construction

42 buildings

805t

CONNEXX SYSTEMS

Capital and business alliance

Promoting the use of electricity storage systems

NOTUS SOLAR

Capital and business alliance

Promoting agrivoltaics

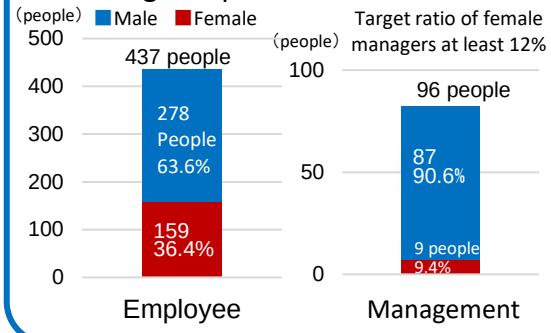
BELS

Acquired BELS for 9 properties

## Social

As of June 30, 2024

Ratio of male and female employees in managerial positions



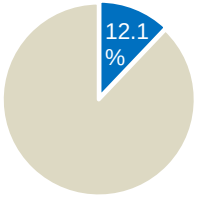

Childcare leave

Utilization rate 100%

From childcare leave, 100% return to work

Human resource development

Aim to over 12%




Training 12.1% of working hours

※As of March 31, 2024

## Governance

As of June 30, 2024

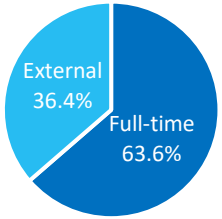
Transition to a company with Audit & Supervisory Committee

As of June 30, 2022

Board of Directors

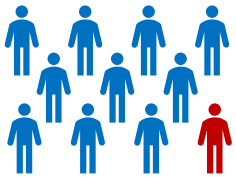
Audit & Supervisory Committee

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.

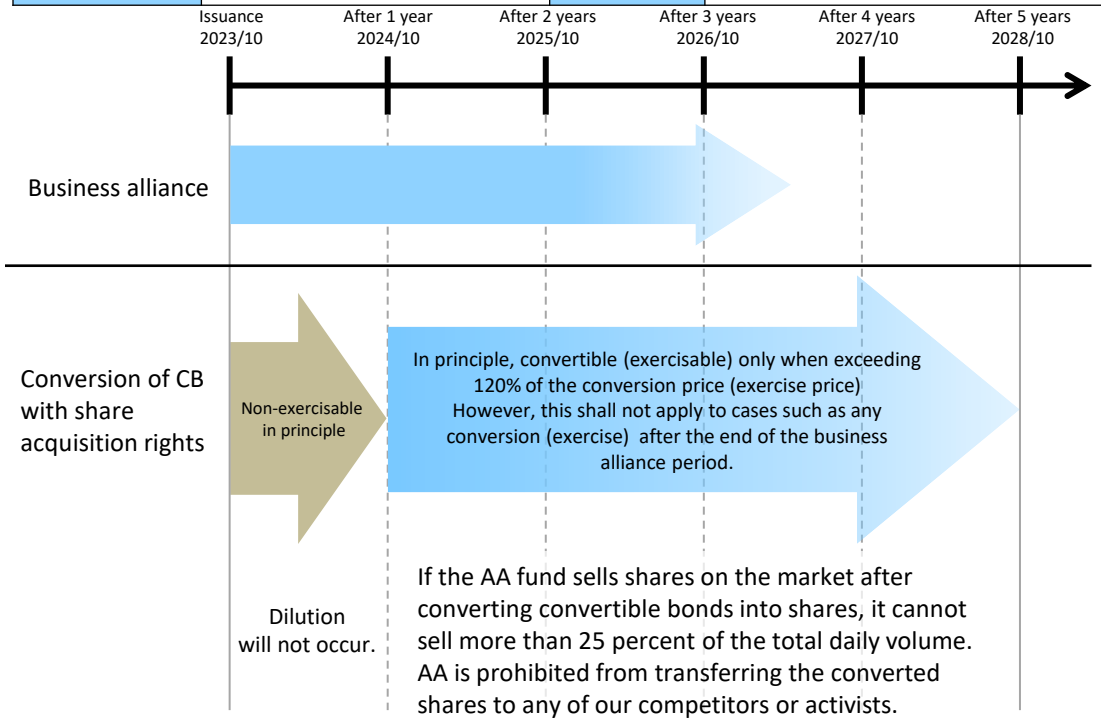
・"Mori no Denki"・・・Carbon offset using J-credit derived from forests. We can feel that we are supporting forests side-by-side and moving into the building will contribute to the environment.

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

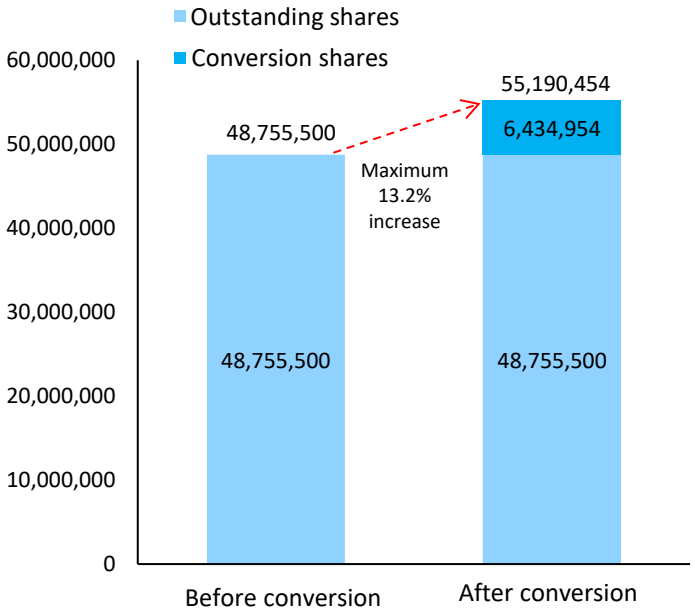
# Conversion conditions of CB

| Type | Convertible bonds with share acquisition rights | Maturity | 5 years |
|---|---|---|---|
| Issuance date | October 6, 2023 | Convertible period | 5 years after the payment due date<br>However, In principle, non-convertible for 1 year after the payment due date |
| Amount of funds acquired | Approximately 10 billion yen | Conversion price | 1,554 yen per share<br>In principle, convertible (exercisable) only when exceeding 120% (1,865 yen)of the conversion price (exercise price)<br>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 |




Possibility of Share Increasing due to the Conversion




Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# History of Sun Frontier Group

**Overseas Business**
- 2015 Established SUN FRONTIER VIETNAM CO., LTD. in Vietnam
- 2017 Established Sun Frontier Sado Co., Ltd. and started to work on Regional Revitalization Business

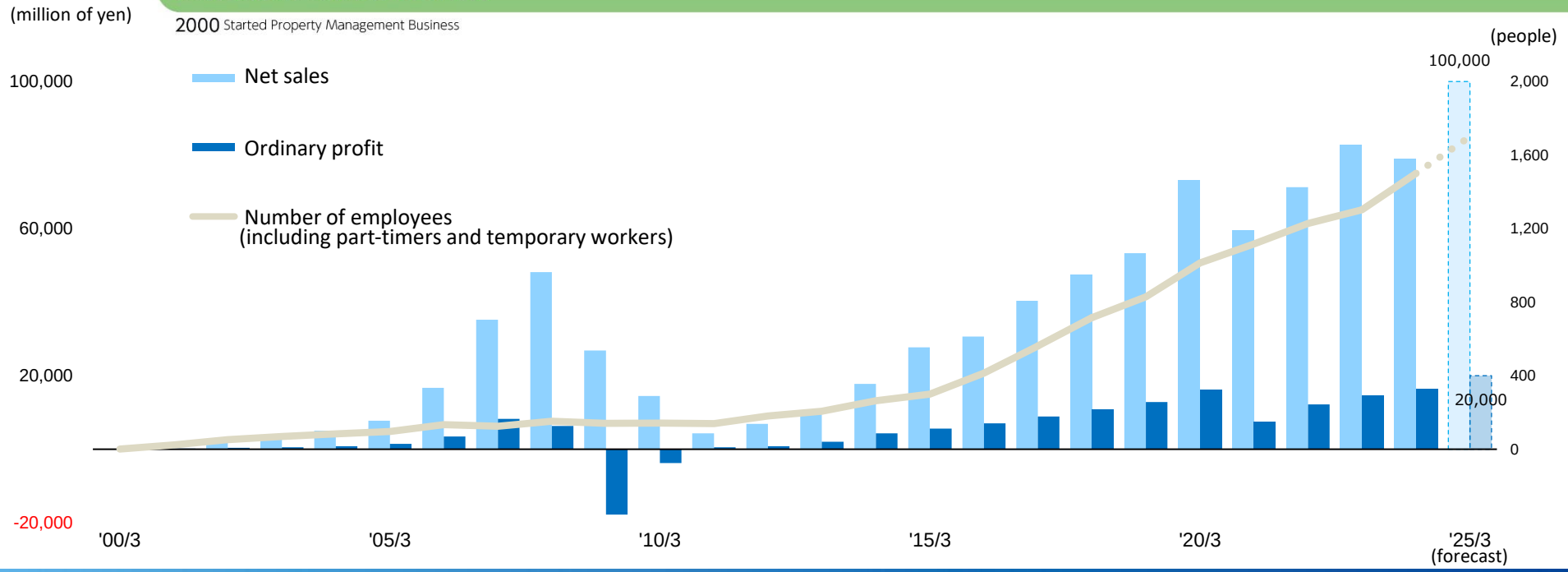
**Hotel and Tourism Business**
- 2015 Established Sun Frontier Hotel Management Inc. and started Hotel Operation Business

**Establishment** → **Central Tokyo Office Building Business** → 2009 10th Founding Anniversary → 2019 20th Founding Anniversary → 2024 25th Founding Anniversary

- 1999 Started Sales Brokerage and Leasing Brokerage Businesses of commercial real estate

**Real Estate Revitalization Business**
- 2001 Started Replanning (Real Estate Revitalization and Utilization) Business
- 2013 Began providing setup offices
- 2018 Started providing small-lot real estate products

**Real Estate Service Business**
- 2000 Started Property Management Business
- 2005 Established SF Building Support Inc. and started the Rent Guarantee Business
- 2012 Started Building Maintenance Business
- 2015 Started Rental Space Business in front of Tokyo Station
- 2019 Spun off Conference Room Rental Business and established Sun Frontier Space Management Co., Ltd.




Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# Company Profile

SUN FRONTIER

| | |
|---|---|
| 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<br>Seiichi Saito, President Representative Director |
| Number of Consolidated Employees * | 837 employees (1,636 including part-timers and temporary workers) |
| Average Age of Employees* | 35.6 years old |
| Business Profile | Real Estate Revitalization<br>Real Estate Service (Properties Management, Brokerage, Construction Planning, Rent Guarantee, Rental Conference Room, Building Operations, Asset Consultation)<br>Hotel Development and Operation<br>Others |
| Accounting Month | March |
| Listed Market | Tokyo Stock Exchange Prime (Code number: 8934) |

* As of the end of June 2024

Copyright © 2024 Sun Frontier Fudousan Co., Ltd. All Rights Reserved.

# 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>
Sun Frontier Fudousan Co., Ltd. IR Desk
Phone : +81-3-5521-1551
URL : https://www.sunfrt.co.jp/
Mail : ir-contact@sunfrt.co.jp

SUN FRONTIER