

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

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

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February 10, 2023



SUN FRONTIER

Securities Code : 8934

Overview of 3Q Results for FY2023

Office building business posted solid growth. Hotel operation business recovered as well. Performance compared to the same period of the previous year grew significantly. Revised forecast for consolidated financial results for FY2023.

(Unit: million yen)

	Results	Profit margin	Year-on-year	Growth rate	Full-year Forecast * 2	Progress rate
Net sales	75,328	—	+13,710	+22.3%	82,000	91.9%
Operating profit	14,696	19.5%	+2,544	+20.9%	14,800	99.3%
Ordinary profit	14,401	19.1%	+2,418	+20.2%	14,500	99.3%
Profit * 1	10,354	13.7%	+2,835	+37.7%	10,400	99.6%

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

* 2 This is the revised forecast released on 2/10, 2023.

Performance Highlights

1) Gains on the sale of office buildings and hotel properties significantly contributed to the growth of earnings

- In Replanning Business, the sale of five large-scale properties was settled in the third quarter ahead of schedule, resulting in a significant improvement in performance.
- In Hotel and Tourism Business, two hotels contracted for sale in the second quarter were settled in the third quarter, contributing to results.
- Settlement of large-scale properties sales for both office buildings and hotel properties significantly contributed to earnings in the fiscal year under review. Strengthening purchase activities in preparation for the next fiscal year and beyond.

2) Real Estate Service Business is steady, Hotel Operation Business is recovering

- In Real Estate Service Business, all businesses posted solid growth. The operation of the Conference Room Rental Business improved since the behavioral restrictions were eased, and the expansion of sites and floor space contributed to the business performance.
- In Hotel Operation Business, both OCC (occupancy rate) and ADR (average daily rate) improved due to the recovery in demand following the Nationwide Travel Subsidy Program and the lifting of ban on individual foreign tourists.

Revision to Financial Results Forecast

Profit margin for property sales exceed initial plan.

Performance for Real Estate Service Business and Hotel Operation Business exceed initial plan and grew significantly as well.

(Unit: millions yen)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
Previous forecast (A)	84,000	13,300	12,800	8,300	170.76 yen
Revised forecast (B)	82,000	14,800	14,500	10,400	213.99 yen
Increase/decrease (B-A)	(2,000)	1,500	1,700	2,100	—
Rate of change (%)	(2.4%)	11.3%	13.3 %	25.3%*	—
(Reference) Results of FY2022	71,251	12,127	12,215	7,415	152.26 yen

*The revision of net income is expected to have the effect of reducing taxable income due to loss carryforwards in the hotel management business.

Breakdown for the Revised Forecast

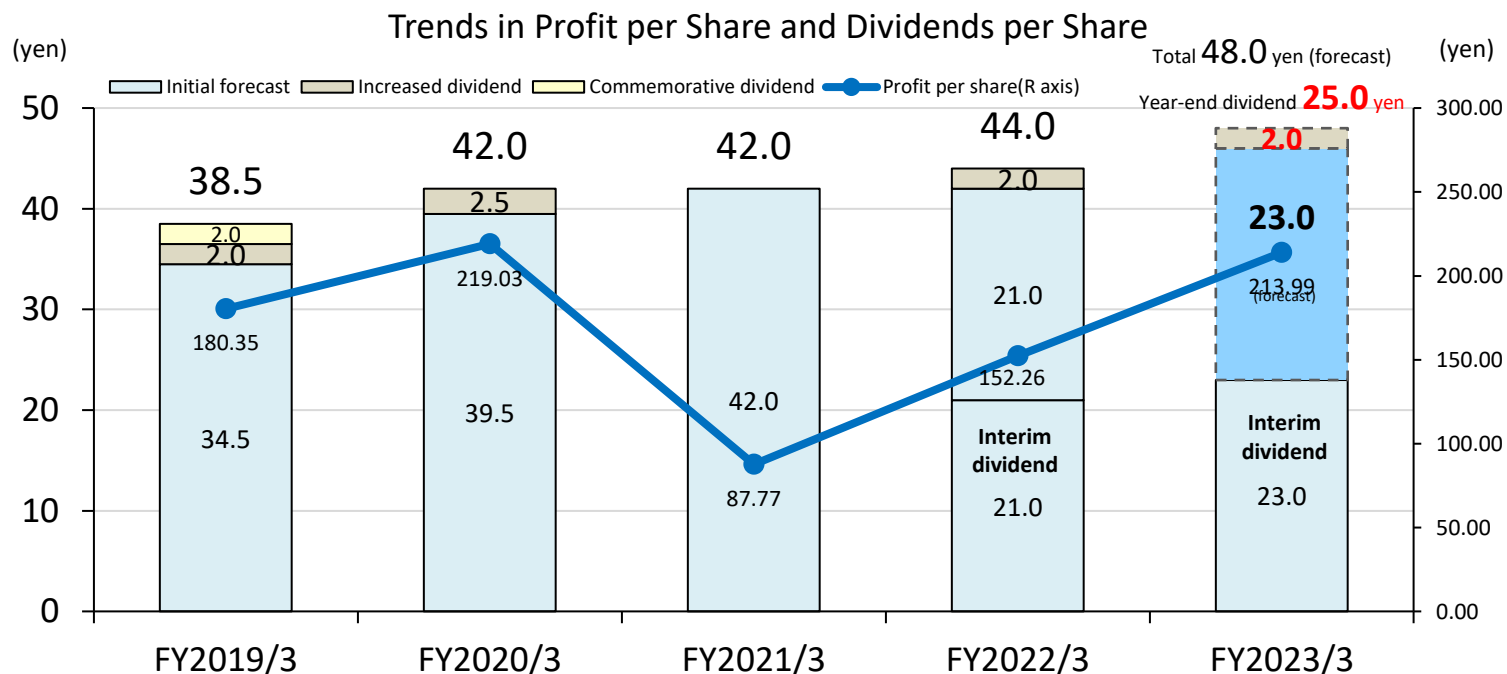
(Unit: millions yen)	Revised Forecast for FY ending March 2023	FY ending March 2023 3Q Results	Progress rate
Net sales	82,000	75,328	91.9%
(1) Real Estate Revitalization Business	50,000	47,550	95.1%
Replanning	48,000	46,027	95.9%
Rental Buildings	2,000	1,523	76.2%
(2) Real Estate Service Business	8,300	6,505	78.4%
(3) Hotel and Tourism Business	23,000	20,680	89.9%
(4) Others	1,900	1,228	64.6%
Adjustments	-1,200	-636	-
Gross profit	22,500	20,483	91.0%
(1) Real Estate Revitalization Business	15,900	15,286	96.1%
Replanning	15,600	15,003	96.2%
Rental Buildings	300	282	94.0%
(2) Real Estate Service Business	4,500	3,653	81.2%
(3) Hotel and Tourism Business	1,850	1,622	87.7%
(4) Others	350	219	62.6%
Adjustments	-100	-297	-
Selling, general and administrative expenses	7,800	5,787	74.2%
Operating profit	14,800	14,696	99.3%
Ordinary profit	14,500	14,401	99.3%
Profit	10,400	10,354	99.6%
EPS (Profit per share)	213.99 yen	213.05 yen	99.6%

Cash Dividend (Increase)

The year-end dividend per share will increase by 2 yen to 25 yen (forecast).

Basic policy for the profit returns to shareholders

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



* Interim dividend started from FY2022

Consolidated Income Statement

(Unit: million yen)

	FY ending March 2022 3Q Results	FY ending March 2023 3Q Results	YoY change	Composition Ratio
Net Sales	61,618	75,328	22.2%	100.0%
Real Estate Revitalization	49,677	47,550	▲4.3%	62.6%
Replanning Business	48,084	46,027	▲4.3%	60.6%
Rental Buildings Business	1,592	1,523	▲4.3%	2.0%
Real Estate Service Business	5,477	6,505	18.8%	8.6%
Hotel and Tourism Business	5,637	20,680	266.9%	27.2%
Other Business	1,197	1,228	2.6%	1.6%
Adjustments	▲371	▲636	—	—
Gross Profit (Loss)	17,519	20,483	16.9%	108.5%
Real Estate Revitalization	15,358	15,286	▲0.5%	79.8%
Replanning Business	14,924	15,003	0.5%	78.3%
Rental Buildings Business	434	282	▲35.0%	1.5%
Real Estate Service Business	2,996	3,653	21.9%	19.1%
Hotel and Tourism Business	▲828	1,622	—	8.5%
Other Business	158	219	38.6%	1.1%
Adjustments	▲164	▲297	—	—
Selling, General and Administrative Expenses	5,368	5,787	7.8%	0
Operating Profit (Loss)	12,151	14,696	20.9%	0
Non-operating Income	253	196	▲22.5%	0.0%
Non-operating Expense	421	490	16.4%	0.0%
Ordinary Profit (Loss)	11,983	14,401	20.2%	0
Profit	7,519	10,354	37.7%	0
Ordinary Profit Margin	19.4%	19.1%	0.0%	0

Points

<Real Estate Revitalization Business>

The number of properties for sale increased to 22, including two in New York. Profit margin was high (gross profit margin 31.5%), and sales targets were ahead of schedule. The formation of small-lot real estate property is also progressing steadily.

<Real Estate Service Business>

Sales in brokerage continued to be strong. Performance of Conference Room Rental Business grew due to the demand recovering and sites expansion. Number of managing buildings increases in PM and BM also contributed to earnings. Sales and profits increased in all businesses.

<Hotel and Tourism Business>

The settlement of the sale of two hotels contracted in the second quarter was recorded in the third quarter. Occupancy rate and average daily rate rose thanks to a recovery in travel demand, while gross profit in hotel operation turned a profit.

Consolidated Balance Sheet

- Assets -



<Cash and deposits> Up 14.8 billion yen from the end of the previous fiscal year, due to the sale of Replanning and hotel properties.

<Inventories> Despite Inventory in Hotel properties decrease due to sales of two hotels, inventory in Replanning properties increased due to progress both sales and purchases.

<Investments and other assets>

Investments and other assets decreased because long-term guarantee deposits were returned with sales of hotels.

(Unit: million yen)	As of End of March 2021	As of End of March 2022	As of End of December 2022	Increase/decrease (compared to the end of March 2022)
Current assets	110,785	110,920	121,090	+10,170
Cash and deposits	21,508	30,053	44,913	+14,860
Inventory assets	86,087	77,340	73,544	-3,795
Breakdown) RP	71,348	63,424	63,841	+416
Hotel	13,916	13,516	9,342	-4,173
Overseas, etc.	821	399	354	-44
Other current assets	3,189	3,527	2,632	-894
Non-current assets	16,700	25,591	24,863	-728
Property, plant and equipment	10,528	18,796	20,229	+1,433
Intangible assets	701	572	715	+143
Investments and other assets	5,470	6,222	3,917	-2,305
Total assets	127,485	136,512	145,954	+9,441

Consolidated Balance Sheet

- liabilities/equity -



<Interest-bearing debt> Repayment due to sale of properties and borrowing due to purchase are almost balanced, and interest-bearing debt balance is 51.5 billion yen.

<Net assets> Increased by 8.8 billion yen mainly due to profit increase (10.2 billion yen), etc. despite the payment of interim dividends in addition to dividends at the end of the previous fiscal year.

Changes of Equity Ratio

End of March 2021	End of March 2022	End of December 2022
52.3%	52.2%	54.8%

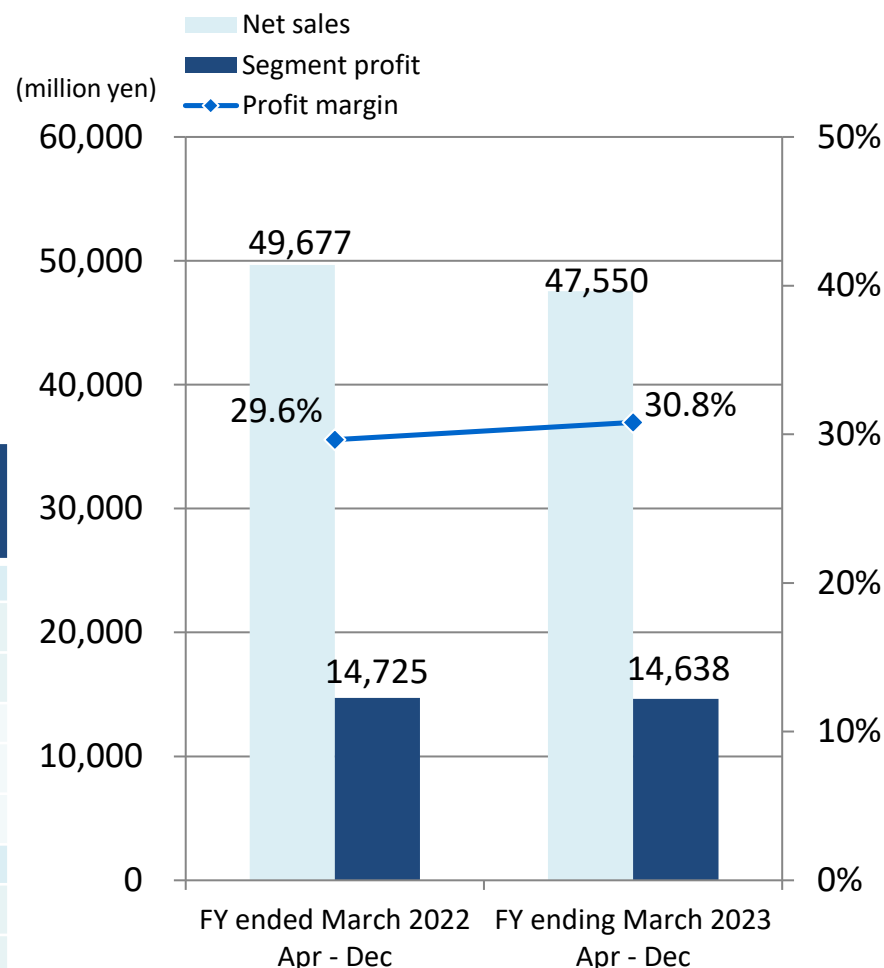
(Unit: million yen)	As of End of March 2021	As of End of March 2022	As of End of December 2022	Increase/decrease (compared to the end of March 2022)
Current liabilities	13,358	16,210	13,027	-3,183
Short-term borrowings, etc.	5,530	6,904	3,742	-3,161
Income taxes payable	901	3,528	1,521	-2,006
Other current liabilities	6,926	5,777	7,762	+1,985
Non-current liabilities	44,354	45,849	49,639	+3,789
Long-term borrowings and bonds payable	41,991	44,169	47,807	+3,638
Other Noncurrent Liabilities	2,363	1,680	1,831	+151
Total liabilities	57,712	62,060	62,666	+606
Shareholders' equity	66,916	71,260	79,261	+8,001
Other	2,856	3,191	4,025	+833
Total net assets	69,773	74,452	83,287	+8,835
Total liabilities and net assets	127,485	136,512	145,954	+9,441

Real Estate Revitalization Business (Replanning and Rental Buildings)

<Replanning Business>

- Number of sales was 22 including 2 in New York. Profit margin was kept in high level. Sales and profits were flat compared to the same period of the previous year. The formation of small-lot real estate property is also progressing steadily.
- Average business period was 662 days (down 45 days YoY). The business period was longer than the end of the 2nd quarter (587 days) due to the sale of mid to long-term properties in the 3rd quarter, but shorter than the previous fiscal year (707 days).

(Unit: million yen)	FY ended March 2022 Apr – Dec	FY ending March 2023 April - Dec	Increase/ decrease
Net sales	49,677	47,550	-4.3%
Replanning Business	48,084	46,027	-4.3%
Rental Building Business	1,592	1,523	-4.3%
Segment profit (Note 1)	14,725	14,638	-0.6%
Replanning Business	14,291	14,355	+0.5%
Rental Building Business	434	282	-34.9%
Profit margin	29.6%	30.8%	+1.1%pt
Replanning Business	29.7%	31.2%	+1.5%pt
Rental Building Business	27.3%	18.6%	-8.7% pt
Number of properties sold	18 cases	22 cases	+4 cases
Number of stocks at the end of FY	47 cases (Note 2)	48 cases (Note 2)	+1 case



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

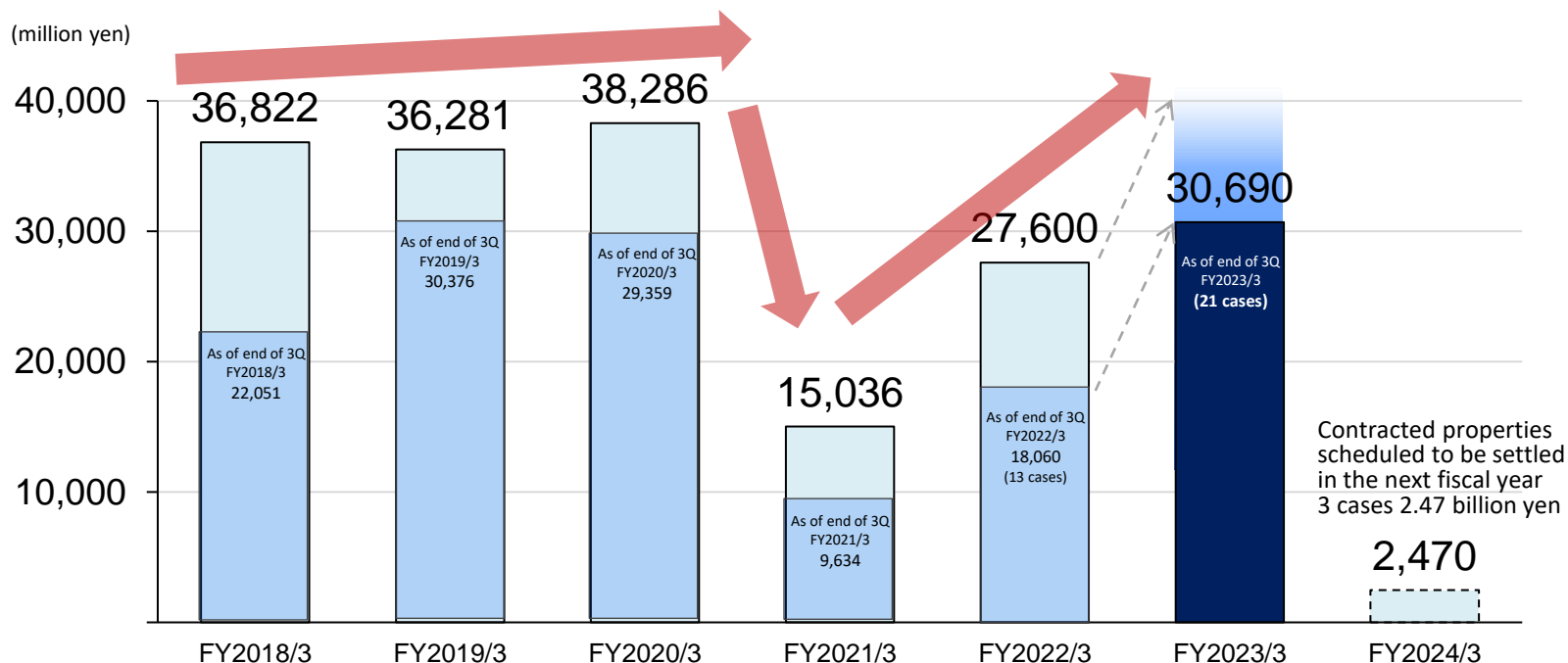
(Note 2) Projects of land purchase and development, the formation of small-lot real estate property and properties in NY are included.

Real Estate Revitalization Business

<Purchase in Replanning properties>

Purchase in RP properties was 30.6 billion yen (including contracted but unsettled properties), up 12.6 billion yen from the previous fiscal year. We are strengthening purchase activities to the level before the pandemic of COVID-19.

(Unit: million yen)	FY ended March 2022 Apr - Dec	FY ending March 2023 Apr - Dec	Increase/ decrease
Number of properties purchased	13 cases	21 cases	+8 cases
(of which, contracted and unsettled)	0 case	4 cases	+4 cases
Purchase amount	18,060	30,690	+12,630
(of which, contracted and unsettled)	0	4,520	+4,520



Note: Non-current assets, investment products in sub-divided real estate and NY properties are included.

Operating Results by Business Segment

Real Estate Services Business



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

<Property Management/Building Maintenance>

- Both PM and BM businesses increased sales and profits due to an increase in the number of entrusted buildings.

<Brokerage>

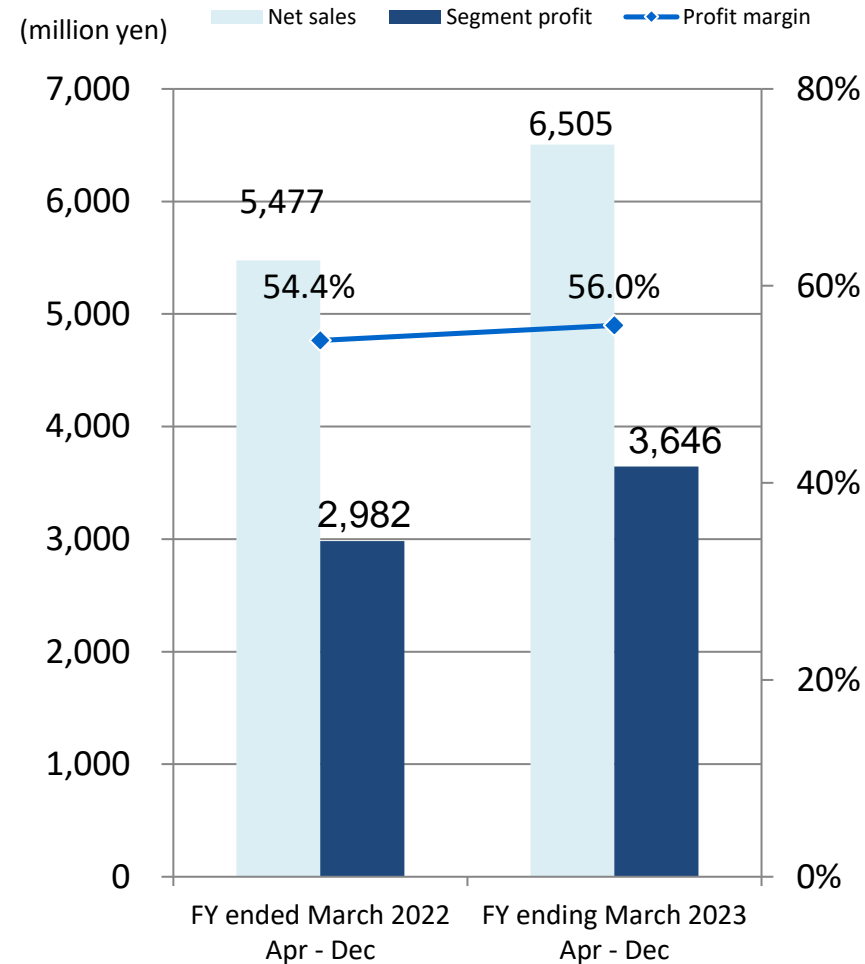
- Sales and profits increased in Sales Brokerage due to the steady conclusion of transactions introduced from other divisions.
- Sales and profits increased in Leasing Brokerage due to market recovery.

<Rental Conference Room>

- Sales and profits increased due to recovery in demand, improvement in occupancy rate, large-scale projects, and performance contribution from new sites and floor expansion sites.

<Rent Guarantee>

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



(Unit: million yen)	FY ended March 2022 April - Dec	FY ending March 2023 April - Dec	Increase/ decrease
Net sales	5,477	6,505	+18.8%
Segment profit	2,982	3,646	+22.3%
Profit margin	54.4%	56.0%	+1.6%pt

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

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

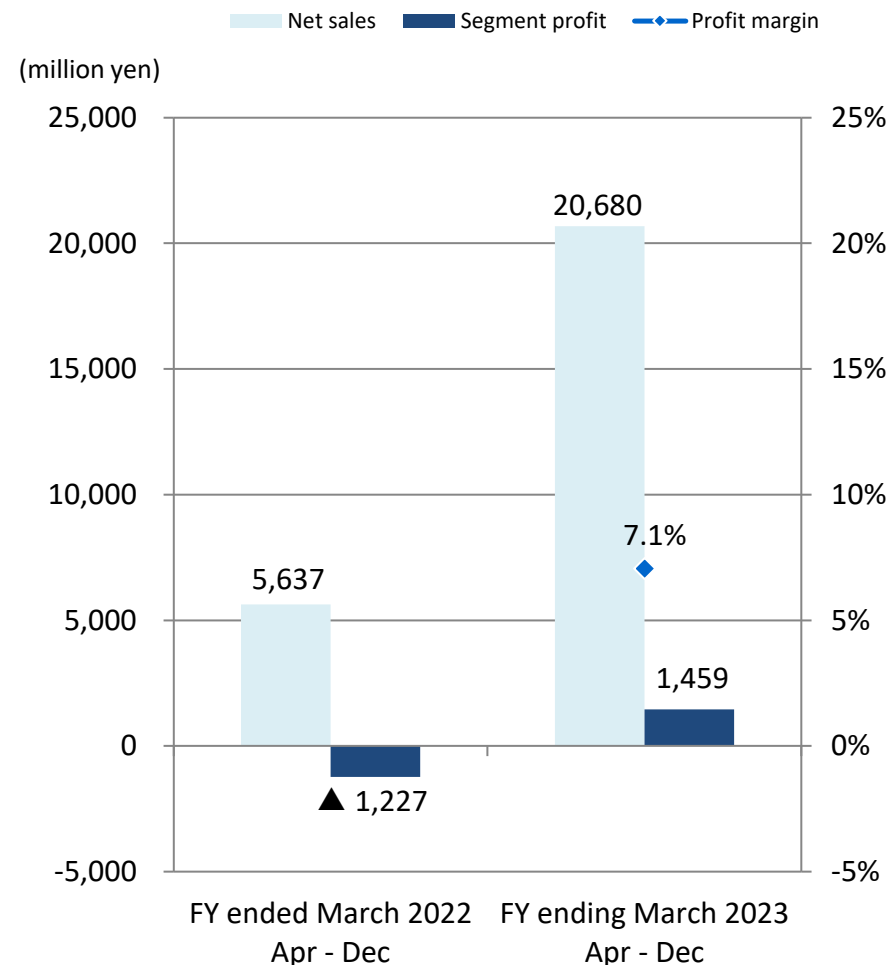
<Hotel Development Business>

- At the end of October, we completed the sale and handover of two of the three hotel properties already contracted in the second quarter. The handover of the other one is scheduled in April of the next fiscal year.

<Hotel Operation Business>

- Both OCC (occupancy rate) and ADR (average daily rate) improved due to the recovery of domestic tourism demand in line with relaxation of behavioral restrictions.

(Unit: million yen)	FY ended March 2022 April - Dec	FY ending March 2023 April - Dec	Increase/ Decrease
Net sales	5,637	20,680	+266.9%
Hotel Development Business	2,450	13,597	+455.0%
Hotel Operation Business, etc.	3,186	7,082	+122.3%
Segment profit	-1,227	1,459	-
Hotel Development Business	349	1,281	+267.0%
Hotel Operation Business, etc.	-1,576	177	-
Profit margin	-	7.1%	-
Hotel Development Business	15.4%	9.4%	-4.8%pt
Hotel Operation Business, etc.	-	2.5%	-



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

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

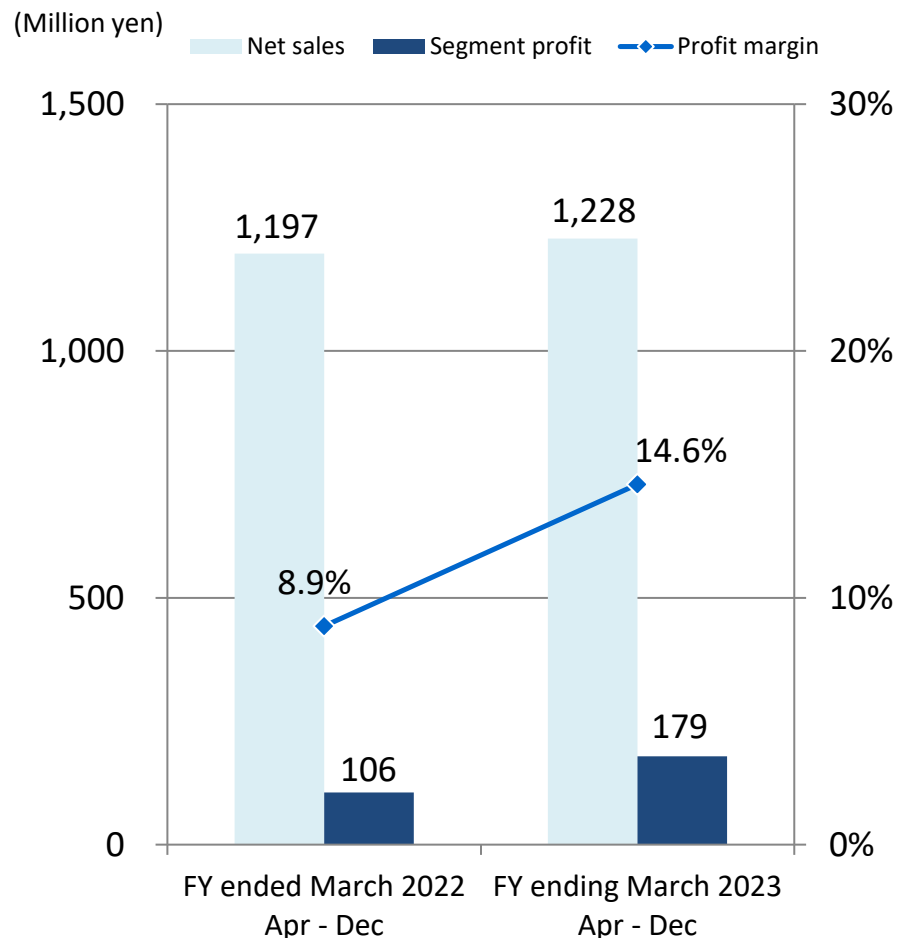
<Construction Business>

- Both sales and profits increased due to the earlier completion of construction at Group companies and the early booking of construction sales.

<Overseas Development Business>

- Sales decreased compared to previous year due to the sale of properties in both Vietnam and Indonesia last year. Profit increased in Vietnam due to sale of 1 room and condominium management.

(Unit: million yen)	FY ended March 2022 Apr - Dec	FY ending March 2023 Apr - Dec	Increase/ decrease
Net sales	1,197	1,228	+2.6%
Segment profit	106	179	+69.0%
Profit margin	8.9%	14.6%	+5.7%pt



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

Business Environment Awareness and Business Initiatives

Business Environment Awareness

1. The global economy is becoming more aware of the normalization of the Chinese economy and the avoidance of recession in Europe and the United States, but future is uncertain.

- ◆ The IMF raised its forecast for global economic growth in 2023 to 2.9 percent, but the situation remains unpredictable.
- ◆ The U.S. Federal Reserve has indicated that it will continue to raise interest rates to avoid a recession, while it reduced the range of rate hikes at the FOMC meeting.

2. The Japanese economy continues to recover as constraints are eased amid the transition to Coexisting with COVID-19.

- ◆ With the spread of COVID-19 vaccine, restrictions have been eased and economic activities have been normalized.
- ◆ The Bank of Japan has revised its monetary easing policy and raised the upper limit of long-term interest rates.

3. In the central Tokyo office building market, hybrid working styles are spreading, and roles expected of offices are changing.

- ◆ Due in part to the impact of rising prices, vacancy rate is flat. While rent is gradually decreasing, attention should be paid to an increase in new construction.
- ◆ Although investment in real estate is generally strong, attention should be paid to trends in interest rates during the period of monetary tightening.

4. In the hotel and tourism markets, travel demand has recovered due to the Nationwide Travel Subsidy Program and relaxation of immigration restrictions.

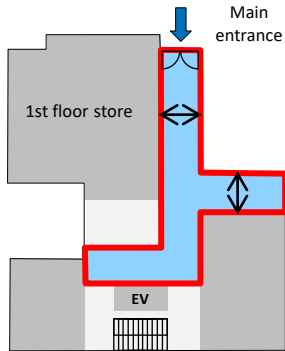
- ◆ Both hotel occupancy rate and average room unit price have improved thanks to the Nationwide Travel Subsidy Program and relaxation of ban on individual foreign tourists.
- ◆ In addition to the recovery of domestic travel to rural areas, urban areas also recovered due to an increase in inbound tourists due to the relaxation of ban on individual foreign tourists.

Replanning Business, Examples of Initiatives (1)

Value-added building with highly visible appearance and highly functional floor

Before

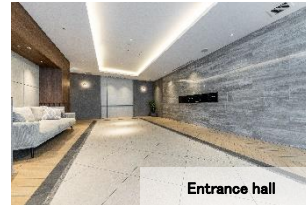
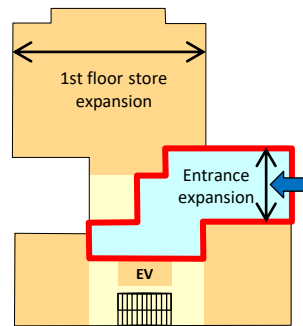
Thin and dark entrance passage



After

Replanned to wide and bright entrance hall.

Store on the first floor is wider toward the road, improving visibility.



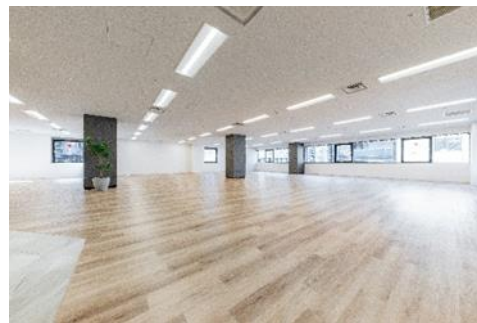
Main entrance was changed.



[Building appearance (After replanning)] Shiba, Minato-ku, Tokyo
One building profit building
Steel-reinforced concrete structure, flat roof, 8 story building with 1 basement floor
Built in 1991



A lounge space that can be used not only for business negotiations, meetings, and breaks, but also for events and seminars, etc.



Easy to layout according to your needs, functional and highly versatile, and bright office space with windows on three sides.



The rooftop terrace has a panoramic view of Tokyo Tower and is a space of relaxation.



Leasing after replanning and entrusted management after sale

Replanning Business, Examples of Initiatives (2)

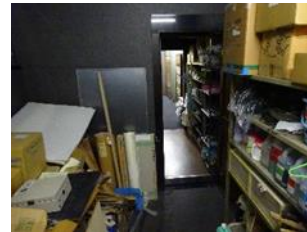
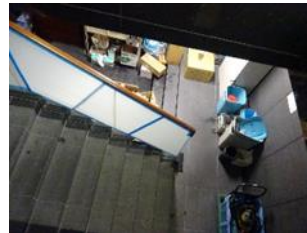
Value-added building that Improves profitability and accommodates diverse working styles



[Building appearance (after replanning)] Tsukiji, Chuo-ku, Tokyo
 One building profit building
 Reinforced concrete structure with flat roof, seven story building with one basement floor
 Built in 1996

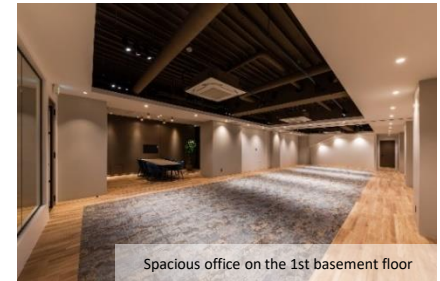
Before

A dark basement floor used as a storeroom



After

Increased profitability by converting the 1st basement floor into an office



Common lounge entrance directly connected to the street, with a sense of freedom



Lounge space suitable for both business and private



Set up multiple telephone conference booths to focus on online meetings



Leasing after replanning and entrusted management after sale

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

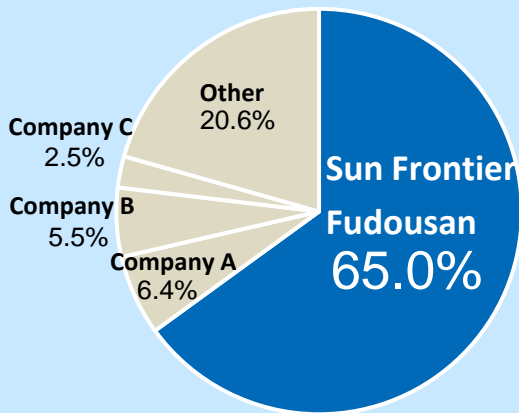
Significant cost reduction for office interiors, etc., and no interior assets recorded by tenants.

Merit 4) Employment, motivation and productivity improvement

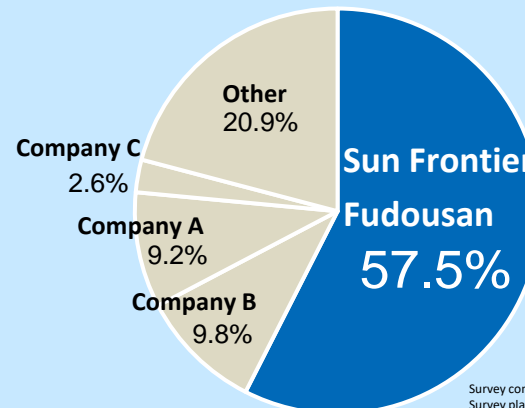
Improve employment of human resources, employee motivation, and office productivity by the office interior that pursues a high level of design, focusing on design, functionality, and various usage scenes.

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

BELS Certification for 6 Entrusted Properties



The Energy conservation of Replanning Business, which suppresses waste of irreproducible resources, is highly rated.



BELS stands for "Building-Housing Energy-efficiency Labeling System."

Building-Housing Energy-efficiency Labeling System started by the Association for Evaluating and Labeling Housing Performance in 2014. Since the evaluation and rating are carried out by a third-party organization in accordance with the energy conservation performance indication guidelines for buildings based on article 7 of the building energy conservation law, the evaluation is highly reliable compared with the manufacturer's own evaluation. The GRESB is an annual benchmark for measuring environmental, social and governance (ESG) considerations by real estate companies and funds. It is attracting attention that BELS certification is given additional points.

● BELS Certified Six Properties



One profit building, Shiba, Minato-ku, Tokyo



One profit building, Taito-ku, Tokyo



One profit building, Tsukiji, Chuo-ku, Tokyo



One profit building, Higashi-Nihonbashi, Chuo-ku, Tokyo



One profit building, Kandasakumacho, Chiyoda-ku, Tokyo

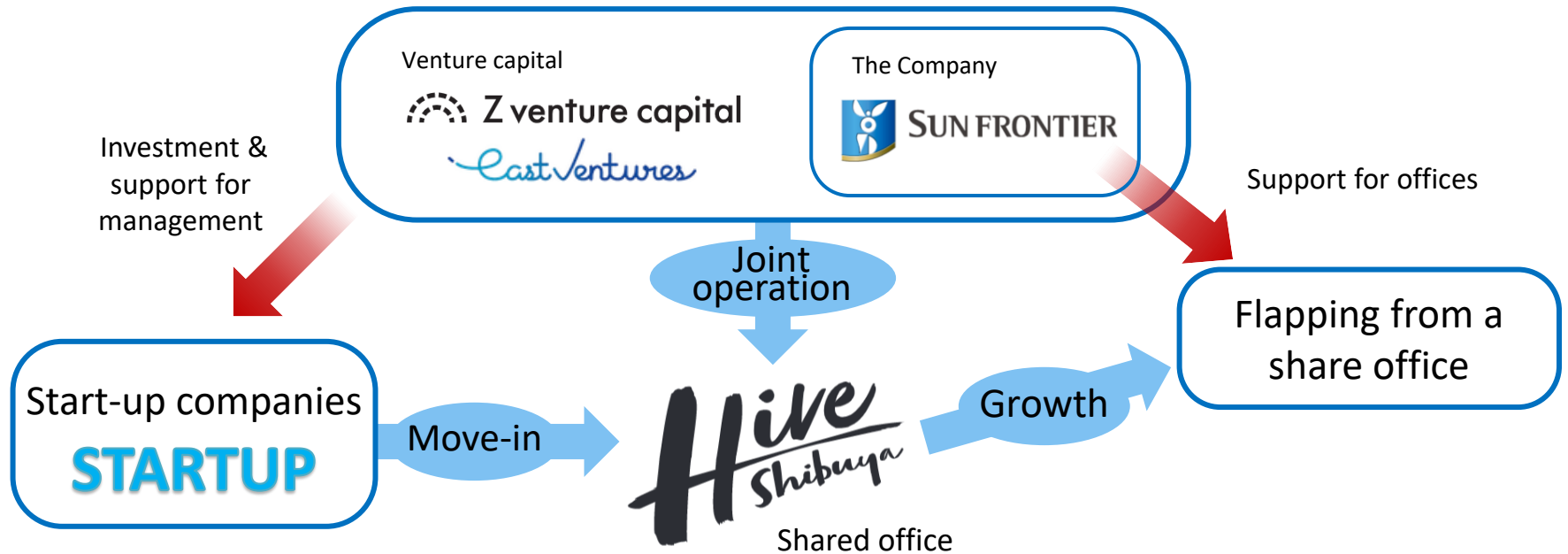


One profit building, Nihonbashihakozakicho, Chuo-ku, Tokyo



Open Shared Office for Start-ups

Supporting Start-up companies in the seed stage due to manage "Hive Shibuya" with venture capital. We aim to become the best startup-friendly office partner in Japan.



Great location near the scramble crossing in front of Shibuya Station.



Facilities to work as soon as you move in



Layout with various seats



Highly artistic office that stimulates sensitivity

Promote Sales of Small-lot Real Estate Property

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



Fully sold on November 1!

Compass Magome

Ota Ward new medical and educational mall

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

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



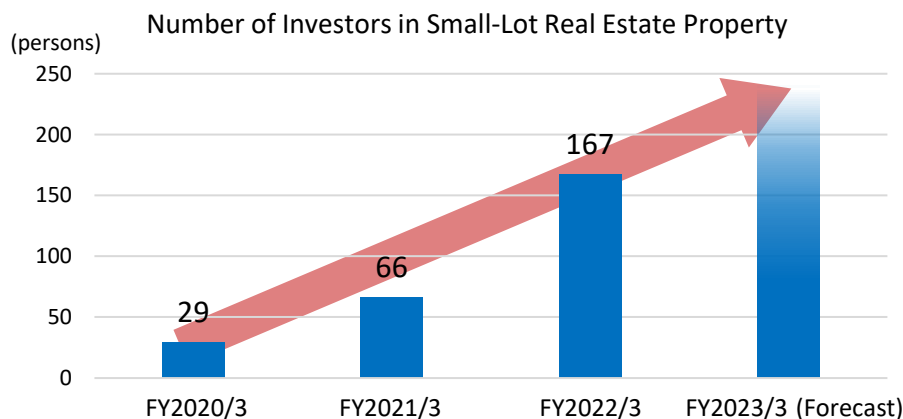
Application sold out, scheduled for composition in March

Compass Ueno

A newly built licensed nursery school, Ueno, Tokyo

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

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



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

Sales network
 (tax accountants and financial institutions)

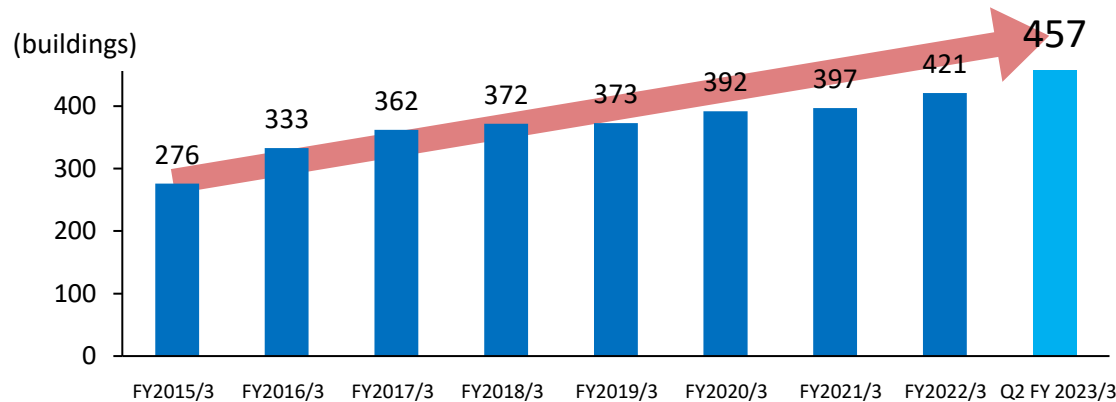
Over 180 companies

Expanding, aiming to reach over 200 companies

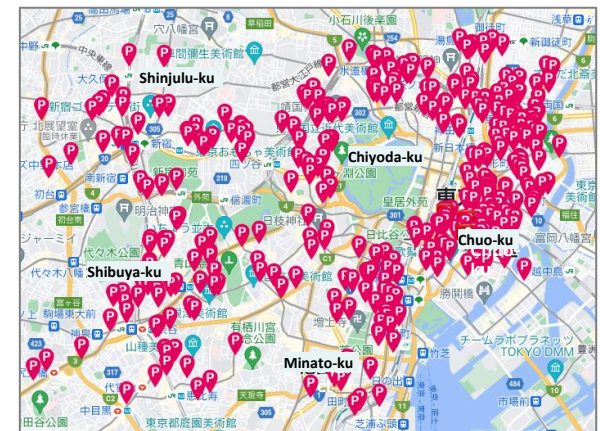
Real Estate Service Business Continues to Expand Its Customer Base

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

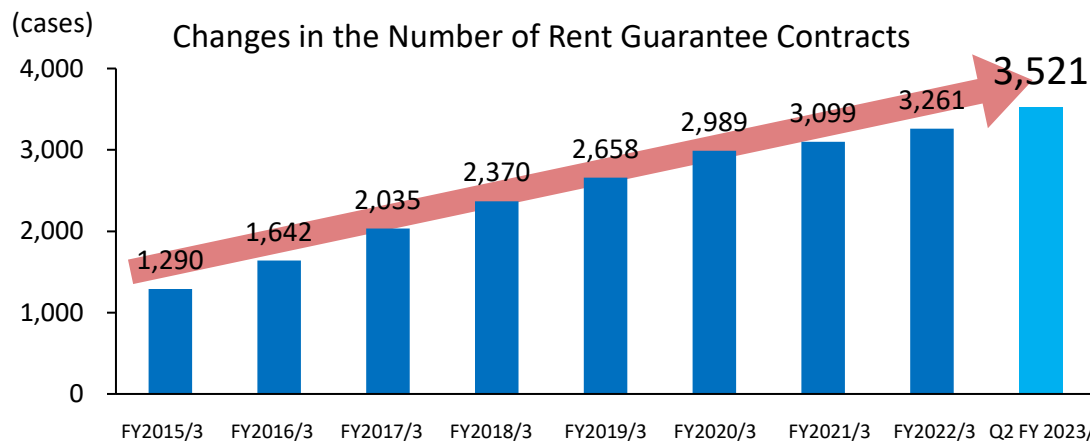
The Number of Entrusted Buildings in Property Management



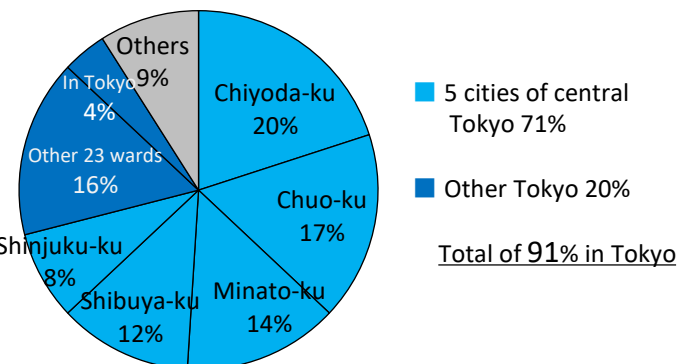
[Property Management entrusted property distribution]



Entrusted properties of the Company



[Rent Guarantee Percentage of new contracts * by area]



* As of March 31, 2022 : 652 new contracts

Site Development to Meet Diverse Needs

While responding to the diversification of working styles online, we are also responding to meeting needs by increasing site capacity, and both sales and profits are reaching record highs.

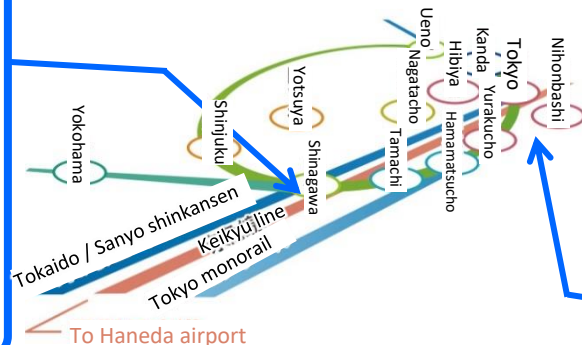
September 1, 2022

Vision Center Shinagawa Open



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

Vision Center Site Network



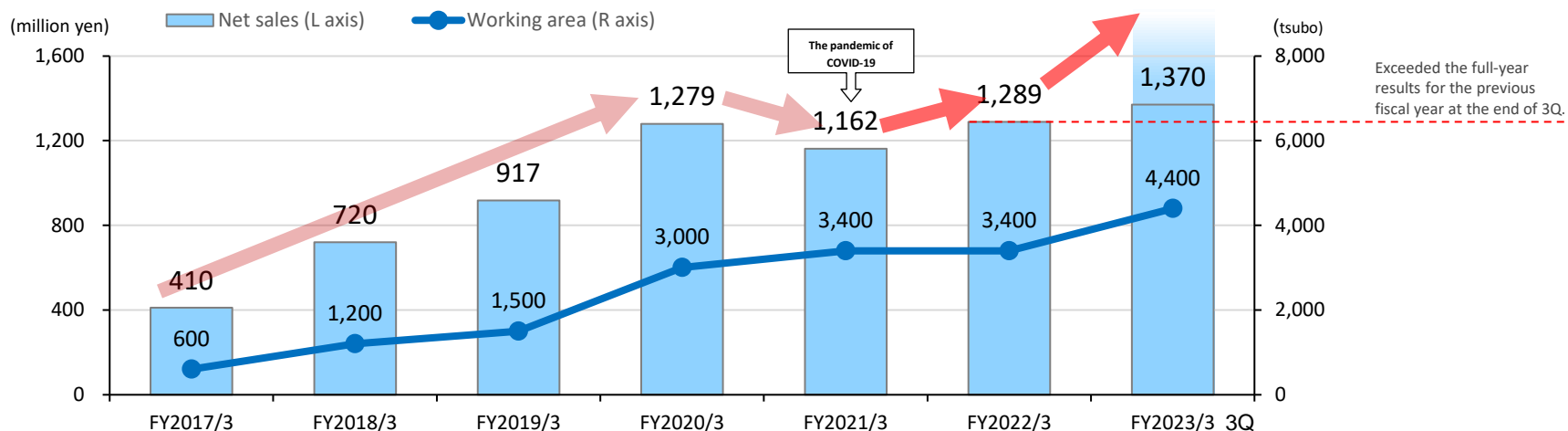
November 1, 2022

Vision Center Tokyo Kyobashi Open



- Best location of direct connection from Kyobashi Station
- With a large hall that can accommodate 600 people

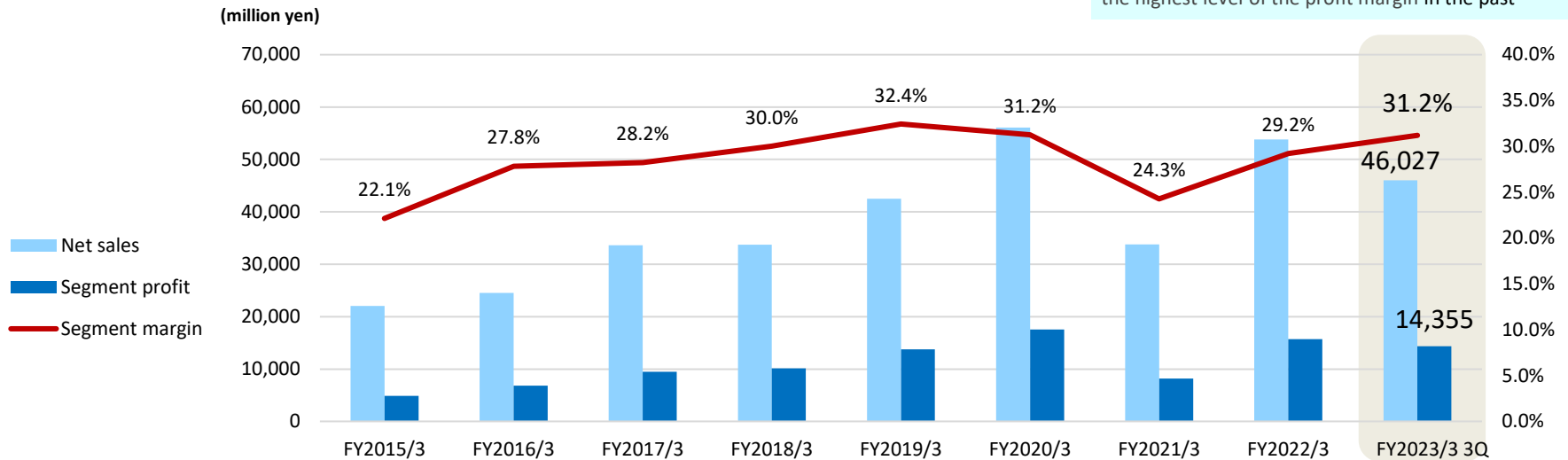
Changes in sales in Conference Room Rental Business, Vision Center operating area



Continue High Profitability in Office Building Business

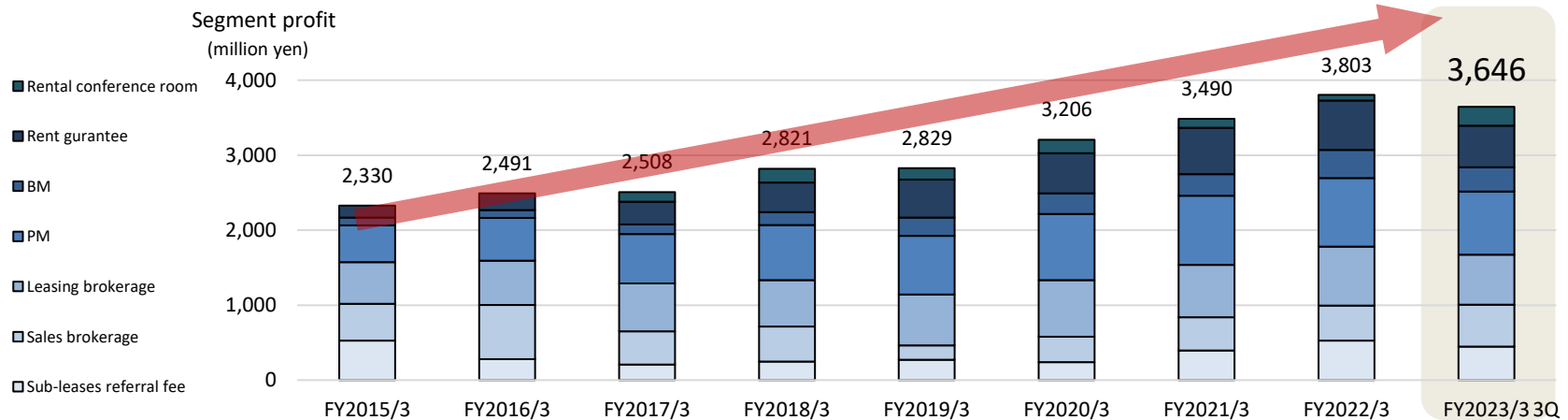
● Replanning Business maintains high profit margin

Replanning Business contributed as high profit business with the highest level of the profit margin in the past



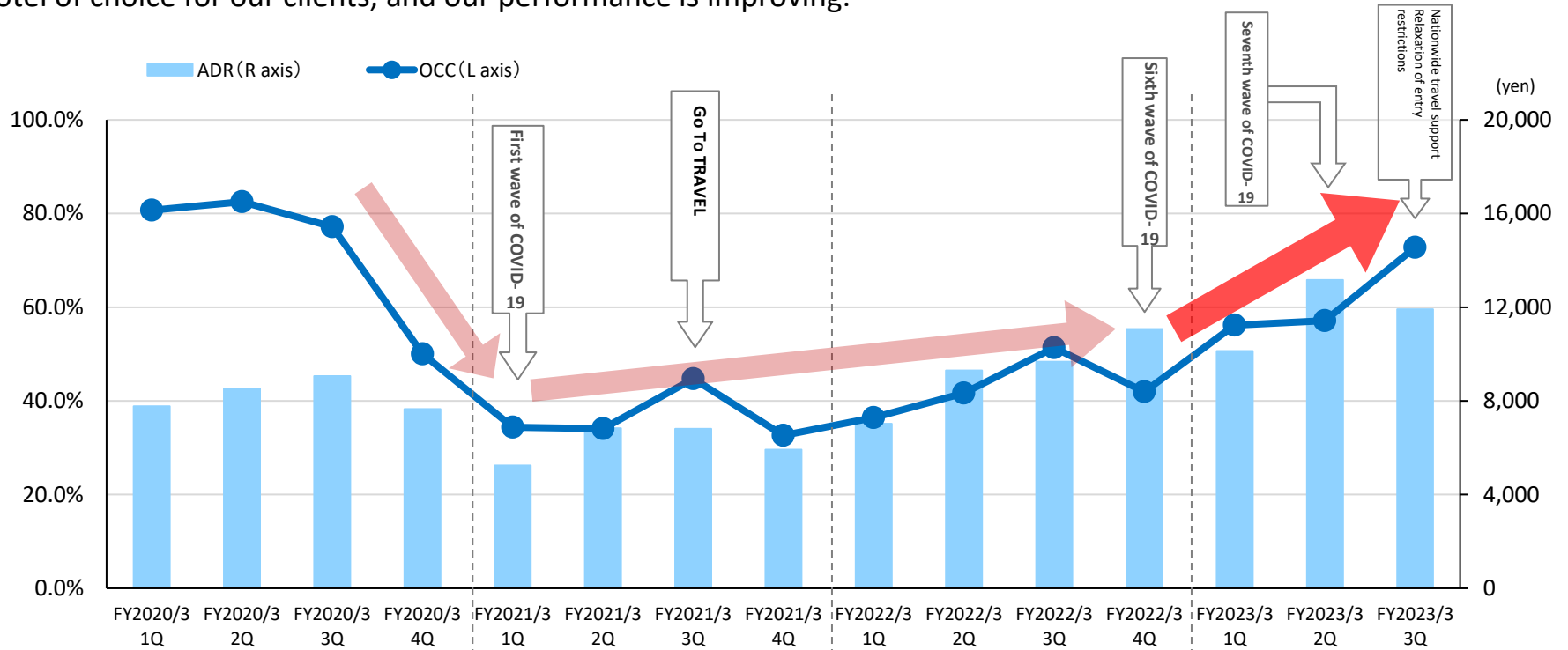
● Steady Growth in Real Estate Service Business

Rental conference room operations are improving. Sales Brokerage, Leasing Brokerage and PM are also strong. Real Estate Service Business is growing steadily.



Recovery of Travel Demand and Increase in Occupancy Rates

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



◆ Newly opened hotels

Eight hotels opened in two and a half years in the pandemic of COVID-19.



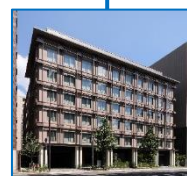
February' 20
Tabino Hotel Kurashiki Mizushima



April' 20
Tabino Hotel Kashima



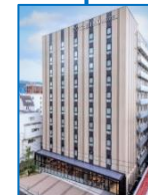
February' 21
HIYORI Ocean Resort Okinawa



June' 21
HIYORI Chapter Kyoto



June' 21
Tabino Hotel Lit Miyakojima



July' 21
Tabino Hotel Lit Matsumoto



June' 22
Sora Niwa Terrace Kyoto Bettei Kamogawa

Planned and Aggressive Hotel Development

Collected development funds through the sale of two hotels in 3Q for the fiscal year under review and one in 1Q for the next fiscal year. Going forward, we will develop and operate mainly “Tabino Hotels” brand and small luxury hotels, and also focus on M&A.

● "Tabino Hotel" Brand Case Study



【Tabino Hotel lit Matsumoto】 Rooms with kitchen and washing machines suitable for long-term stays and a large public bath are handled for both sightseeing and business needs.

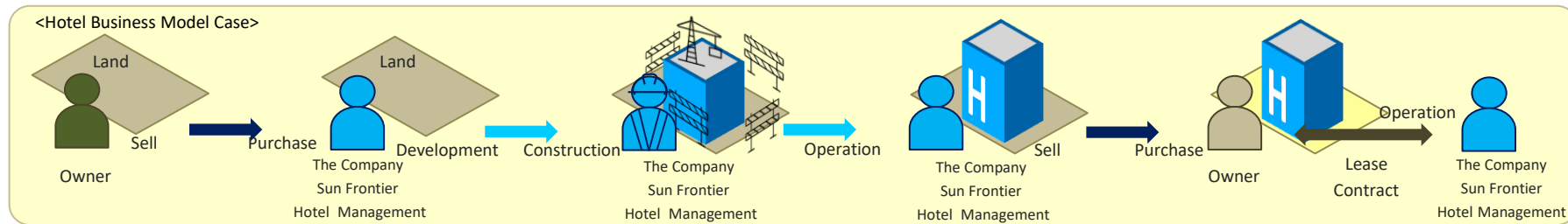
● Condominium Hotel Case Study



【HIYORI OCEAN RESORT OKINAWA】 Luxury hotel which all guest rooms are ocean view and sweet rooms with the flat terrace.

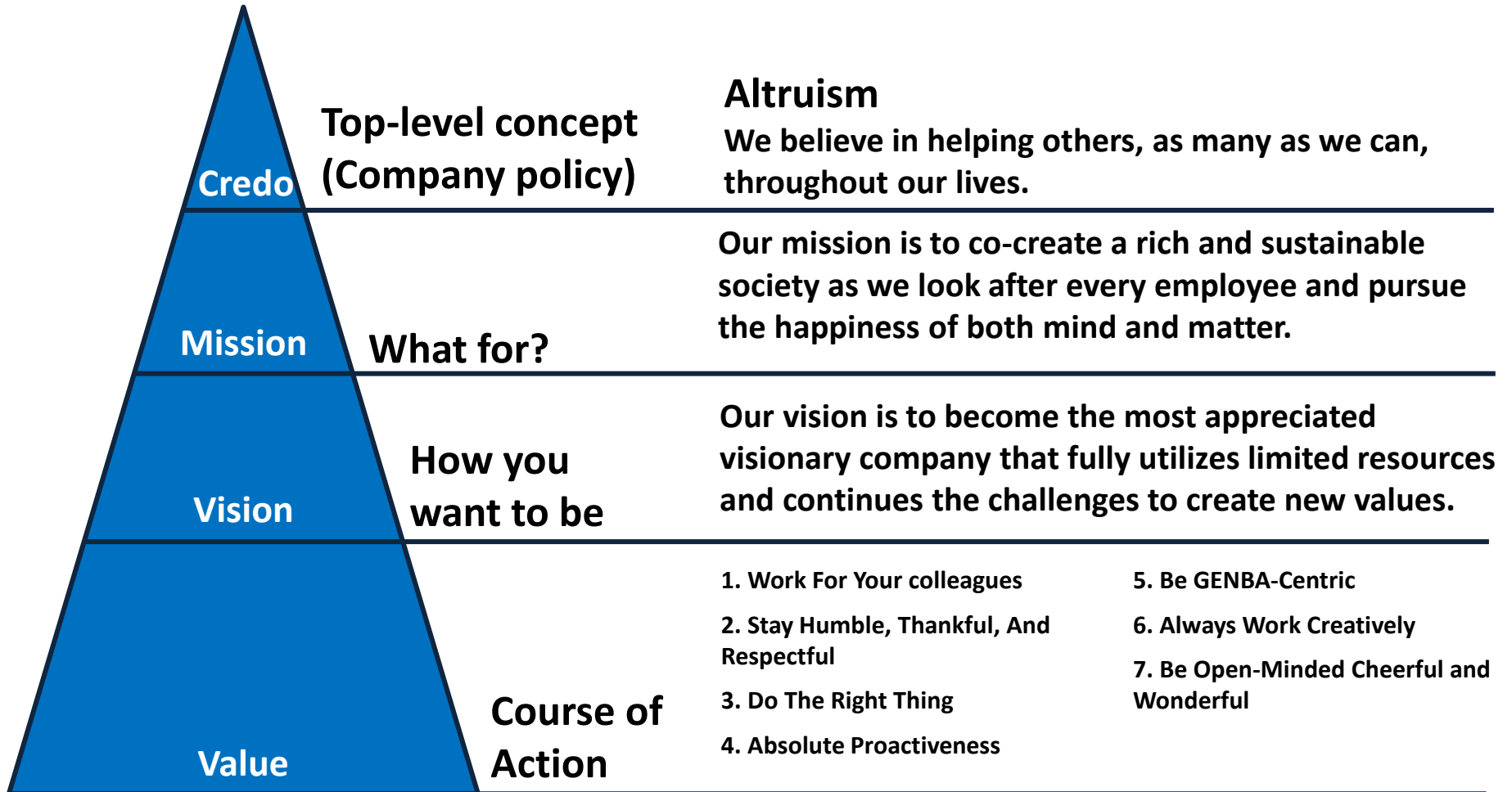
Hotel name and location	Number of rooms	Acquisition and opening		Status
		Year	Opening	
Spring Sunny H Nagoya Tokoname Station	194	2016.4	Acquired	Own
4 Sky Heart Hotels (excluding Shimonoseki)	564	2016.12	Acquired	Lending and leasing
HIYORI Hotel Maihama	80	2017.4	Newly constructed	Sold leaseback
Sado Resort Hotel AZUMA	57	2018.4	Acquired	Own
Tabino Hotel Hida-Takayama	80	2018.5	Newly constructed	Own (leased)
SKY HEART Hotel Shimonoseki	105	2018.6	Acquired	Own
Tabino Hotel Sado	111	2018.7	Newly constructed	Lending and leasing
HIYORI Hotel Osaka Namba Ekimae	224	2019.5	Newly constructed	Lending and leasing
Hiyori Hotel Tokyo Ginza East	135	2019.12	Newly constructed	Scheduled to be sold in April 2023
Tabino Hotel Kurashiki Mizushima	155	2020.2	Newly constructed	Lending and leasing
DONDEN Highland Lodge	11	2020.4	Entrusted	Lending and leasing
Tabino Hotel Kashima	194	2020.4	Newly constructed	Own (leased)
Hiyori Ocean Resort Okinawa	203	2021.2	Newly constructed	Sold leaseback
Hotel Oosado	74	2021.4	Acquired	Own
Tabino Hotel lit Miyakojima	111	2021.6	Newly constructed	Own
Tabino Hotel lit Matsumoto	176	2021.7	Newly constructed	Lending and leasing
Sora Niwa Terrace Kyoto・Bettei Kamogawa	134	2022.6	Newly constructed	Own
Tabino Hotel Villa Miyakojima	4	2022.11	Entrusted	Lending and leasing

22 hotels 2,612 rooms as of Dec 31, 2022



Company Philosophy, ESG

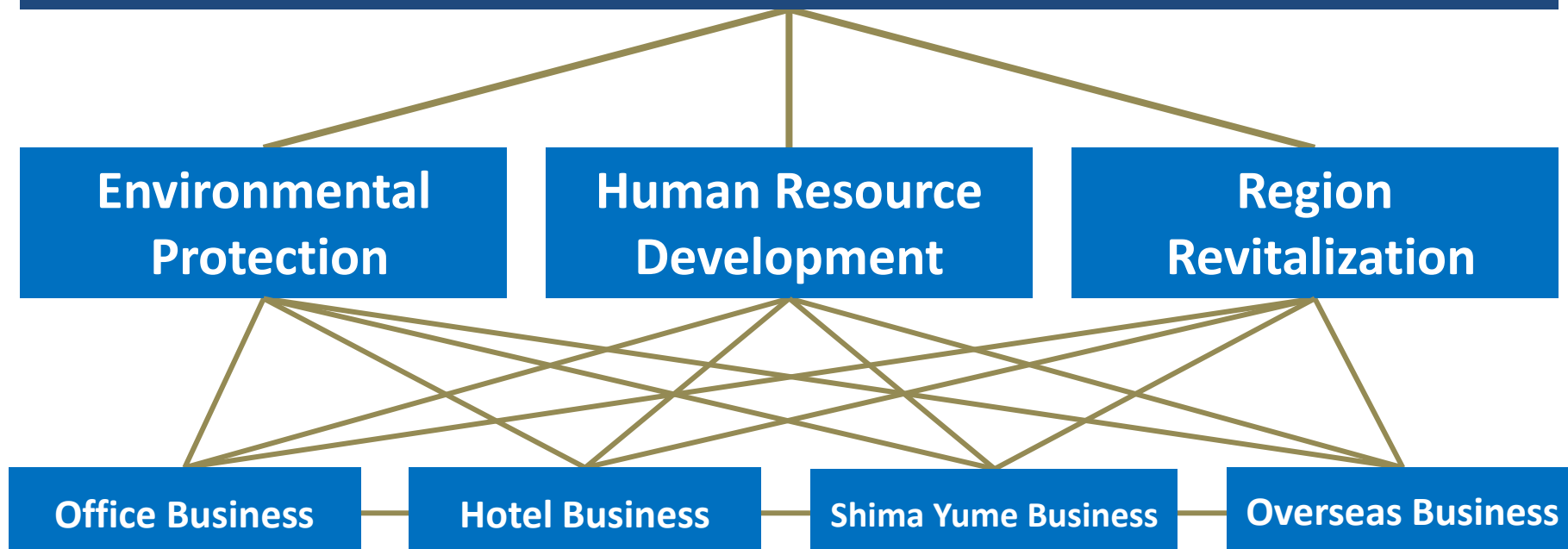
Systematize and further promote the Sun Frontier Philosophy



Business area

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










Realization of Sustainable Society



Sustainability Issues and Targets

Sustainability Vision


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

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

Environment

As of Dec 31, 2022

Actual number of RP buildings



Total **459** buildings

Establishment of SF Ocean Power Generation Co., Ltd.



NEW



Capital and business alliance
Promoting the use of electricity storage systems

Carbon Offset

Cumulative total **2,640** tons



RE100 **12** buildings
2,113 tons



Mori no Denki **7** buildings
128 tons

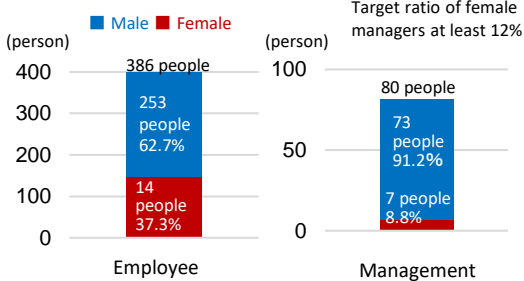


RP construction **15** buildings
399 tons

Social

As of Dec 31, 2022

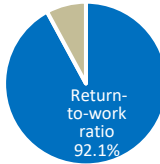
Ratio of male and female employees in managerial positions



Category	Male (person)	Female (person)	Male (%)	Female (%)
Employee	386	14	62.7%	37.3%
Management	73	7	91.2%	8.8%

Target ratio of female managers at least 12%

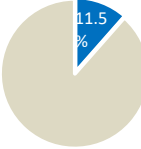
Childcare leave Utilization rate 100%



Return-to-work ratio 92.1%

From childcare leave 92.1% return to work

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



11.5%

Governance

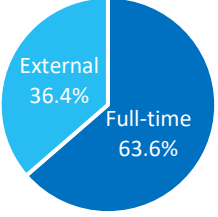
As of Dec 31, 2022

Transition to a company with Audit & Supervisory Committee

As of June 30, 2022

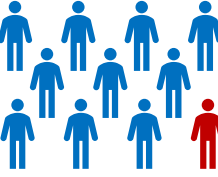


Ratio of Outside Officers 1/3 or more



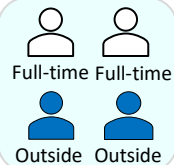
External 36.4% Full-time 63.6%

Female Directors 1 out of 11



■ Male ■ Female

Nomination and Compensation Committee (optional) 2 out of 4 Outside Officers



Full-time Full-time Outside Outside

Ensuring transparency and soundness

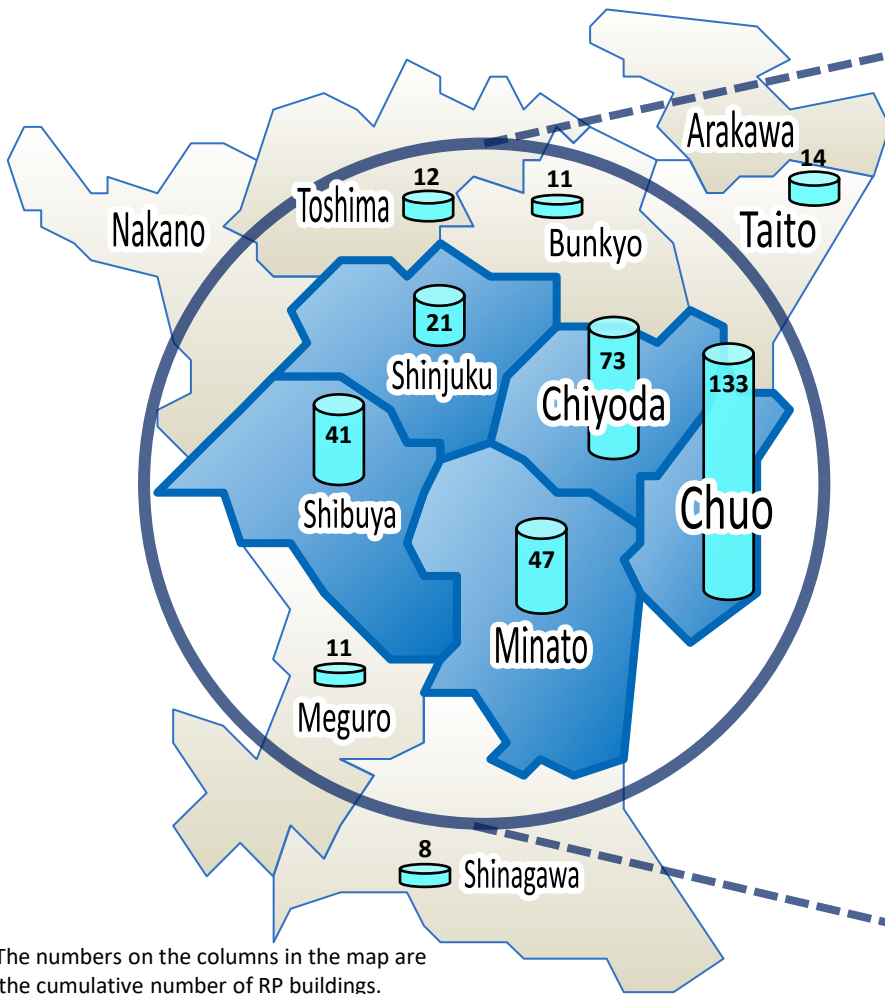
• RE100 • • • Carbon offset using J-credit derived from renewable energy. Initiatives to become the first in Japan to introduce this system on each floor. Achieve zero Co2 emissions per tenant company.
• "Mori no Denki" • • • Carbon offset using J-credit derived from forests. We can feel that we are 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/>

Business Model

Strategy in Office Business

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

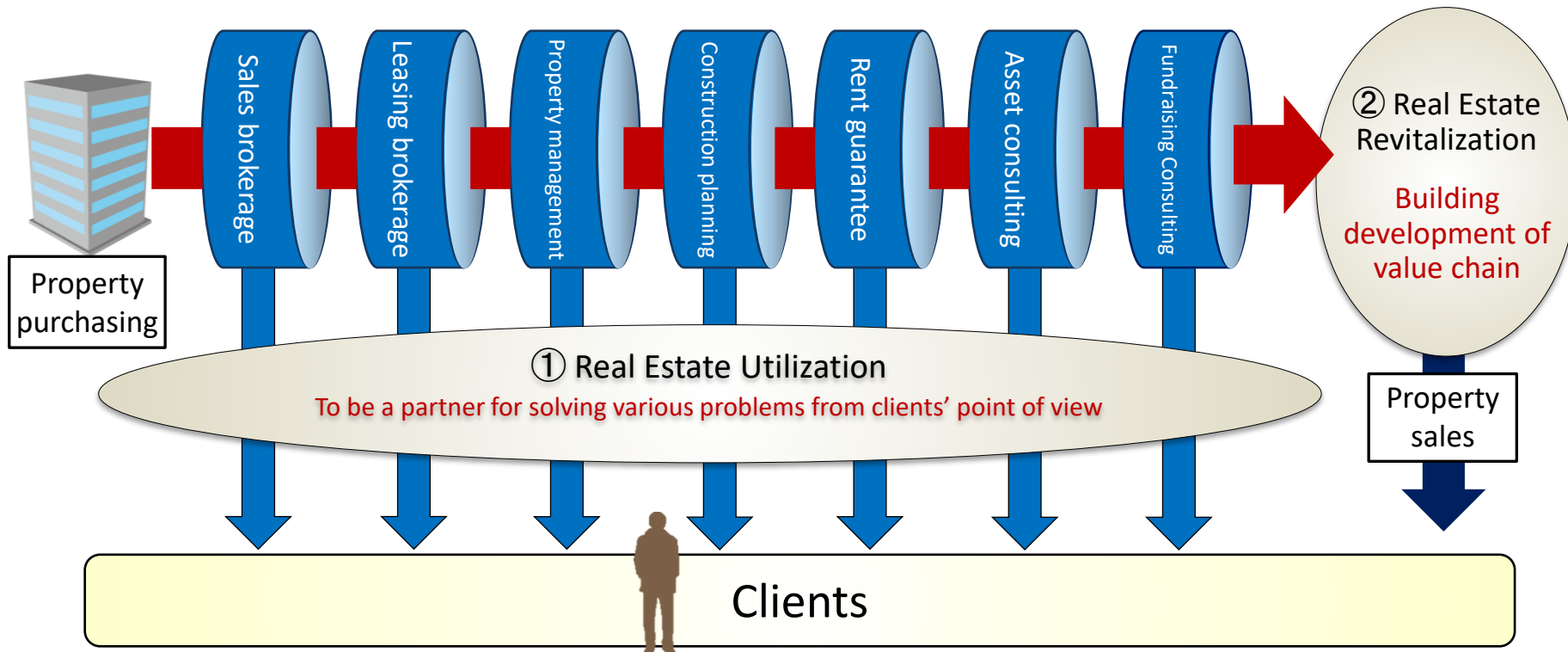


R P	Of the total number of RP buildings, 459 buildings, 80% are in the five cities of central Tokyo and adjacent cities. *As of the end of December 2022
L M	Community-based 10 branches Ginza, Kanda, Nihonbashi, Kodemmacho, Kojimachi, Shinjuku, Shibuya, Gotanda, Hamamatsucho, Yokohama
P M	Of the 457 entrusted properties, over 80% are in the five cities of central Tokyo. *As of the end of December 2022
B M	Of the 220 buildings under comprehensive management, 85% are in the five cities of central Tokyo. *As of the end of December 2022
Rent Guarantee	Of the 652 new contracts signed, 90% are in the five cities of central Tokyo. *As of the end of March 2022
Rental Conference Room	20 of the 21 sites are in the five cities of central Tokyo. *As of the end of December 2022. 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.”



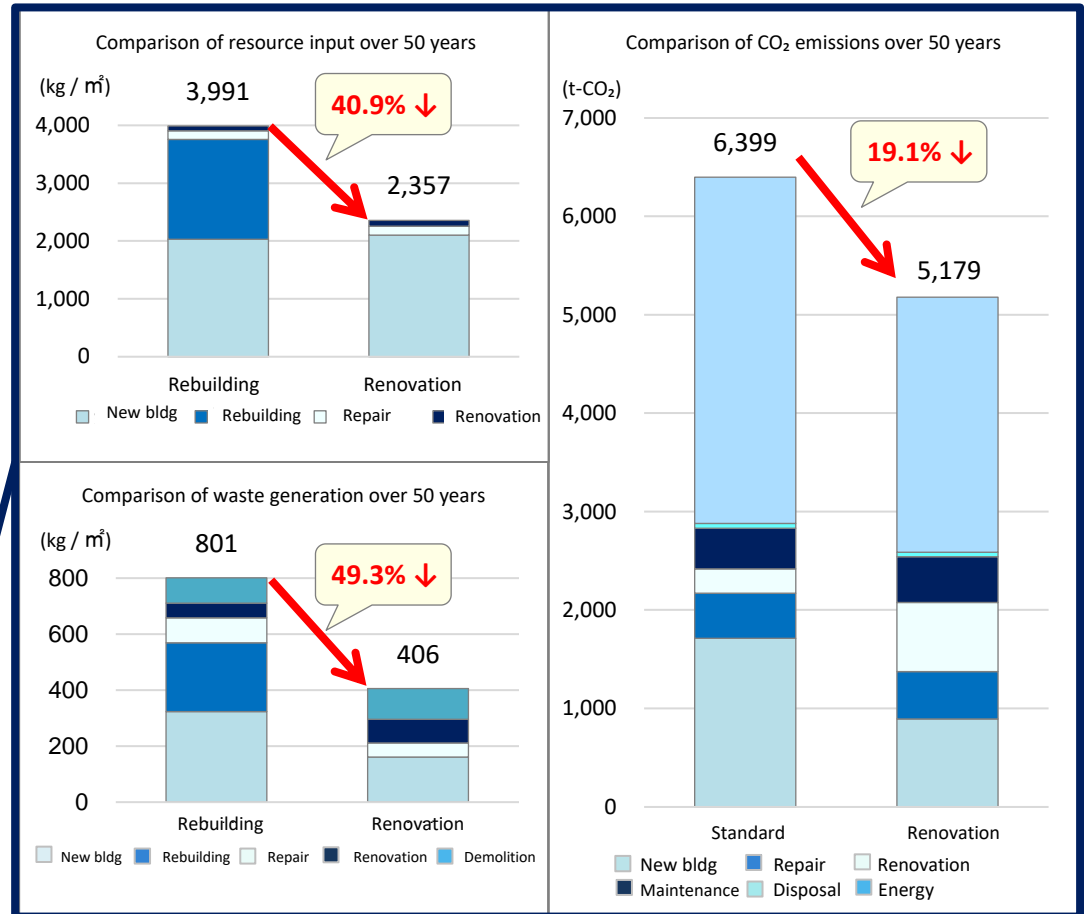
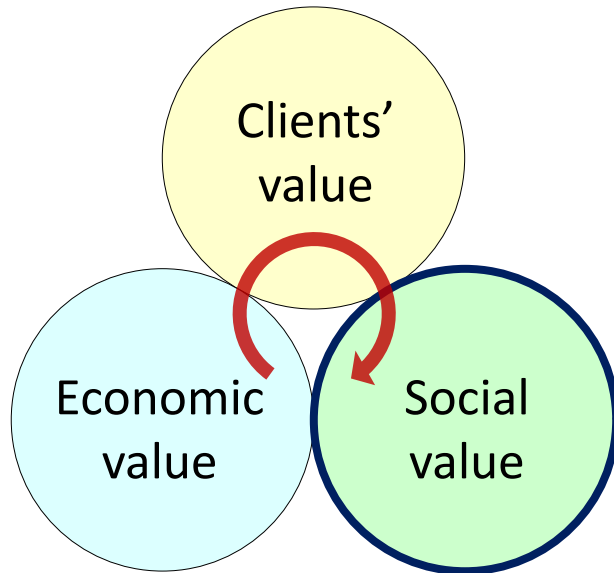
Create both Customer Value and Social Value

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.

Focus on Creating Enthusiastic Fans

With the theme of “a heartwarming and fun hotel”, we are aiming to be the most appreciated hotel in the world.

Our Hotel Brand



HIYORI
HOTELS & RESORTS

Luxury Class
Bettei Kamogawa
Hiyori Ocean Resort Okinawa

Upper Middle Class
HIYORI Hotel Tokyo Ginza East <small>(Scheduled for sale in April 2023)</small>
HIYORI Hotel Maihama
HIYORI Hotel HIYORI Hotel Osaka Namba Station
Tabino Hotel lit Matsumoto
Tabino Hotel lit Miyakojima
Tabino Hotel Villa Miyakojima
Spring Sunny Hotel Nagoya Tokoname Station

Upper Class
Hotel Osado
Sado Resort Hotel AZUMA
Soraniwa Terrace Kyoto

Economy Class
DONDEN Highland
Tabino Hotel Sado
Tabino Hotel Hida Takayama
Tabino Hotel Kashima
Tabino Hotel Kurashiki Mizushima

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



(As of November 2022)

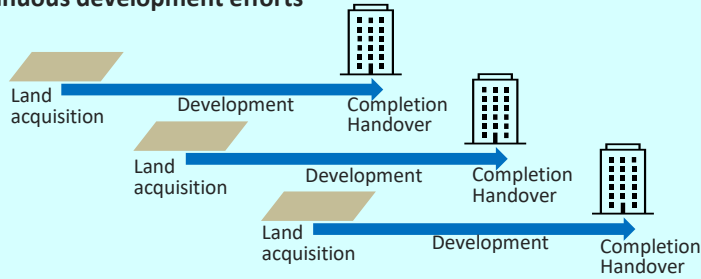
Business Model of Overseas Business

Developing local communities through creating clients' joy and happiness.

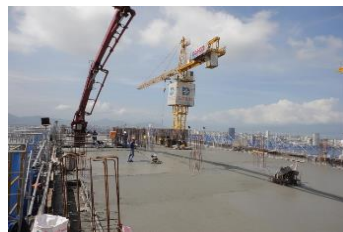
Our business includes land acquisition, development, construction, Handover after completion, property management and brokerage.



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.



Next project in progress!

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



Donden Kogen Lodge



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



Tabino Hotel lit
Miyakojima



Port of Ryotsu



気軽にレンタカー
Kigaroni Rent a Car



Sado Outdoor Base

Miyako Shimojishima
Airport



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

MIYAKO

Miyakojima, Okinawa



Hotel Osado



Hotel AZUMA



LE BLUE
SADO SAWANE

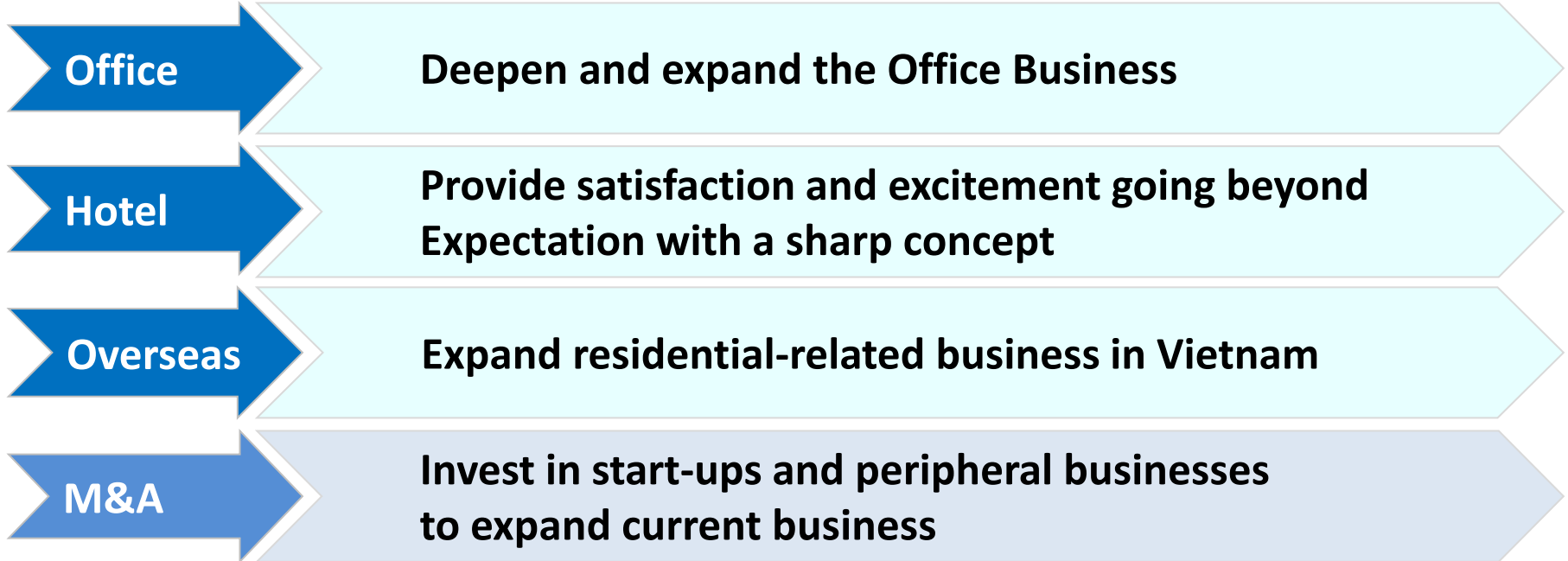
Medium-term Management Plan

Basic Policy and Growth Strategies of Medium-term Management Plan

Basic Policy

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

Growth strategy



Key Points

ESG

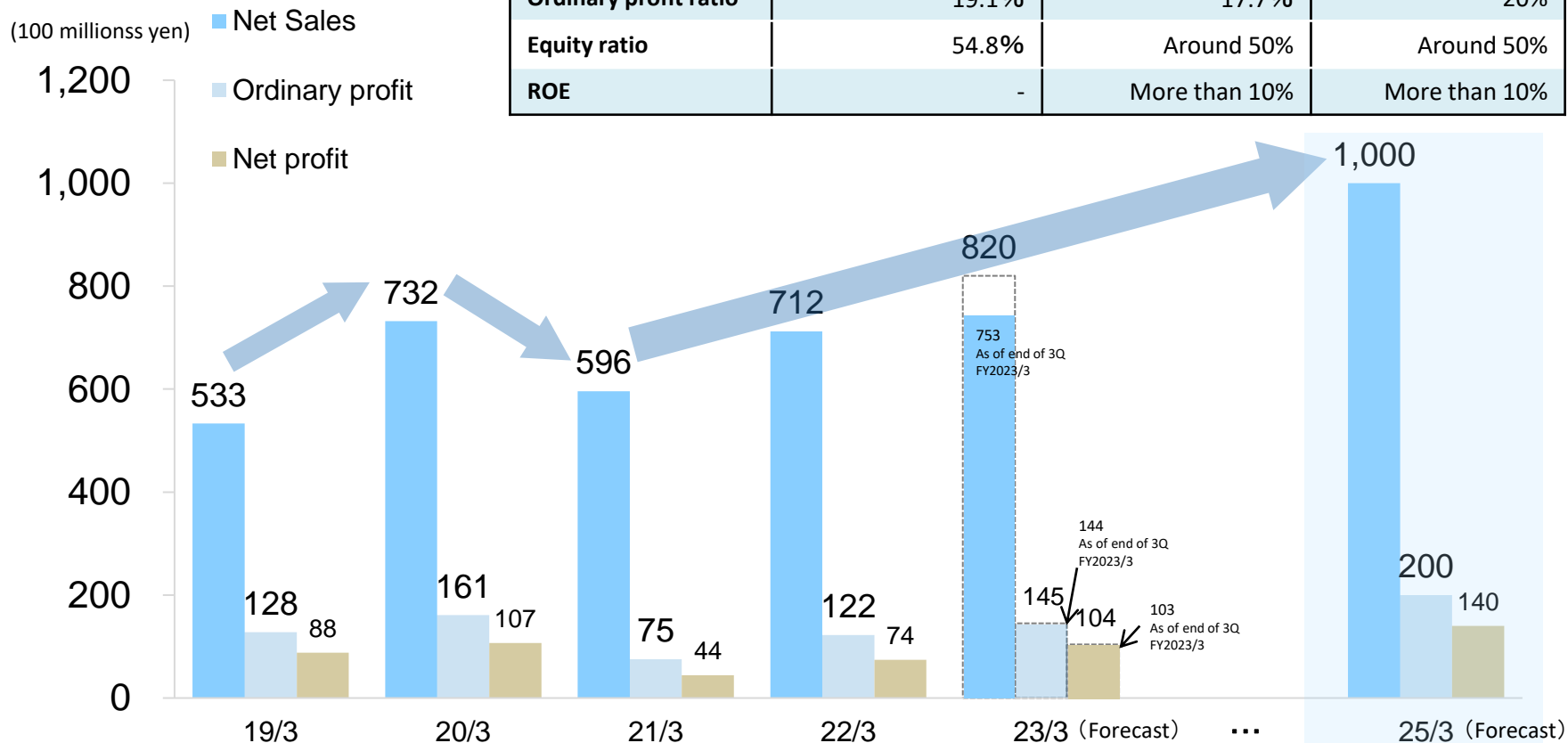
Digital

Cash flow

Marketing

Medium-term Management Plan

	FY2023/3 3Q	FY2023/3 Revised Forecast	FY2025/3 Target
Net sales	75.3 billions yen	82.0 billions yen	100 billions yen
Ordinary profit	14.4 billions yen	14.5 billions yen	20 billions yen
Net profit	10.3 billions yen	10.4 billions yen	14 billions yen
Ordinary profit ratio	19.1%	17.7%	20%
Equity ratio	54.8%	Around 50%	Around 50%
ROE	-	More than 10%	More than 10%



Medium-term Investment Plan

(FY ended March 31, 2022 to FY ending March 31, 2025)

Office Business

Balance at the end of FY2021/3	72.8 billions yen
Amount of Investment	200 billions yen
Amount of return	182.8 billions yen
Balance at the end of FY2025/3	90 billions yen

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

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

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

Hotel Business

Balance at the end of FY2021/3	21.8 billions yen
Amount of Investment	7 billions yen
Amount of return	5.8 billions yen
Balance at the end of FY2025/3	23 billions yen

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

Planned hotel completed. Sell, collect, and reinvest.

Overseas Business

Balance at the end of FY2021/3	0.6 billions yen
Amount of Investment	8 billions yen
Amount of return	2.5 billions yen
Balance at the end of FY2025/3	6.1 billions yen

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

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

Digitalization 3 billions yen

Invest in digitalization to legalize Data Driven management

Establishing databases
Developing AI for analyzing drone images

M&A 5 billions yen

Invest in start-ups and peripheral businesses to expand current business systematically

Create business synergies.
Diversification and customer expansion.

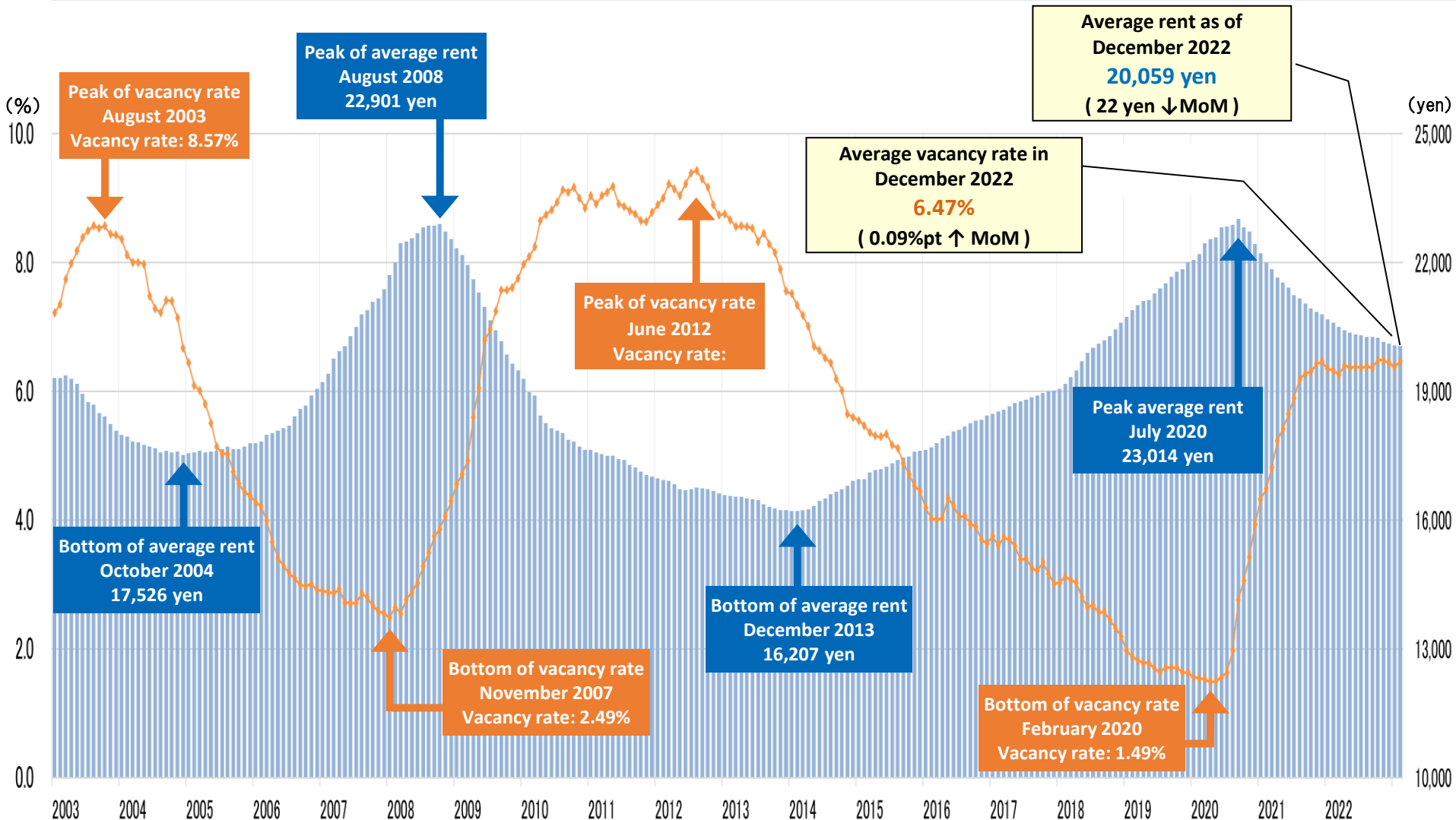


Improve free cash flow

Ensuring positive free cash flow through systematic investment and return

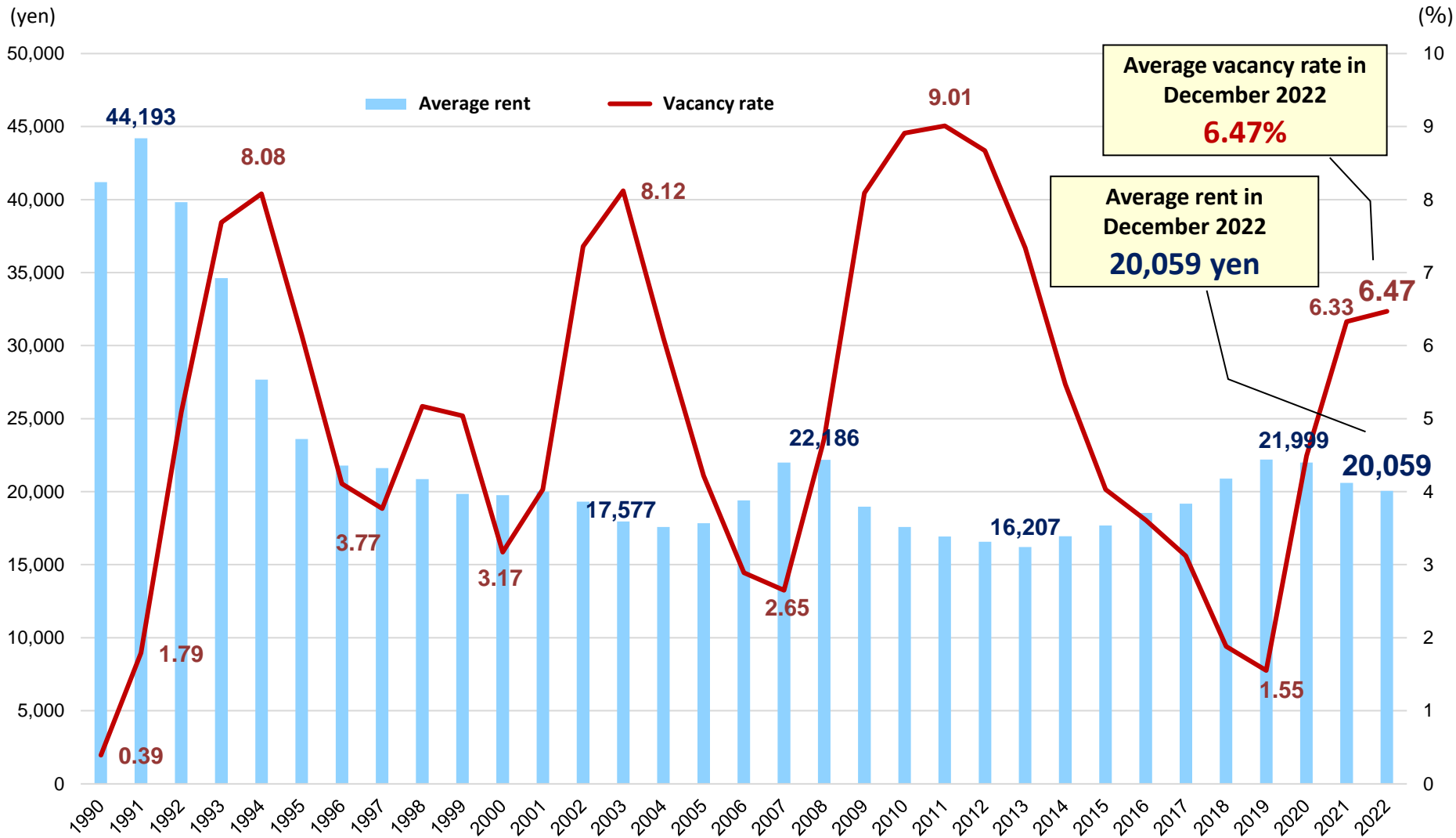
Reference Materials

Office Vacancy Rates and Rents in Five Cities of Central Tokyo



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

Long-term Trends in Office Vacancy Rate and Rent



Average vacancy rate in December 2022
6.47%

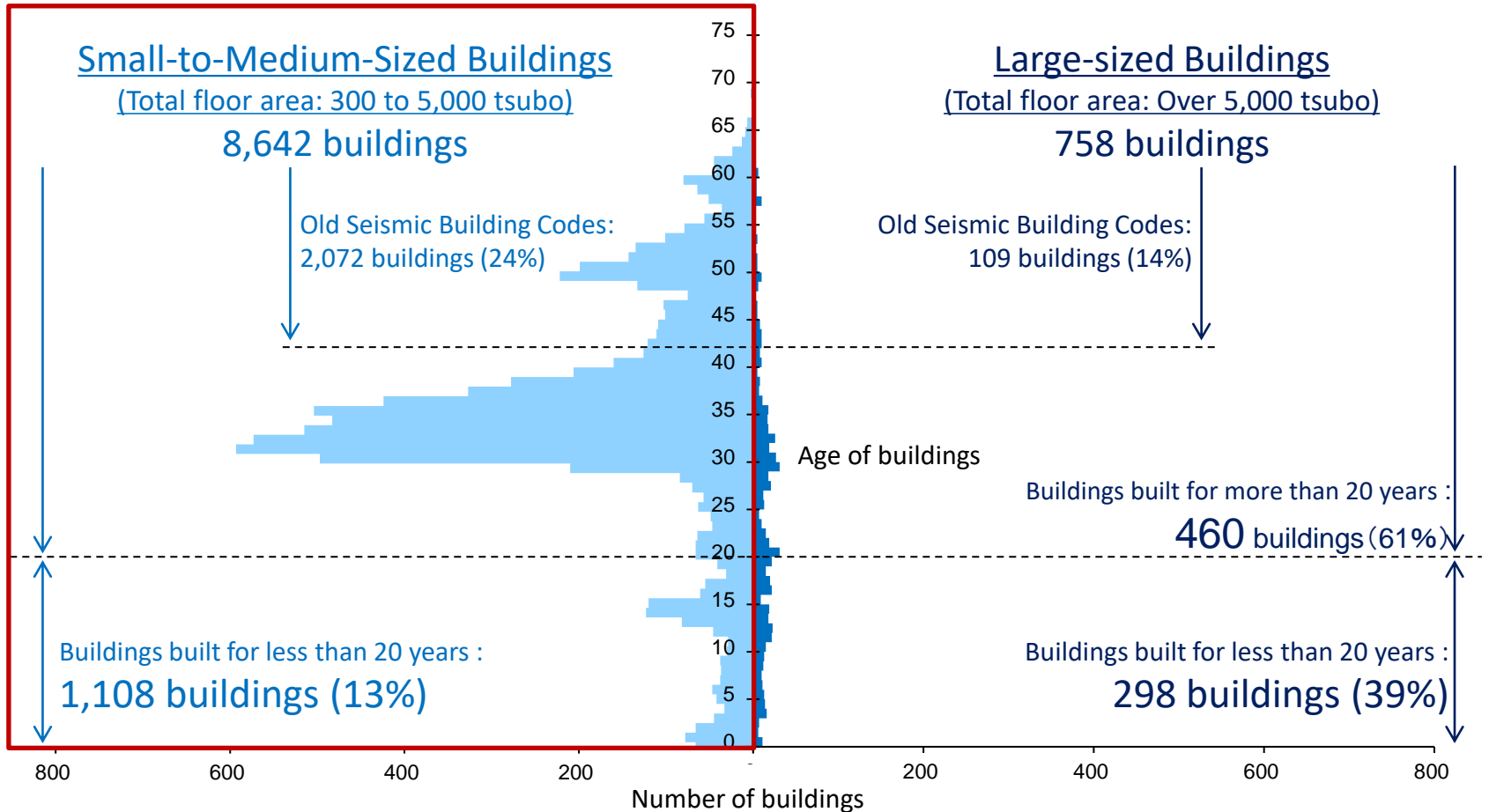
Average rent in December 2022
20,059 yen

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

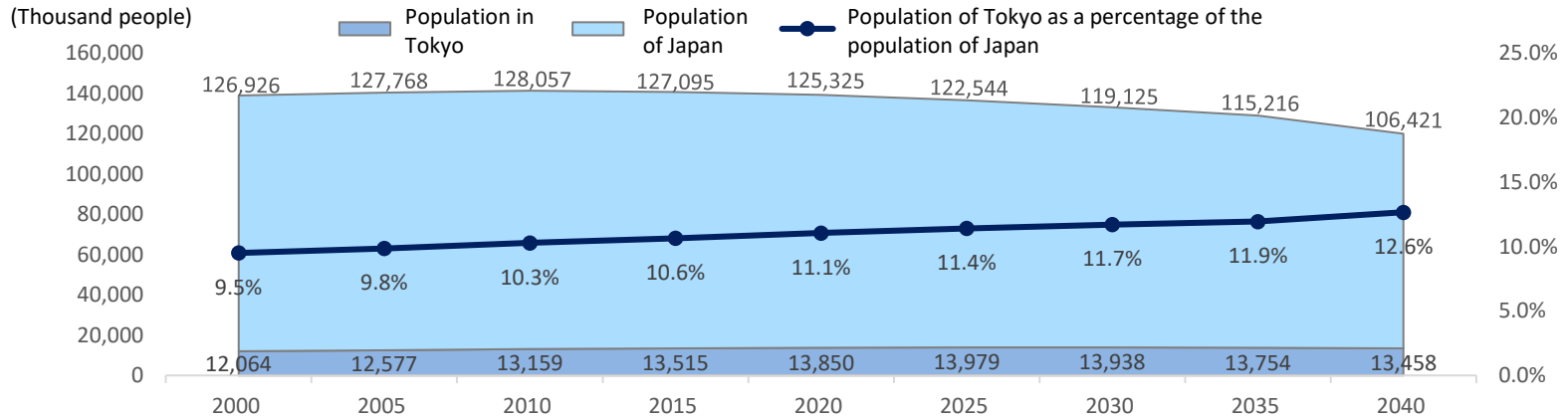


Source : Created by us based on "Tokyo 23 cities Office Pyramid 2023 (based on the number of buildings)" (Xymax Real Estate Institute)

Market Size and Number of Corporations in Tokyo

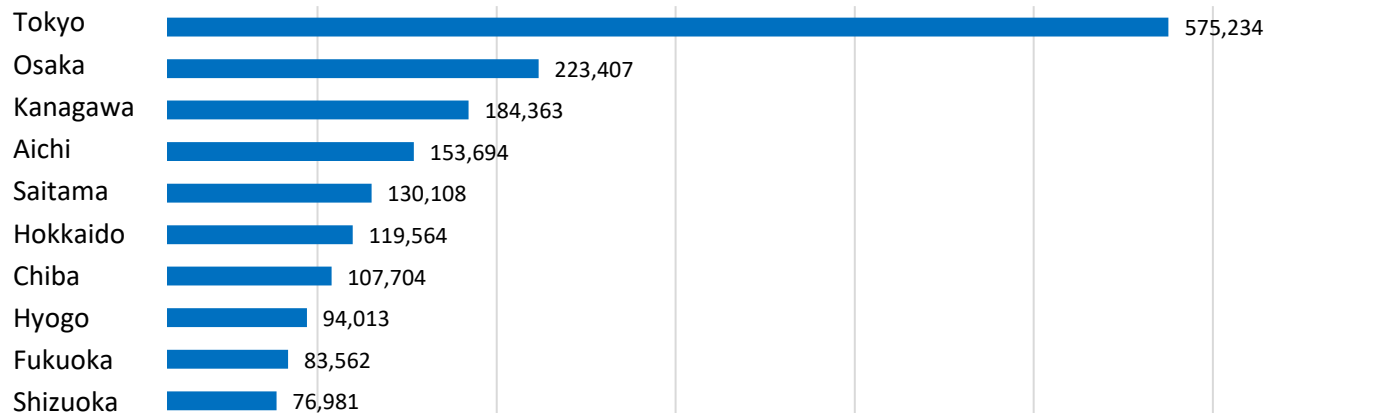
Provide happiness and improve society development in Tokyo which people and corporations gathering.

Ratio of Tokyo population to Japanese population (estimate)



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

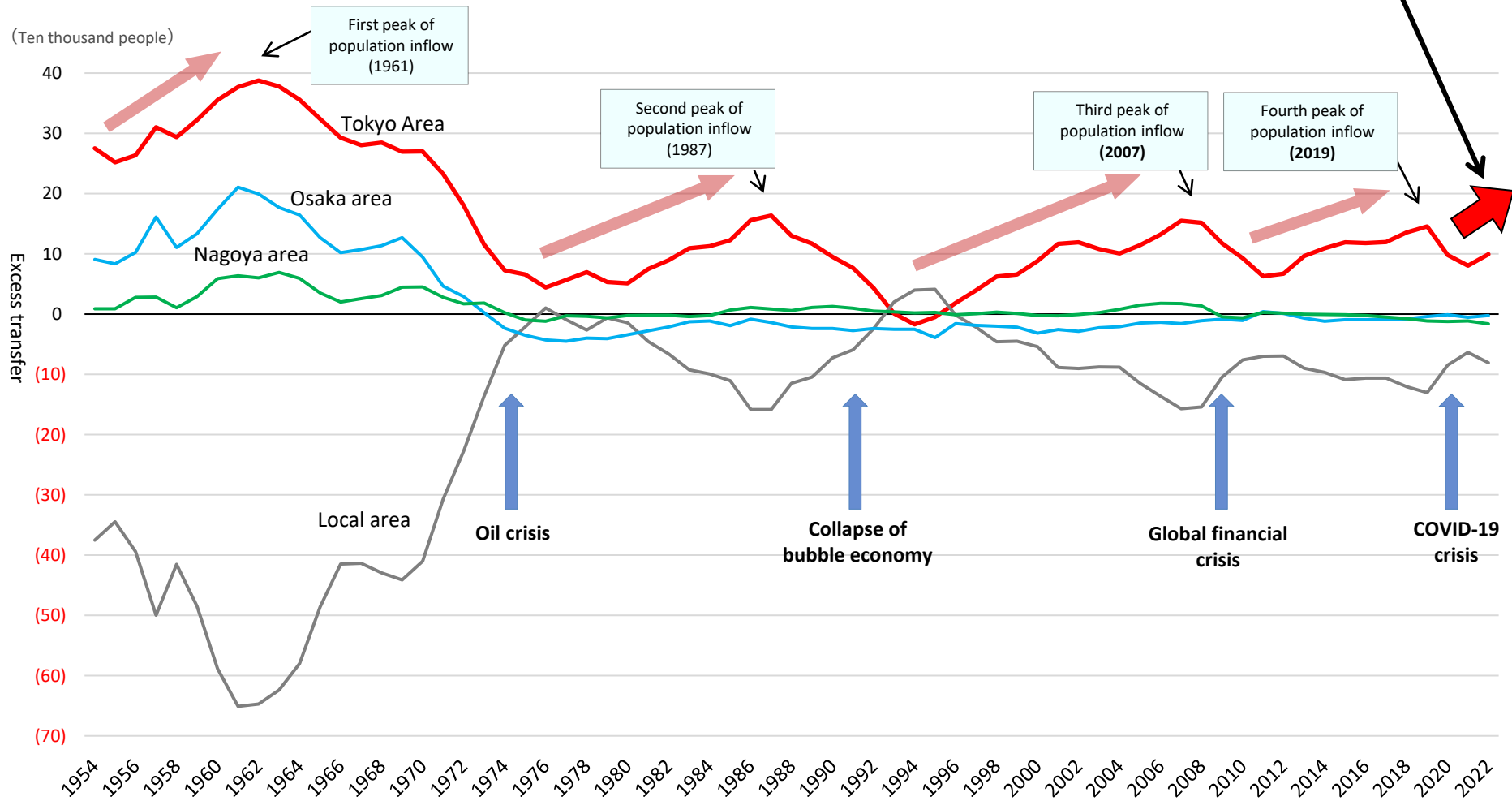
Top 10 Prefectures in Number of Corporations



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

Population Movements in the Three Major Metropolitan Areas and Local Areas

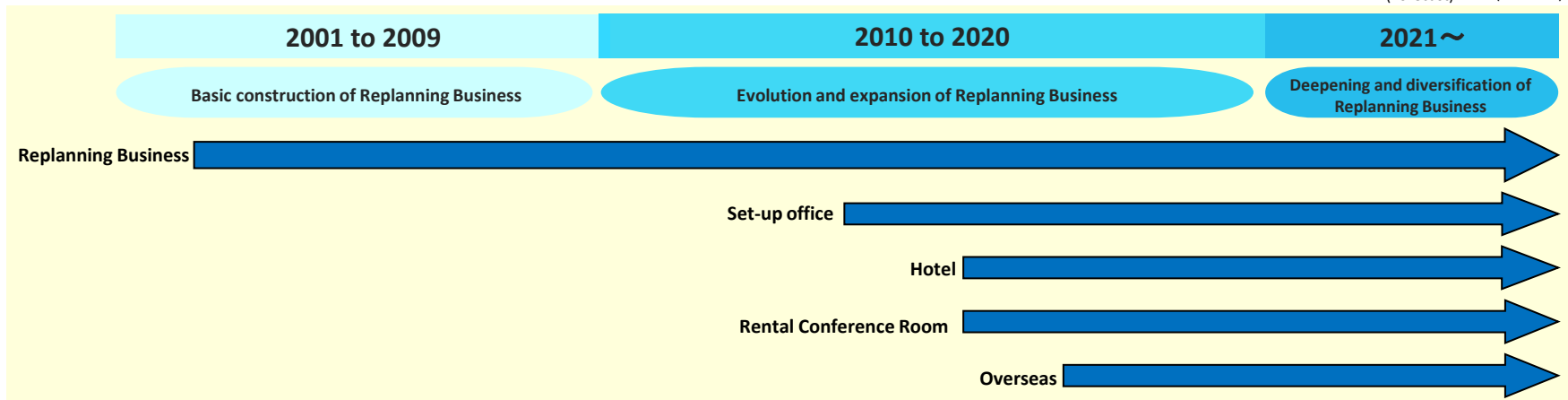
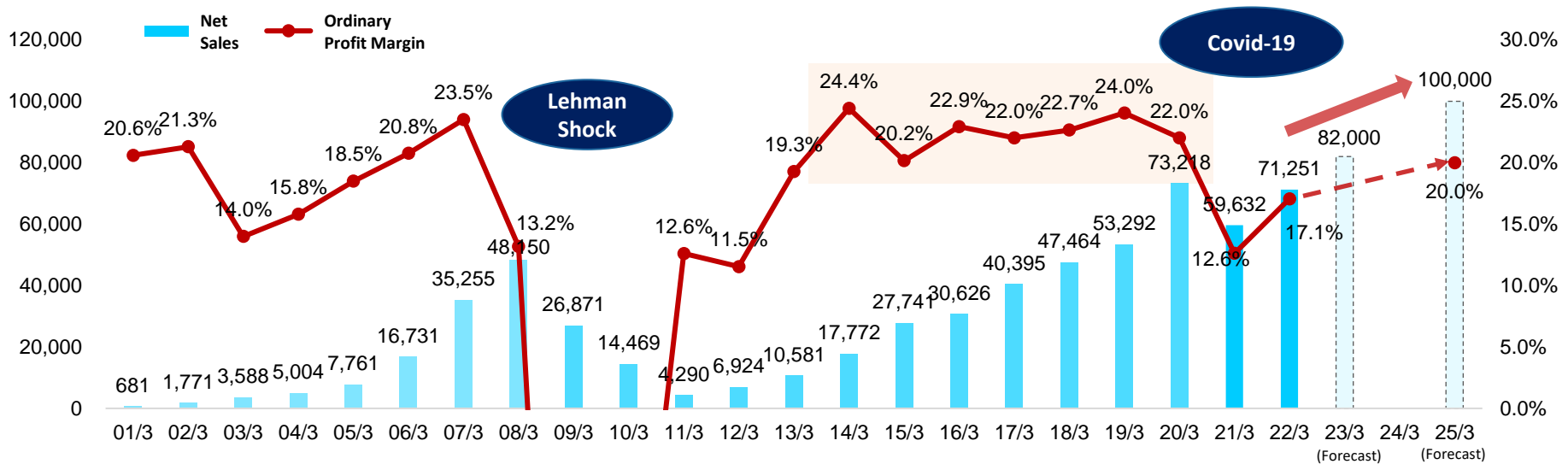
In 2022, the number of people moving into the Tokyo area started to increase again, and the trend of population concentration remains unchanged.



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

Transition and Present

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



Company Profile

Company Name	Sun Frontier Fudosan Co., Ltd.
Location of Head Quarters	1-2-2, Yurakucho, Chiyoda-ku, Tokyo
Date of Foundation	April 8, 1999
Date of Listing	February 26, 2007 (First Section of Tokyo Stock Exchange)
Capital Stock *	11,965 millions yen
Representative	Tomoaki Horiguchi, Chairman Representative Director Seiichi Saito, President Representative Director
Number of Consolidated Employees *	701 employees (1,282 including part-timers and temporary workers)
Average Age of Employees*	36.2 years old
Business Profile	<p>Real Estate Revitalization</p> <p>Real Estate Service (Properties Management, Brokerage, Construction Planning, Rent Guarantee, Building Operations, Asset Consultation)</p> <p>Hotel Development and Operation</p>
Accounting Month	March
Listed Market	Tokyo Stock Exchange Prime (Code number: 8934)



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

* As of the end of December 2022

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.
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