

# Financial Results for the Fiscal year ended March 31, 2023

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

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**May 12, 2023**



**SUN FRONTIER**

Securities Code : 8934

# Overview of Results for FY2023/3



**Net sales and profits increased for 2 consecutive years and profit hit record highs. Office Business posted solid growth and Hotel Operation Business recovered rapidly.**

(Unit: million yen)

	Results	Profit margin	Year-on-year	Growth rate
Net sales	82,777	-	+11,526	+16.2%
Operating profit	14,905	18.0%	+2,778	+22.9%
Ordinary profit	14,722	17.8%	+2,506	+20.5%
Profit*	11,612	14.0%	+4,197	+56.6%

Forecast (Released on Feb. 10, 2023)	Achievement rate
82,000	100.9%
14,800	100.7%
14,500	101.5%
10,400	111.7%

## Performance Highlights

- Real Estate Revitalization Business was in line with the initial plan. Profit margin continued to be higher than the previous year (segment profit margin was 31.1%).
- All business in Real Estate Service Business posted solid growth. Rental Conference Room Business appeared the effects of sites expanding along with the recovery in demand, Brokerage Business also remained strong.
- In Hotel and Tourism Business, the sale of hotel properties contributed significantly to earnings. Due to the increasing tourism demand by lifting of restrictions and the resumption of inbound tourism, Hotel Operation Business recovered remarkable.

\*Profit, which is attributing to owners of parent, increased significantly as a result of reduced taxable income stemming from loss carryforwards, recording of deferred tax assets, etc. in Hotel and Tourism Business.

# Trends in Consolidated Results

Net sales and Profit hit record highs and dividend increased for 2 consecutive years (increased 4 yen YoY).

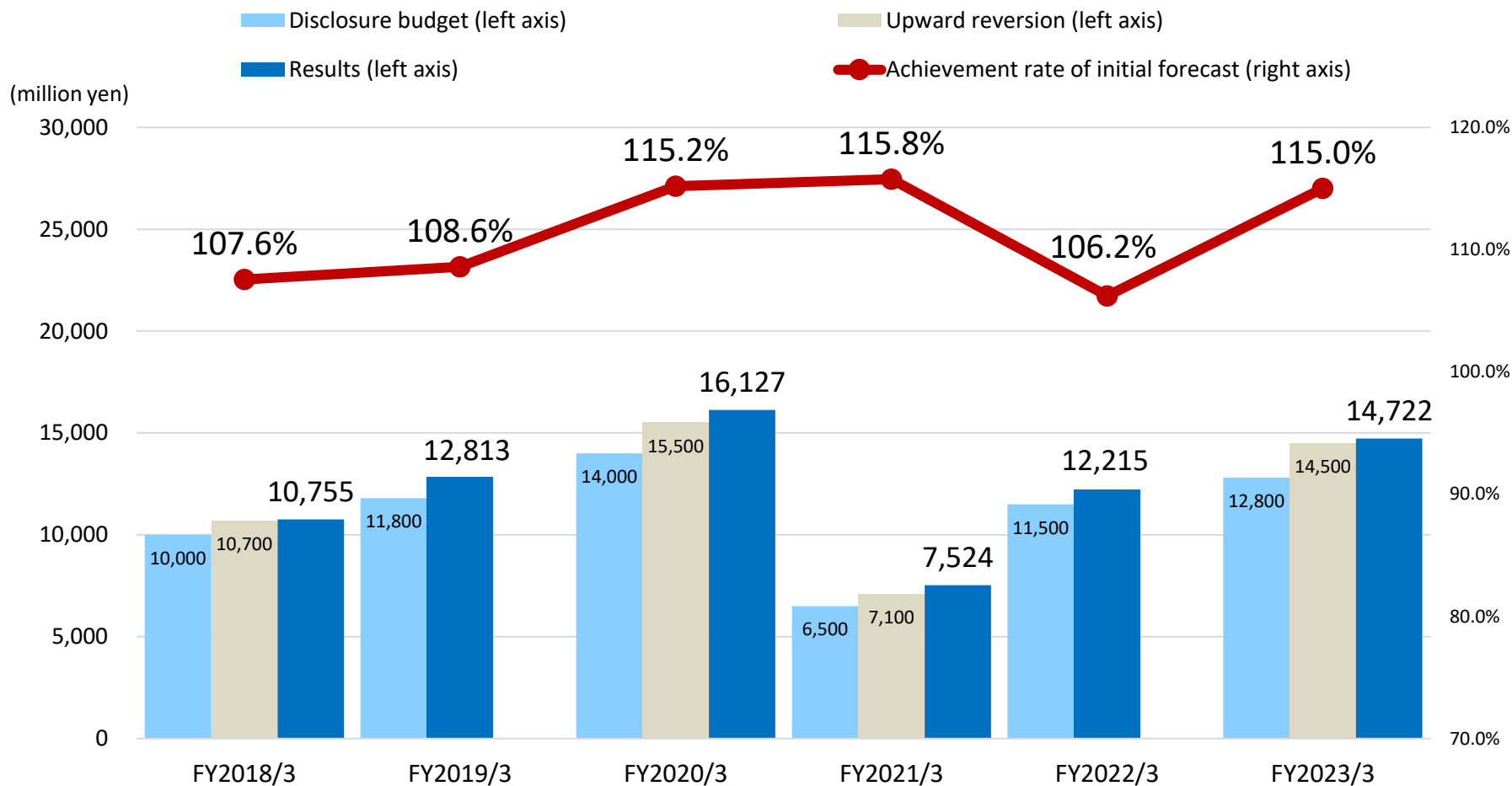
(Unit: million yen)

	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3
Net sales	53,291	73,218	59,632	71,251	82,777
Operating profit	13,305	16,571	7,912	12,127	14,905
Ordinary profit (Ordinary profit margin)	12,813 (24.0%)	16,127 (22.0%)	7,524 (12.6%)	12,215 (17.1%)	14,722 (17.8%)
Profit	8,783	10,666	4,274	7,415	11,612
Profit per share	180.35 yen	219.03 yen	87.77 yen	152.26 yen	238.98 yen
Dividends per share	38.50 yen	42.00 yen	42.00 yen	44.00 yen	48.00 yen (Forecast)

# Trends in Achievement Rate of Forecast



Continued to achieve initial forecast by flexibly responding to rapid changes in business environment.



# Consolidated Income Statement

(Unit: million yen)

	FY2022/3	FY2023/3	YoY increase/ decrease	YoY change rate
Net Sales	71,251	82,777	+11,526	16.2%
Real Estate Revitalization Business	55,958	50,066	▲5,892	▲10.5%
Replanning Business	53,834	47,995	▲5,839	▲10.8%
Rental Buildings Business	2,124	2,070	▲54	▲2.5%
Real Estate Service Business	7,154	8,843	+1,689	23.6%
Hotel and Tourism Business	6,911	22,967	+16,056	232.3%
Hotel Development Business	2,548	13,500	+10,952	429.8%
Hotel Operation, etc	4,363	9,467	+5,104	117.0%
Other Business	1,695	1,788	+93	5.5%
Adjustments	▲467	▲887	▲420	—
Gross Profit (Loss)	19,344	22,805	+3,461	17.9%
Real Estate Revitalization Business	17,053	16,122	▲931	▲5.5%
Replanning Business	16,517	15,722	▲795	▲4.8%
Rental Buildings Business	535	399	▲136	▲25.4%
Real Estate Service Business	3,822	4,898	+1,076	28.2%
Hotel and Tourism Business	▲1,503	1,907	+3,410	—
Hotel Development Business	484	1,506	+1,022	484.5%
Hotel Operation, etc	▲1,988	400	+2,388	—
Other Business	171	337	+166	97.1%
Adjustments	▲199	▲461	▲262	—
Selling, General and Administrative Expenses	7,216	7,900	+684	9.5%
Operating Profit (Loss)	12,127	14,905	+2,778	22.9%
Non-operating Income	614	406	▲208	▲33.9%
Non-operating Expenses	526	589	+63	12.0%
Ordinary Profit (Loss)	12,215	14,722	+2,507	20.5%
Profit	7,415	11,612	+4,197	56.6%

## Keynotes of Income Statement

### <Real Estate Revitalization Business>

As selling 24 properties at a high profit margin (gross profit margin 32.2%), we achieved results in line with the initial plan. The sales of 2 cases in the formation of small-lot real estate properties were also progressed and were included in 24 cases.

### <Real Estate Service Business>

Sales and profits increased in all Businesses. In addition to Rental Conference Room Business, appeared the effects of sites expanding along with the recovery in demand, Brokerage Business was also strong. The number of managing buildings in PM Business and BM Business are increased.

### <Hotel and Tourism Business>

Sales of hotel properties contributed to earnings growth significantly. Occupancy rate and average daily rate improved thanks to recovery in tourism demand. Hotel Operation Business turned a profit.

# Consolidated Balance Sheet

## - Assets -



<Cash and deposits> Increased 11.9 billion yen from the end of the previous fiscal year, due to the sale of Replanning and hotel properties.

<Inventory assets> Despite Inventory in Hotel properties decreased due to the sales of 2 hotels, inventory in Replanning properties increased due to purchases progress.

<Investments and other assets> Although paid long-term guarantee deposited due to the opening of sites of rental conference rooms, return due to hotel sales was more than them. As a results, long-term guarantee deposits decreased.

(Unit: million yen)	FY2021/3	FY2022/3	FY2023/3	Increase/decrease (compared to FY2022/3)
<b>Current assets</b>	110,785	110,920	125,886	+14,965
Cash and deposits	21,508	30,053	42,016	+11,962
Inventories	86,087	77,340	80,182	+2,841
Breakdown) RP	71,349	63,424	70,327	+6,903
Hotel	13,917	13,516	9,750	▲3,766
Overseas, etc.	821	399	105	▲294
Other current assets	3,189	3,527	3,688	+160
<b>Non-current assets</b>	16,700	25,591	26,633	+1,041
Property, plant and equipment	10,528	18,796	20,410	+1,614
Intangible assets	701	572	815	+243
Investments and other assets	5,470	6,222	5,406	▲816
<b>Total assets</b>	127,485	136,512	152,519	+16,007

# Consolidated Balance Sheet

## - Liabilities/Equity -



<Interest-bearing debt> Interest-bearing debt balance is 55.6 billion yen. Increased 4.6 billion yen due to borrowings associated with purchases and progress in construction.

<Net assets> Despite we increased the dividend, Net assets increased 9.5 billion yen mainly due to profit increasing (11.6 billion yen) and other reason

### Changes of Equity Ratio

FY2021/3	FY2022/3	FY2023/3
52.3%	52.2%	<b>52.9%</b>

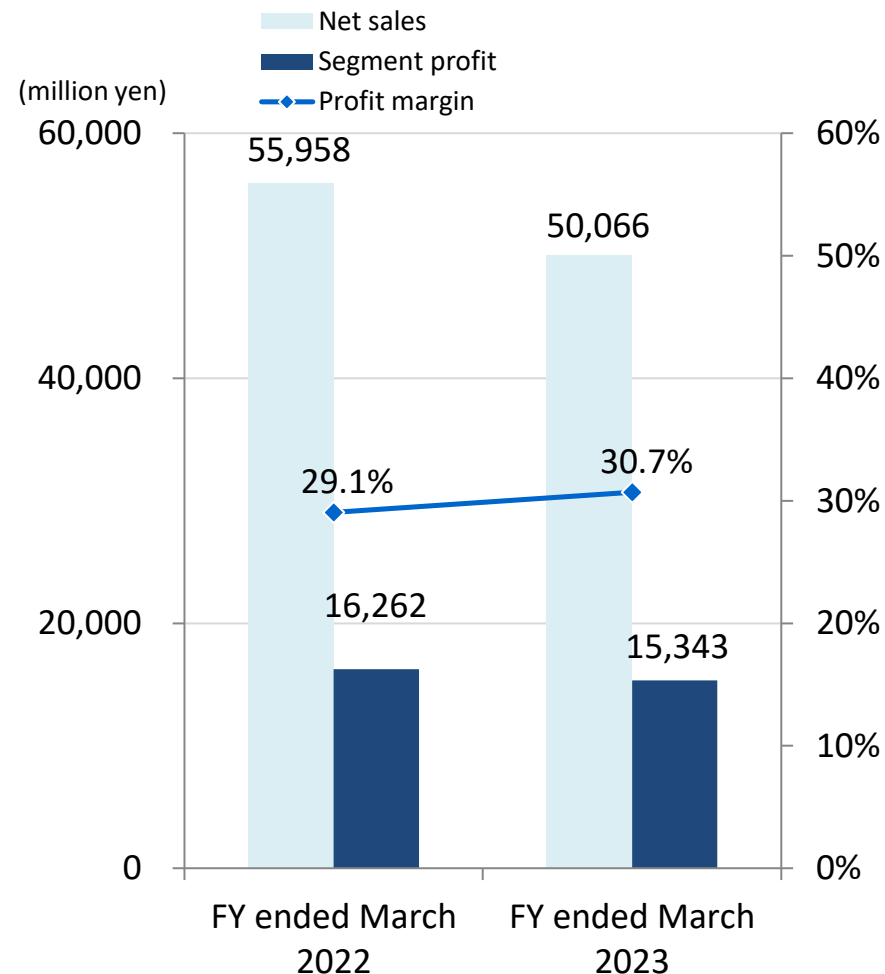
(Unit: million yen)	FY2021/3	FY2022/3	FY2023/3	Increase/decrease (compared to FY2022/3)
<b>Current liabilities</b>	13,358	16,210	16,363	+153
Short-term borrowings, etc.	5,530	6,904	5,492	▲1,411
Income taxes payable	901	3,528	1,699	▲1,829
Other current liabilities	6,926	5,777	9,172	+3,394
<b>Non-current liabilities</b>	44,354	45,849	52,190	+6,340
Long-term borrowings and bonds payable	41,991	44,169	50,170	+6,000
Other non-current liabilities	2,363	1,680	2,019	+339
<b>Total liabilities</b>	57,712	62,060	68,553	+6,493
Shareholders' equity	66,916	71,260	80,430	+9,169
Other	2,856	3,191	3,535	+343
<b>Total net assets</b>	69,773	74,452	83,965	+9,513
<b>Total liabilities and net assets</b>	127,485	136,512	152,519	+16,007

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

### <Replanning Business>

- The number of sales was 24 including 2 in New York and 2 of the formation of small-lot real estate property. Profit margin was kept in high level. s also progressed steadily and 2 were sold.
- Average business period was 652 days (down 55 days YoY). Although middle- to long-term properties were sold, the business period was shorter than the previous fiscal year which was 707 days.

(Unit: million yen)	FY2022/3	FY2023/3	Increase/ decrease
<b>Net sales</b>	55,958	50,066	-10.5%
Replanning Business	53,834	47,995	-10.8%
Rental Building Business	2,124	2,070	-2.5%
<b>Segment profit (Note 1)</b>	16,262	15,343	-5.7%
Replanning Business	15,727	14,943	-5.0%
Rental Building Business	535	399	-25.3%
<b>Profit margin</b>	29.1%	30.7%	+1.6%pt
Replanning Business	29.2%	31.1%	+1.9%pt
Rental Building Business	25.2%	19.3%	-5.9% pt
<b>Number of properties purchased</b>	22 cases	23 cases	+1 case
<b>Number of properties sold</b>	21 cases	24 cases	+3 cases
<b>Number of stocks at the end of FY</b>	54 cases (Note 2)	52 cases (Note 2)	-2 cases



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

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



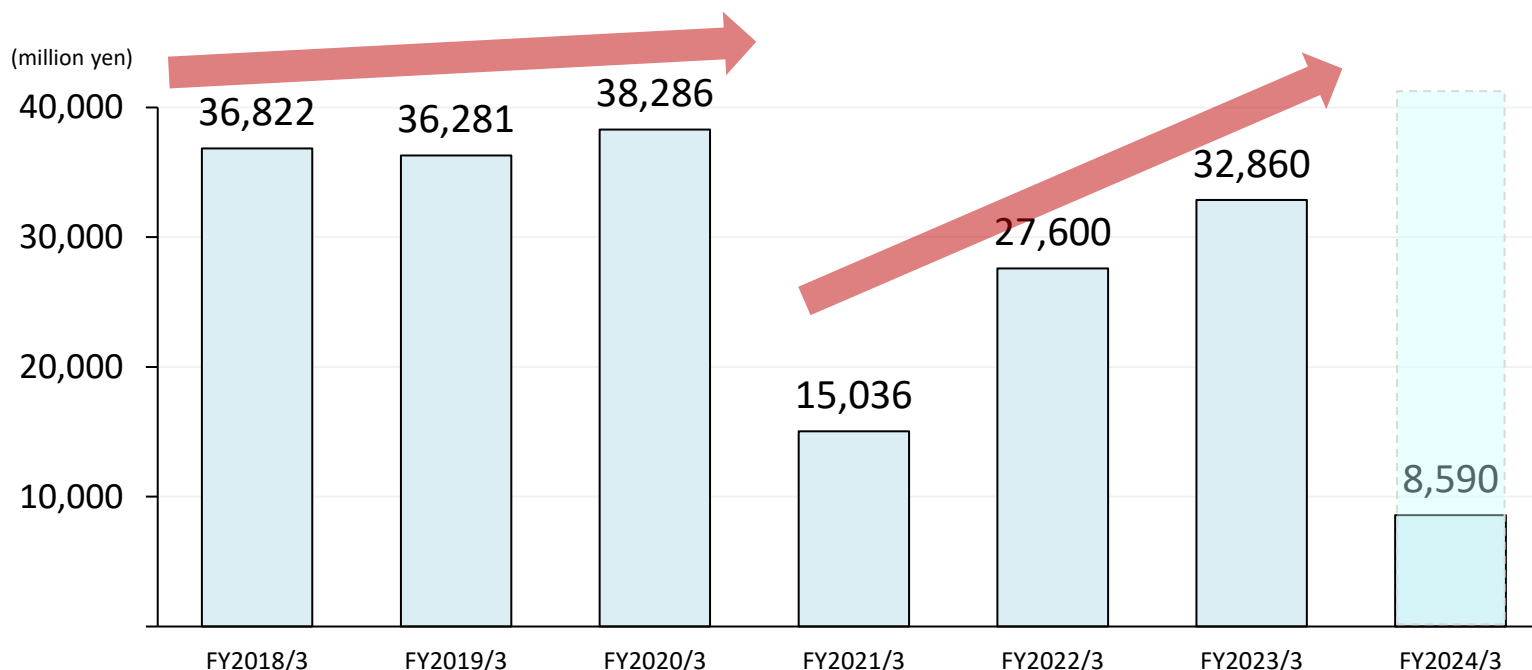
## Real Estate Revitalization Business

### <Purchase in Replanning properties>

Properties purchased and settled during FY2023/3 totaled 32.86 billion yen, up 5.26 billion yen from the previous fiscal year.

For FY2024/3, we have contracted 10 buildings for 8.59 billion yen so far (including unsettled properties).

(Unit: million yen)	FY2022/3	FY2023/3	Increase/decrease
Number of properties purchased	22 cases	23 cases	+1件
Purchase amount	27,600	32,860	+5,260



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

# Operating Results by Business Segment

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



## Real Estate Services Business

### <Property Management and Building Maintenance>

- Sales and profits both in PM Business and BM Businesses increased due to an increase in the number of entrusted buildings.

### <Brokerage>

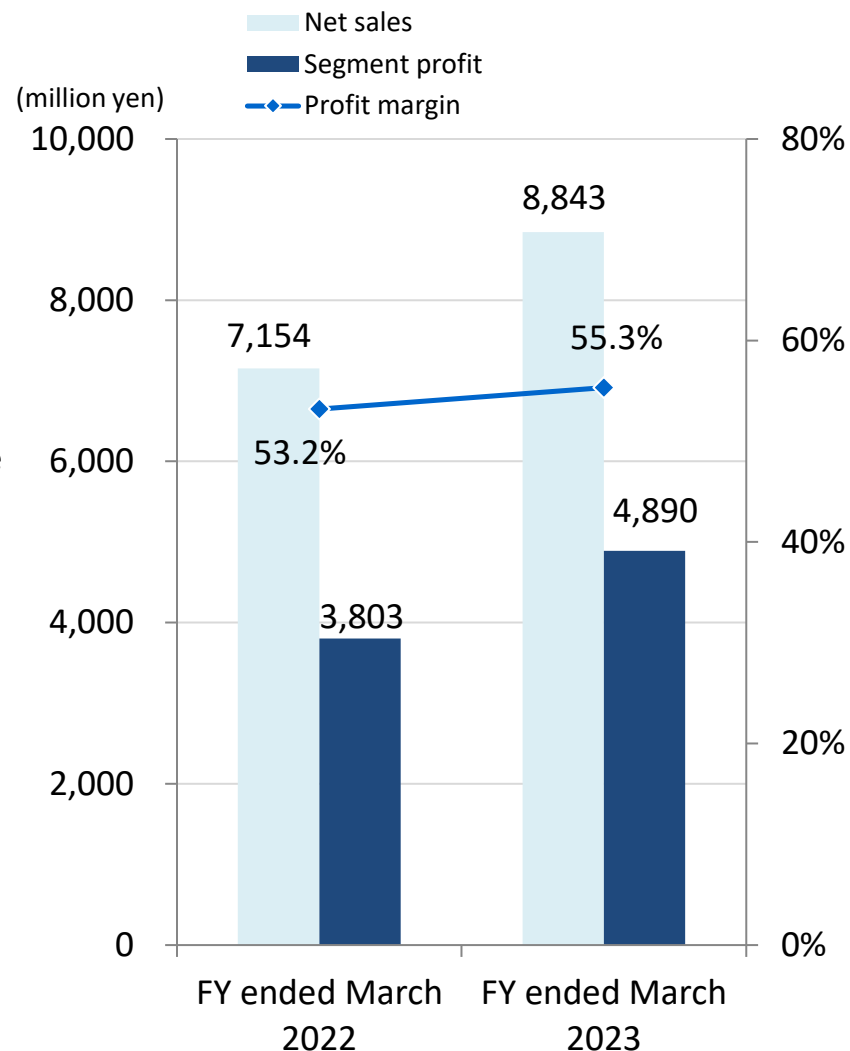
- Sales and profits increased in Sales Brokerage due to the steady conclusion of transactions introduced from other divisions.
- Sales and profits increased in Leasing Brokerage due to the market recovery.

### <Rental Conference Room>

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

### <Rent Guarantee>

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



(Unit: million yen)	FY2022/3	FY2023/3	Increase/decrease
Net sales	7,154	8,843	+23.6%
Segment profit	3,803	4,890	+28.6%
Profit margin	53.2%	55.3%	+2.1%pt

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

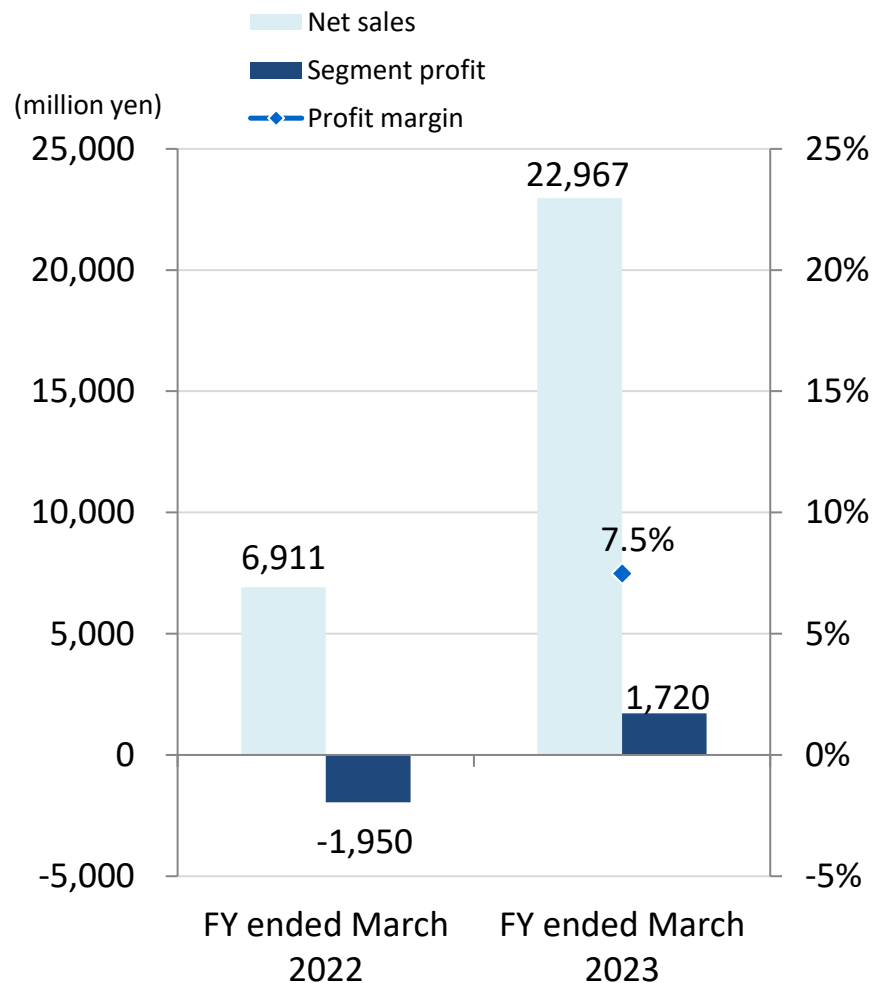
### <Hotel Development Business>

- Sales of two hotel properties contributed to earnings significantly.

### <Hotel Operation Business>

- Both OCC (occupancy rate) and ADR (average daily rate) improved due to the recovery in domestic tourism demand and inbound. Segment profit turned a profit and contributed to earnings.

(Unit: million yen)	FY2022/3	FY2023/3	Increase/ decrease
<b>Net sales</b>	6,911	22,967	+232.3%
Hotel Development Business	2,548	13,500	+429.8%
Hotel Operation Business, etc.	4,363	9,467	+117.0%
<b>Segment profit</b>	▲1,950	1,720	—
Hotel Development Business	238	1,392	+484.5%
Hotel Operation Business, etc.	▲2,188	328	—
<b>Profit margin</b>	—	7.5%	—
Hotel Development Business	9.3%	10.3%	+1.0%pt
Hotel Operation Business, etc.	—	3.5%	—



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

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

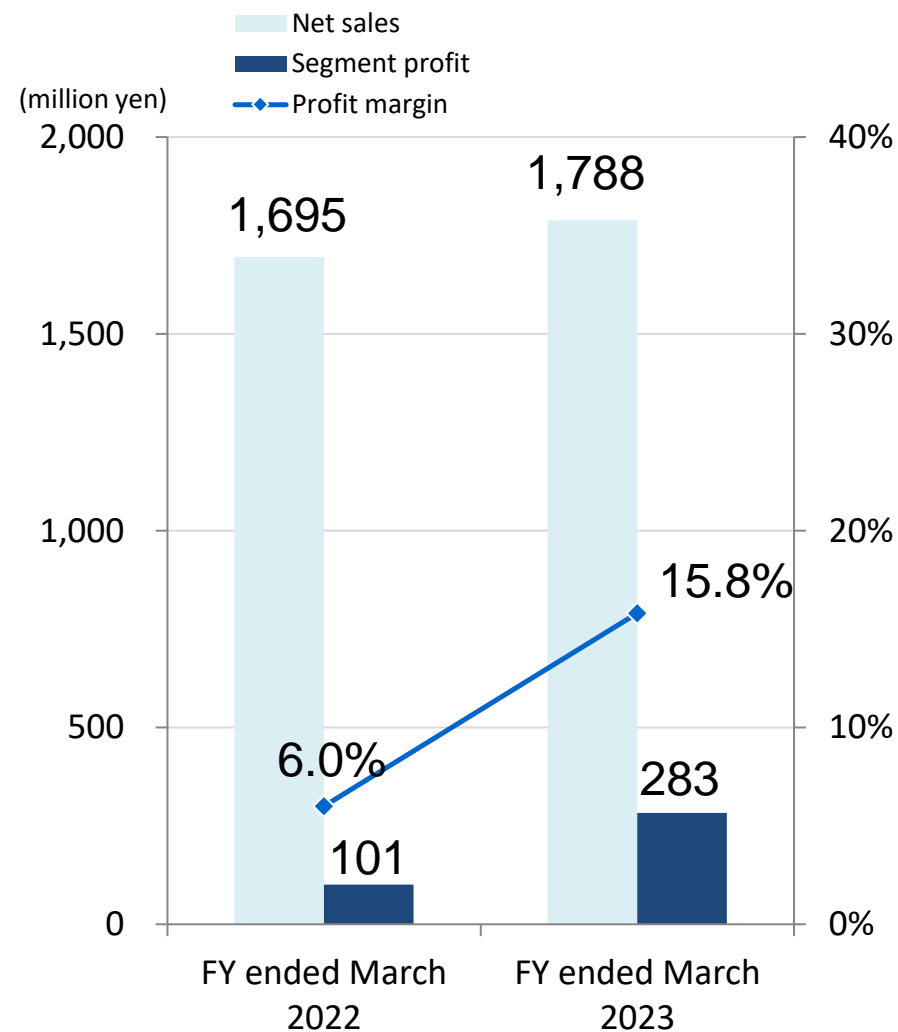
### <Construction Business>

- Sales and profits increased. The construction completed earlier than the plan at the group company, so we could accrue the sales ahead of schedule.

### <Overseas Development Business>

- Continuing to focus on arranging new project.

(Unit: million yen)	FY2022/3	FY2023/3	Increase/ decrease
Net sales	1,695	1,788	+5.5%
Segment profit	101	283	+177.8%
Profit margin	6.0%	15.8%	+9.8pt



# **Forecast for the fiscal year ending March 31, 2024 and Growth Strategies**

# Business Environment Awareness

1. The outlook for the global economy is uncertain again due to the continuing of interest rate hikes to curb inflation and the prolonged war in Ukraine.

- ◆ The IMF lowered the global economic growth rate in both 2023 and 2024, raising caution about the future.
- ◆ FRB continued to raise interest rates at the FOMC. Difficult maneuvering continues in order to control inflation and avoid financial instability.

2. Japanese economy is expected to recover as constraints are eased. Developments in financial instability should be monitored closely.

- ◆ With the transition of COVID-19 to Category V, it is expected that social and economic activities will further normalize.
- ◆ The Bank of Japan will continue to ease its monetary policy, taking into account economic and price trends, as well as the impact of financial instability in the United States and Europe.

3. In the central Tokyo office building market, people are returning to work in offices while hybrid working style is being ingrained.

- ◆ Due to an increase in the completion of new buildings, the average vacancy rate of central Tokyo office buildings were flat and the average rent continued to decline moderately.
- ◆ Although European and American funds are cautious about investing, Japanese real estate market is relatively strong compared to other countries.

4. In the hotel and tourism market, travel demand has recovered, and inbound demand is expected.

- ◆ In the tourism market, travel demand is recovering. Recovering of full-fledged inbound is expected.
- ◆ Despite the rapid recovery in tourism demand, labor shortages have become apparent, and it is necessary to strengthen the system to accept tourists.

# Forecast for FY Ending March 2024

(Unit: million yen)	FY2023/3	FY2024/3 forecast	Rate of change
Net sales	82,777	83,000	+0.3%
(1) Real Estate Revitalization Business	50,066	55,100	+10.1%
Replanning	47,995	53,000	+10.4%
Rental building	2,070	2,100	+1.4%
(2) Real Estate Service Business	8,843	10,000	+13.1%
(3) Hotel and Tourism Business	22,967	16,900	▲26.4%
Hotel Development Business	13,500	5,400	▲60.0%
Hotel Operation Business, etc.	9,467	11,500	+21.5%
(4) Other	1,788	1,860	+4.0%
Adjustments	▲887	▲860	—
Gross profit	22,805	25,300	+10.9%
(1) Real Estate Revitalization Business	16,122	16,400	+1.7%
Replanning	15,722	15,900	+1.1%
Rental building	399	500	+25.3%
(2) Real Estate Service Business	4,898	5,400	+10.2%
(3) Hotel and Tourism Business	1,907	3,800	+99.3%
Hotel Development Business	1,506	2,200	+46.1%
Hotel Operation Business, etc.	400	1,600	+300.0%
(4) Other	337	400	+18.7%
Adjustments	▲461	▲700	—
Selling, general and administrative expenses	7,900	8,800	+11.4%
Operating profit	14,905	16,500	+10.7%
Ordinary profit	14,722	16,000	+8.7%
Profit	11,612	11,000	▲5.3%
EPS (Profit per share)	238.98	226.37	▲5.3%

## Keynotes of Forecast

### <Real Estate Revitalization Business>

- Maintain profit margin as 30%. Forecast for profits are planned at the same level as the previous fiscal year.

### <Real Estate Service Business>

- Steady growth continues in all businesses led by demand recovery in Rental Conference Room Business.

### <Hotel and Tourism Business>

- Settlement of hotel properties contracted in the previous fiscal year will contribute to performance significantly.
- Hotel Operation Business is also planned to grow significantly year on year due to the recovery of tourism demand.

### <SG&A Expenses>

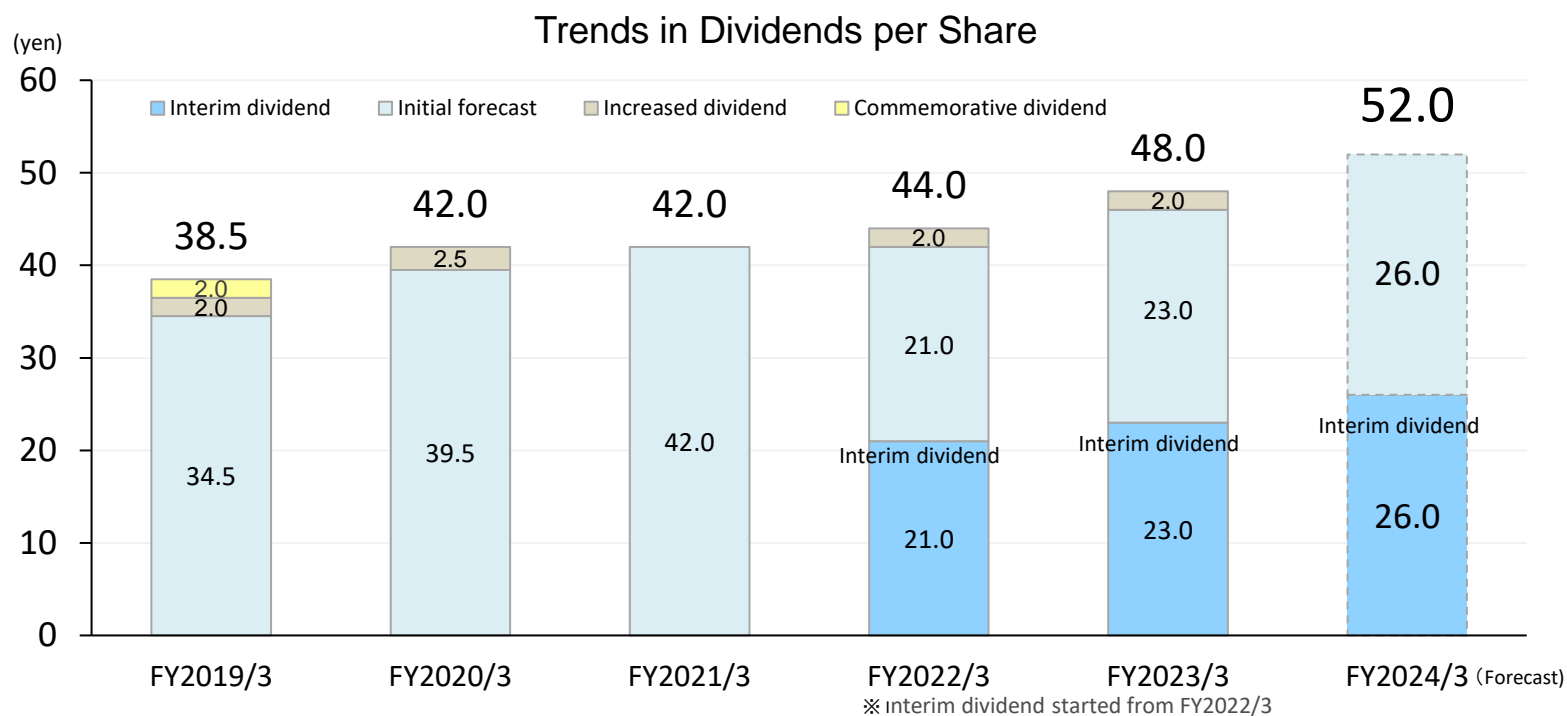
- Plan to increase expenses by investing in human capital, DX and marketing.

# Dividend Forecast for FY2024/3

52 yen for FY2024/3 in forecast. (Increase dividend for 3 consecutive years. Increase 4 yen YoY)  
 With the exception of keeping dividend in FY2021/3, we have continued to increase dividend for 11 years

Basic Policy for Shareholder Return

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

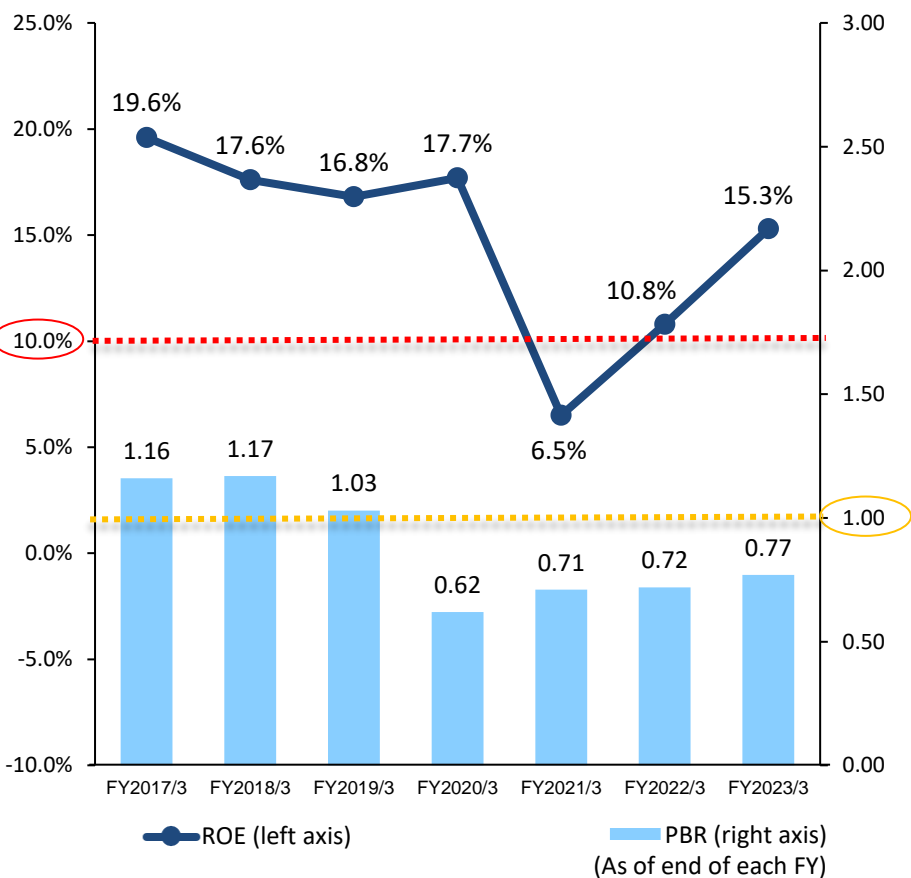




# Trends of Key Performance Index (ROE)

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

## ■ Trends in ROE and PBR



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

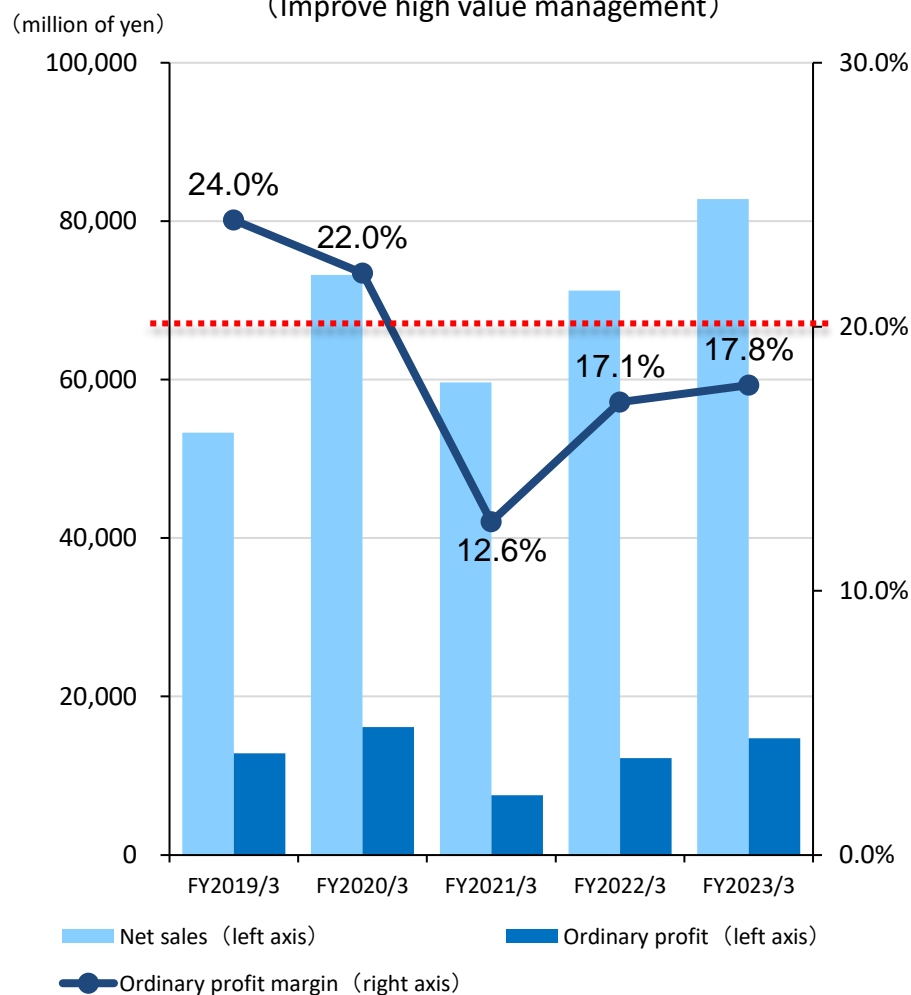
### ◆ Initiative policies to improve ROE

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

# Trends of Key Performance Index

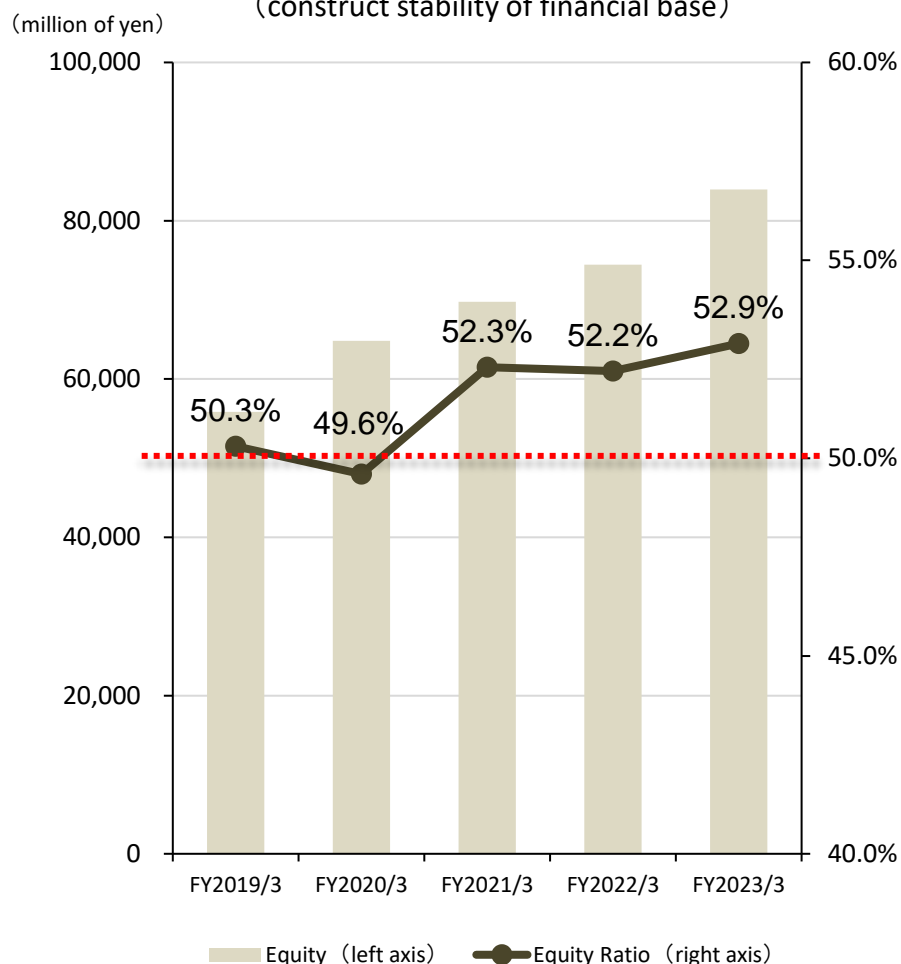
## ■ Trends of Ordinary Profit Margin

(Improve high value management)



## ■ Trends of Equity Ratio

(construct stability of financial base)



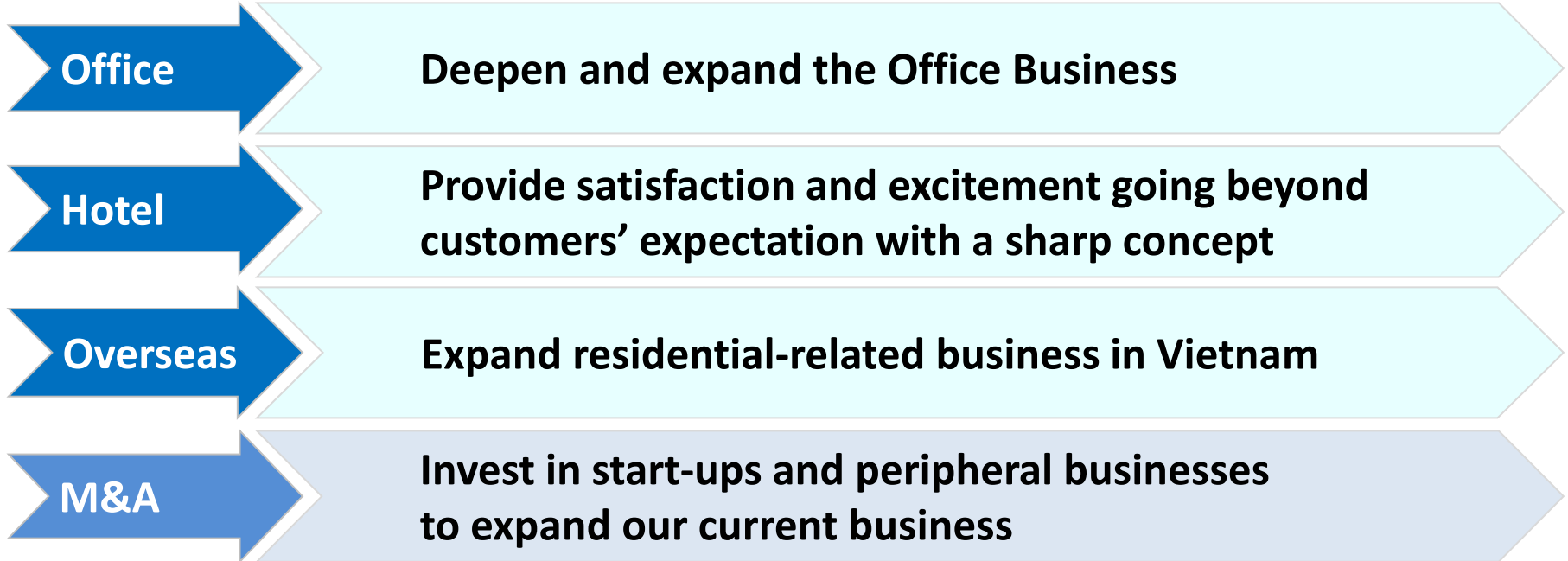
# Medium-term Management Plan

# Basic Policy and Growth Strategies

## Basic Policy

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

## Growth strategies



## Key Points

ESG

Digital

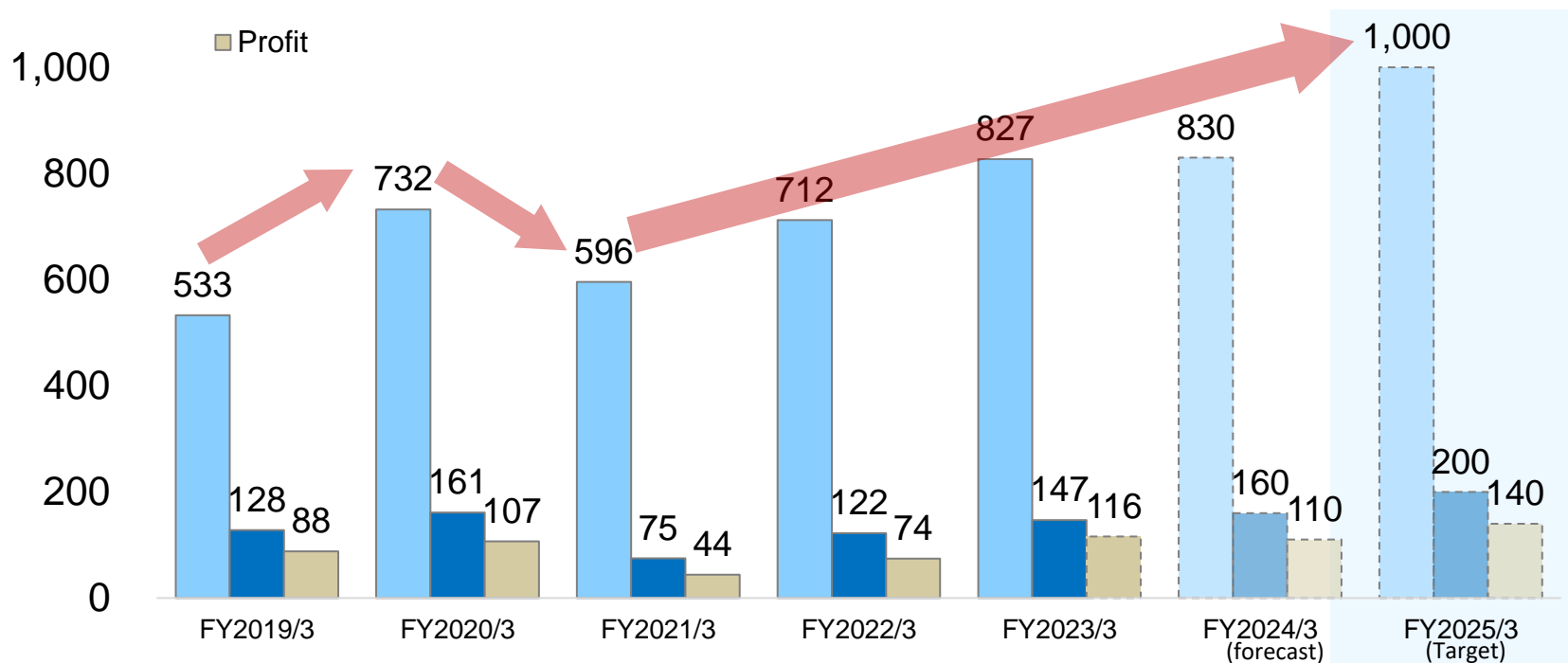
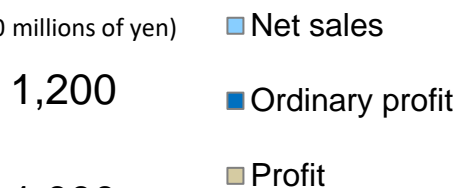
Cash flow

Marketing

# Medium-term Management Plan

	FY2023/3 Results	FY2024/3 Forecast	FY2025/3 Target
<b>Net sales</b>	82.7 billions yen	82.2 billions yen	100 billions yen
<b>Ordinary profit</b>	14.7 billions yen	16.0 billions yen	20 billions yen
<b>Net profit</b>	11.6 billions yen	11.0 billions yen	14 billions yen
<b>Ordinary profit margin</b>	17.8%	19.4%	20%
<b>Equity ratio</b>	52.9%	Around 50%	Around 50%
<b>ROE</b>	15.3%	12.9%	More than 10%

(100 millions of yen)



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

## Office Business

Initial plan

Balance at March 31, 2021	¥72.8 billion
Investment amount	¥200.0 billion
Amount collected	¥182.8 billion
Balance at March 31, 2025	¥90.0 billion

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

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

## Hotel Business

Initial plan

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

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

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

## Overseas Business

Initial plan

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

Residential development in Vietnam. Invest continuously and systematically.

**Making purchases for next development project.**

Digital ¥3.0 billion

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

M&A ¥5.0 billion

Expansion of Office, Hotel, Environment Businesses



**Improve free cash flow**

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

# Business Initiatives

# Replanning Business, Examples of Initiatives

Reviewed the usage of space, improved earning power of buildings by conversion.

## Before

Whole earning power building  
 Shibaura, Minato-ku, Tokyo  
 Reinforced concrete structure, flat roof, 7 stories,  
 Completed in 1987, 36 years old



First floor was a dark parking area.

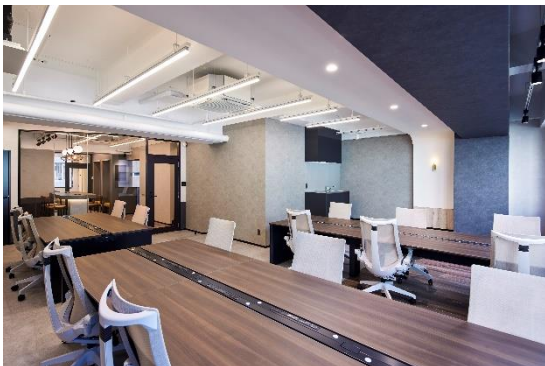
## After



Parking area was converted into an office space.



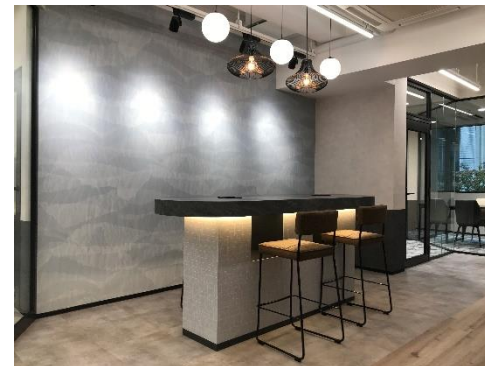
Office became bright and open due to the windows in the back of the building.



Office with free address, teleconference booths, etc. for hybrid work style.



Meeting rooms are partitioned but bright.



Lounge space improves communication.



Leasing after replanning and entrusted management after sale.

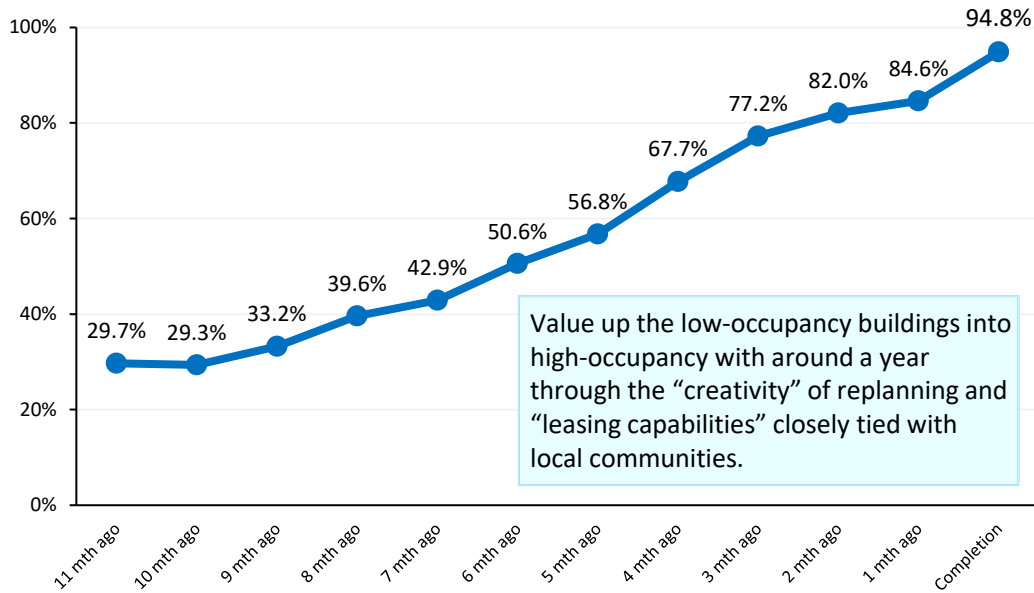
As a high profitable property with all floors in operation, it was purchased by a foreign investor, who has bought other properties from us. We also entrusted the property management from the client.



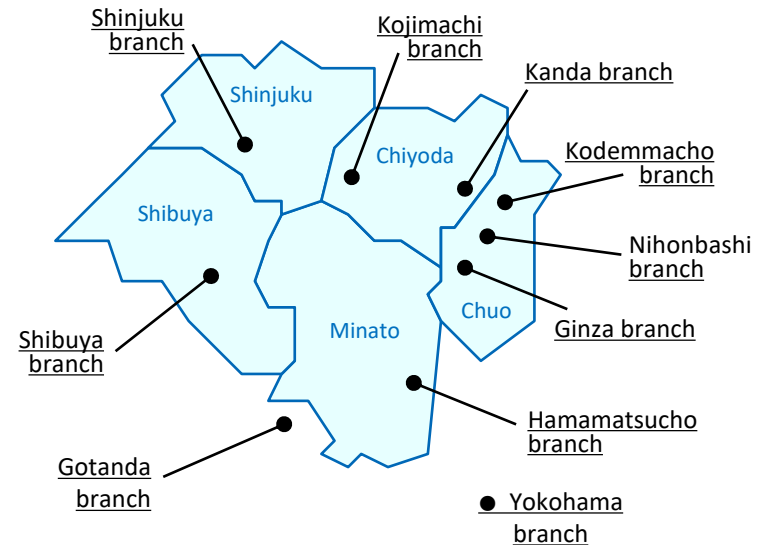
# Value-Up with “Leasing Capabilities”

Increase occupancy rate and improve profitability of Replanning properties through leasing capabilities.

◆ Trends in average occupancy rate of Replanning properties sold in FY2023/3



◆ Community-based branch network

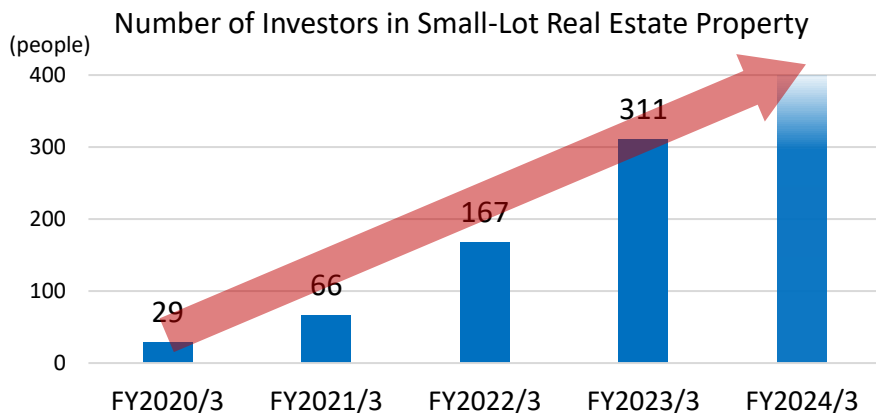


◆ Major Replanning properties sold in FY 2023/3



## Promote Sales of Small-lot Real Estate Property

Sell nursery schools, medical and educational malls, which contribute to the lives of local communities, as small-lot products.



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



### Compass Magome

#### A new construction medical and educational mall in Ota Ward

2-28-4 Kitamagome, Ota-ku, Tokyo  
2m walk from Magome Station on Toei Asakusa Line  
3-stories  
1,274.89 square meters for total floor area

With the theme of “medical and education”, in which daycare, English conversation school, etc. Enter as tenants, centered on large medical corporations that has strengths in hemodialysis, and drugstores with a dispensing pharmacy.



**Sold out on November 1 !**



**Sold out on March 23 !**

### Compass Ueno

#### A new construction licensed nursery school in Ueno

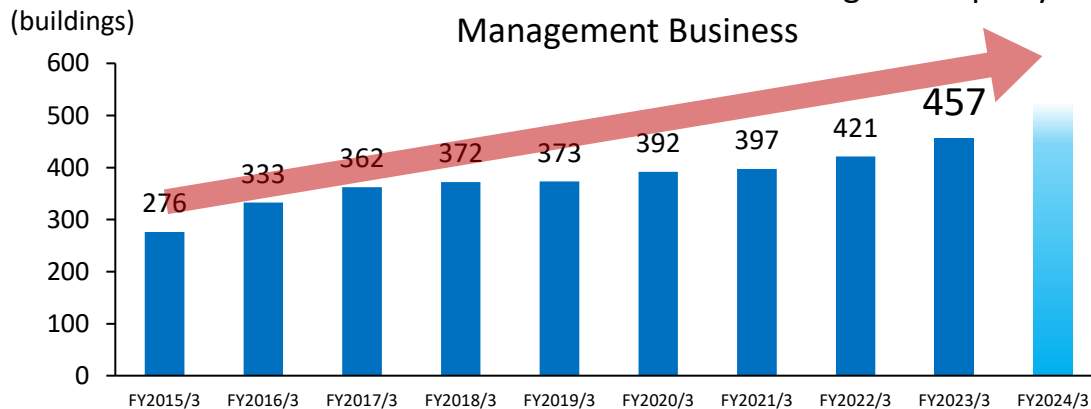
3-45 Taito, Taito-ku, Tokyo  
2m walk from Naka-okachimachi Station on Hibiya Line  
6m walk from Okachimachi Station on JR Yamanote Line and Keihin-Tohoku Line  
4-stories  
546.77 square meters for total floor area

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

# Real Estate Service Business Continues to Expand Its Customer Base

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

Trends of the Number of Entrusted Buildings in Property Management Business

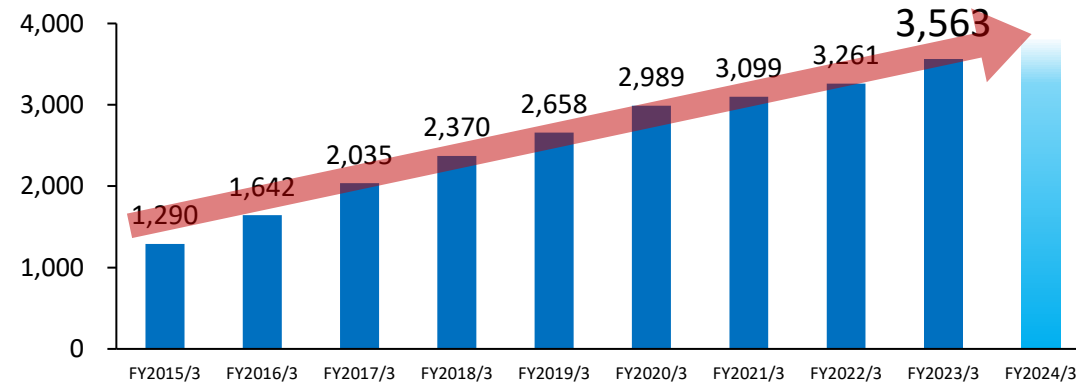


【Property Management entrusted property distribution】

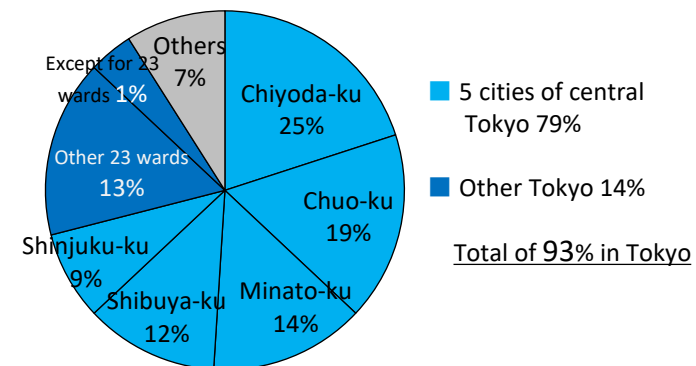


Entrusted properties of the Company

Trends of the Number of Rent Guarantee Contracts



【Percentage of new contracts of Rent Guarantee by area】

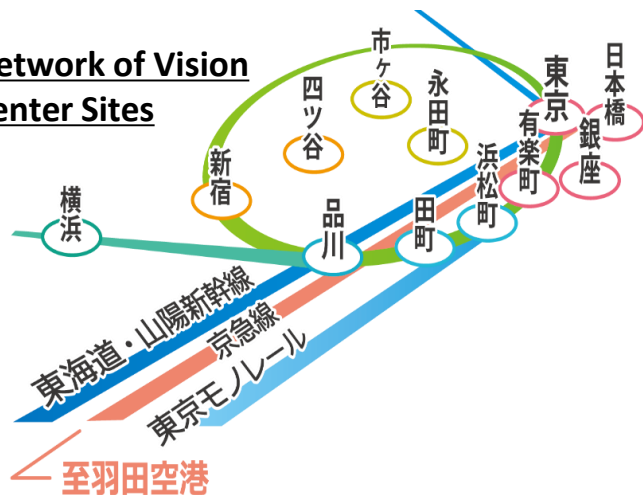


\* As of March 31, 2023 : 749 new contracts

# Expand Sites to Meet Diverse Needs

Operating area of Vision Center increases 25% by opening new sites and expand.

### ◆ Network of Vision Center Sites

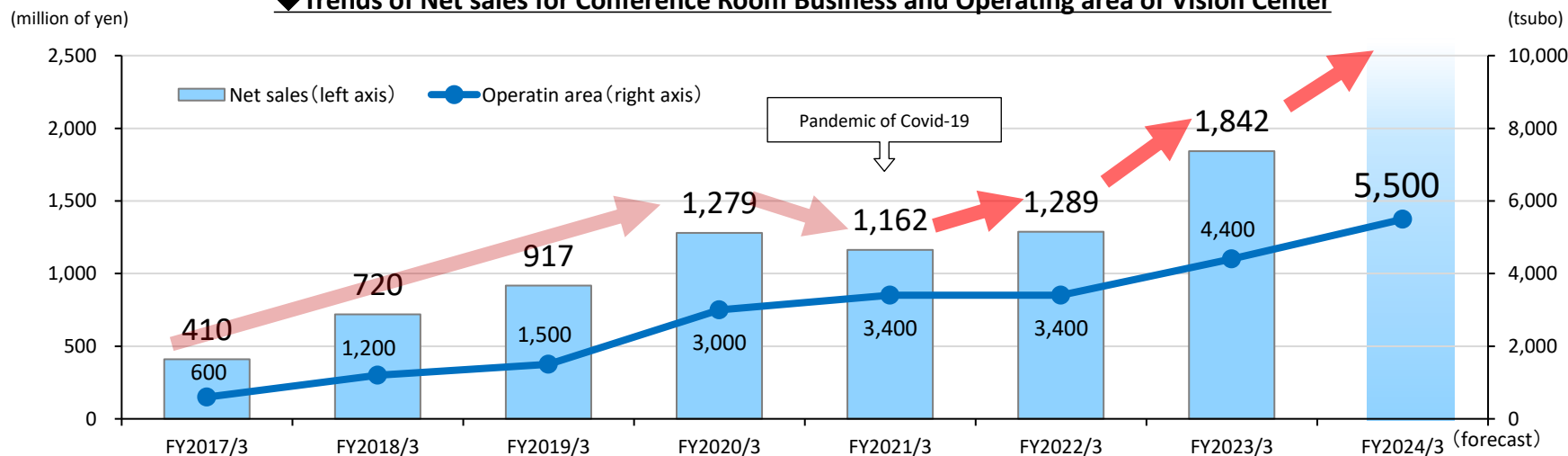


### ◆ Sites of new open and expand

Vision Center Ichigaya	4/3	Open
Vision Center Tokyo Yaesu	4/10	Open
Vision Center Nihonbashi	4/1	Expand
Vision Center Tokyo Kyobashi	4/1	Expand
Vision Center Nishishinjyuku	4/24	Expand

※In March 2023, there are 4,400 tsubo for operating. In April, there will increase into 5,500 tsubo.

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

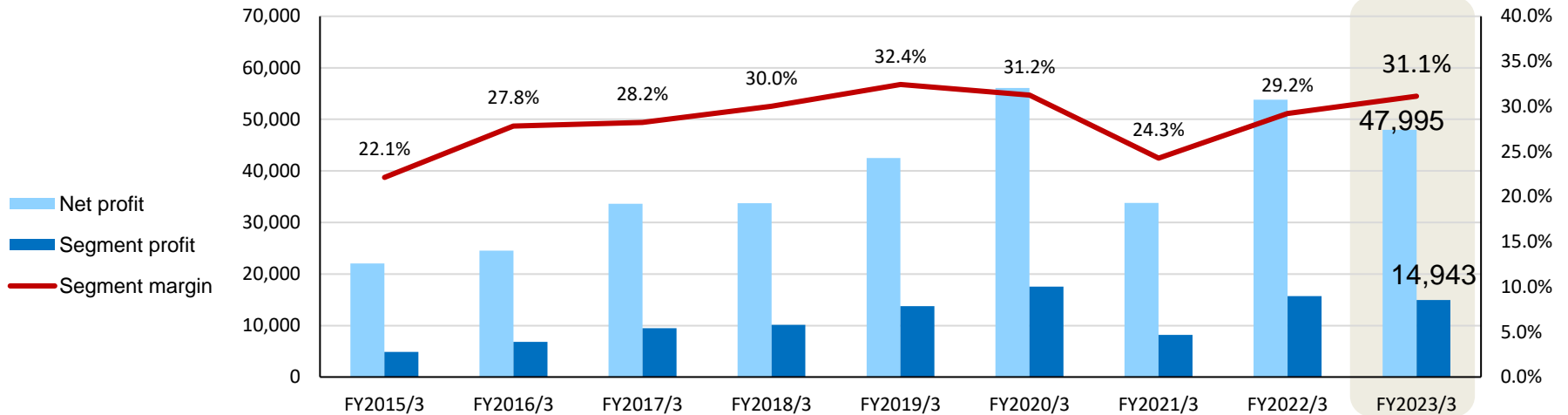


# Office Building Business Keep in High Profitability

## ● Replanning Business maintains high profit margin

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

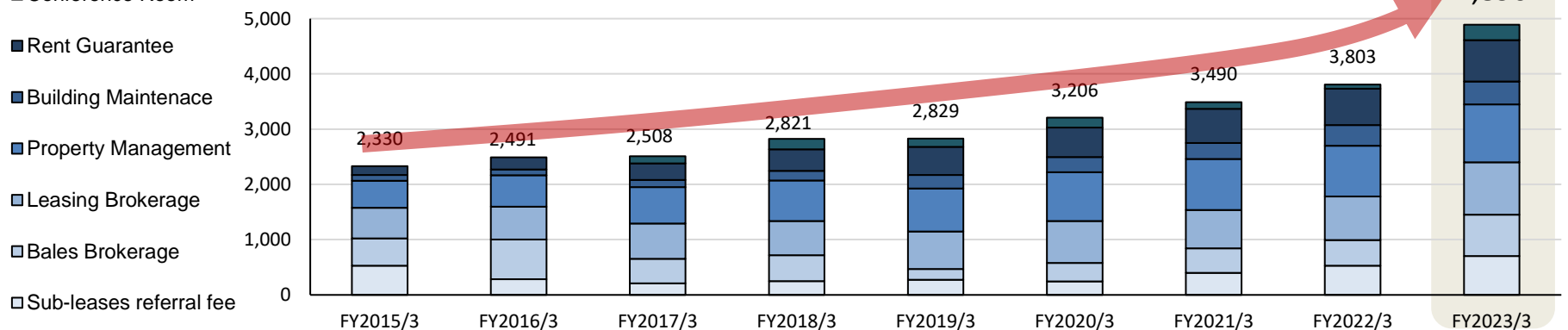
(million of yen)



## ● Steady Growth in Real Estate Service Business

Sales Brokerage, Leasing Brokerage and Property Management are also strong. Rental conference room operations are also improving. The growth rate of Real Estate Service Business is increasing.

(million of yen)





## Develop Hotel Planned and Aggressively

Collected development funds through the sale of two hotels in FY2023/3, and the other one in FY2024/3. Going forward, we will develop and operate mainly “Tabino Hotels” brand and condominium hotel, and also keep using M&A to expand our business.

### ● "Tabino Hotel" Brand Case Study



【Tabino Hotel lit Matsumoto】 Rooms with kitchen and washing machines are suitable for long-term stays. A large public bath is handled for both tourism and business demand.

### ● Condominium Hotel Case Study

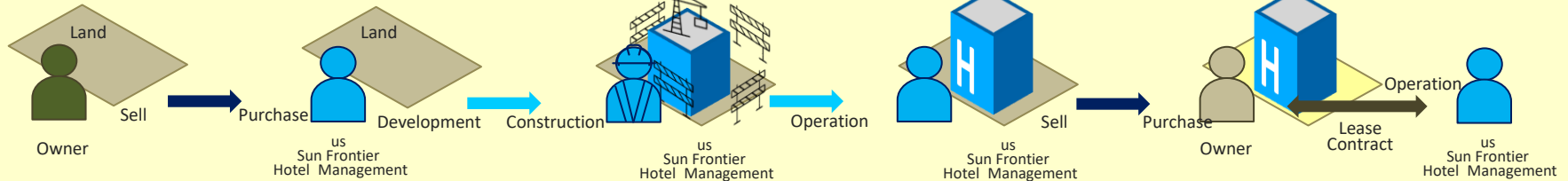


【Hiyori Ocean Resort Okinawa】 Luxury hotel which all are suite rooms with ocean flat terrace.

Hotel name and location	Number of rooms	Acquisition and opening		Status
Spring Sunny H Nagoya Tokoname Station	194	2016.4	Acquired	Own
4 Sky Heart Hotels (excluding Shimonoseki)	564	2016.12	Acquired	Lending and leasing
HIYORI Hotel Maihama	80	2017.4	Newly constructed	Sold leaseback
SADO RESORT HOTEL AZUMA	57	2018.4	Acquired	Own
Tabino Hotel Hida-Takayama	80	2018.5	Newly constructed	Own (leased)
SKY HEART Hotel Shimonoseki	105	2018.6	Acquired	Own
Tabino Hotel Sado	111	2018.7	Newly constructed	Lending and leasing
HIYORI Hotel Osaka Namba Ekimae	224	2019.5	Newly constructed	Lending and leasing
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
SADO NATIONAL PARK 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	102	2022.6	Newly constructed	Own
Sora Niwa Terrace Kyoto Bettei	34	2022.6	Newly constructed	Own
Tabino Hotel Villa Miyakojima	4	2022.11	Entrusted	Lending and leasing

21 hotels 2,477 rooms as of May 12, 2023

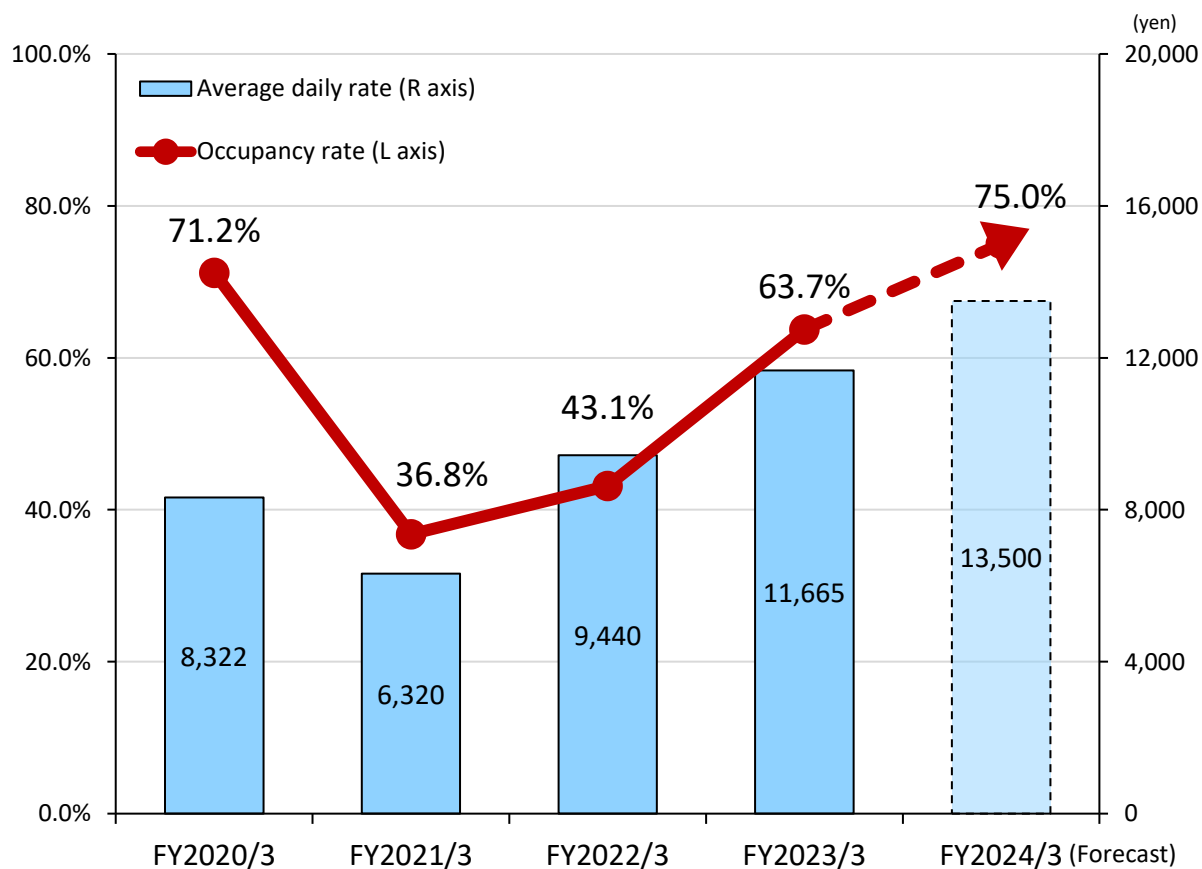
### <Hotel Business Model Case>



# Improvement in Occupancy Rate and Average Daily Rate

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

**Trends and outlook for occupancy rate and average daily rate**



Both 「Tabino Hotel Sado」 and 「Hiyori Ocean Resort Okinawa」 certified as SDGs Partners.



Together with local governments, we keep making efforts to contribute to the realization of a sustainable society.

## Two Hotel Buildings Reopened After Renovation

In anticipation of inscribing "Sado Gold Mine" on the World Heritage List, we leverage the measures of the Japan Tourism Agency to renovate the hotels. Improve the revitalization of tourism industry.



SADO NATIONAL PARK  
HOTEL OOSADO

A long-established hotel that has been opened for more than half a century.  
A hot spring resort with an open-air bath nestled in a superb view.



Water terrace leading to the open ocean of the Sea of Japan.



Open-air bath where you can enjoy the Sea of Japan from season to season.



Variety of specialty of Sado from the mountain and sea.



Premium suite with hot spring open-air bath on the top floor.



SADO RESORT  
HOTEL AZUMA

An extraordinary and casual resort to have more fun and consolation in Sado.



An unbroken view of Sea of Japan at then open-air bathan



Room with an open-air bath on the view terrace



Ocean terrace with an open-air bath



Kaiseki cuisine made with seasonal ingredients carefully selected mainly from Sado.



One of the 100 selections of Japanese sunsets scenery



# Addressing Social Issues of Decarbonization

Environment Business based on the Philosophy.

Solar power generation	Electric Construction	Organizing operators of EPC (Engineering / Procurement / Construction) for solar power equipment and delivering the equipment.
	Electricity Sales	Became a PPA (Power Purchase Agreement) operator and sell electricity to power consumers.
Agrivoltaics		Installing solar power equipment on farmland to sell electricity, which could solve the issues on power plant sites. Capital alliance with Notus Solar Japan.
Promotion of utilization of power storage system		Expanding sales of industrial medium-sized industrial power storage systems. Capital and business alliance with CONNEXX SYSTEMS.
Environment value		Contributed to carbon offset of office buildings with forest-related J-Credit (Mori no Denki, RE100)



Agrivoltaics "Notus Solar System"



Power storage system BLP® of CONNEXX SYSTEMS



# Philosophy and Sustainability



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

### Realization of Sustainable Society

Environmental Protection

Human Resource Development

Region Revitalization

Office Business

Hotel and Tourism

Overseas

Environment

#### Real Estate Revitalization

- Replanning
- Small-lot Property
- Rental Building

#### Real Estate Service

- Sales Brokerage
- Leasing Brokerage
- Peoperty Management
- Building Maintanace
- Aseet Consulting
- Rent Guarantee
- Conference Room Rental

#### Others

- Construction

#### Hotel Operating      Hotel Development

- Operating
- Development
- Revitalization
- Dales

#### Shima Yume

#### Region Revitalization

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

#### USA (New York)

- Replanning

#### Taiwan

- Sales Brokerage

#### Vietnam

- Residential Development
- Residential Management

- Solar Power  
EPC, PPA

- Agrivoltaics

- Sales of power storage










- Environment value

# Sustainability Issues and Targets

## Sustainability Vision

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

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

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

# ESG Data

## Environment

As of March 31, 2023

Actual number of RP buildings



Total **460** buildings



Capital and business alliance  
Promoting the use of electricity storage systems



Capital and business alliance  
Promoting agrivoltaics

**Carbon Offset**  
Cumulative total **2,757t**



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

RP construction  
22 buildings  
516t

Establishment of SF Ocean Power Generation Co., Ltd.



Acquired BELS for 6 properties

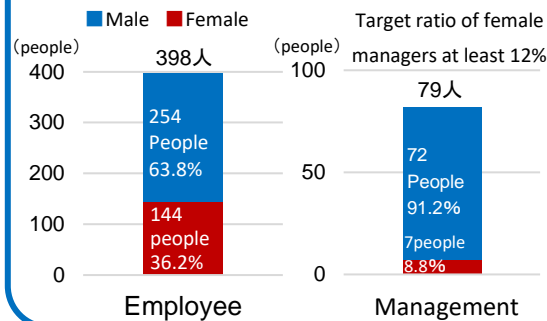
- RE100 . . . . Carbon offset using J-credit derived from renewable energy. Initiatives to become the first in Japan to introduce this system on each floor. Achieve zero Co2 emissions per tenant company.
- "Mori no Denki" . . . . Carbon offset using J-credit derived from forests. We can feel that we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

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

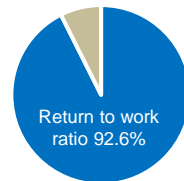
## Social

As of March 31, 2023

Ratio of male and female employees in managerial positions

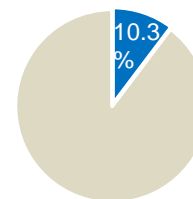


Childcare leave  
Utilization rate 100%



From childcare leave, 92.6% return to work

Human resource development  
Training at least 10% of working hours



## Governance

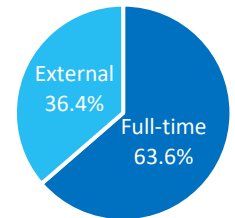
As of March 31, 2023

Transition to a company with Audit & Supervisory Committee

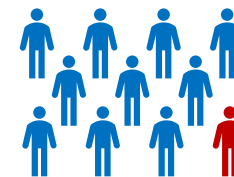
As of June 30, 2022



Ratio of Outside Officers 1/3 or more

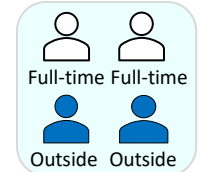


Female Directors 1 out of 11



Male Female

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



Ensuring transparency and soundness

# Shareholder ▪ Investor Relations



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

## Disclosed materials

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

## IR activities

Presentation of financial results	Held every quarter by President Representative Director, Seiichi Saito.	Website for on-demand broadcast (including Q&A) <a href="https://www.sunfrt.co.jp/ir_info/ir_doc/on-demand.html">https://www.sunfrt.co.jp/ir_info/ir_doc/on-demand.html</a>
Individual IR meetings	Conducted individually as needed. (mainly handled by IR staff).	FY2023/3: 61 times in total
Property tour	A Replanning properties tour held on September 22, 2022 for sell-side analysts and institutional investors.	
Seminar for Individual investors	President Representative Director, Seiichi Saito, joined an IR seminar for individual investors held by Securities Analysts Association of Japan on March 22, 2023.	

## Shareholder benefit program

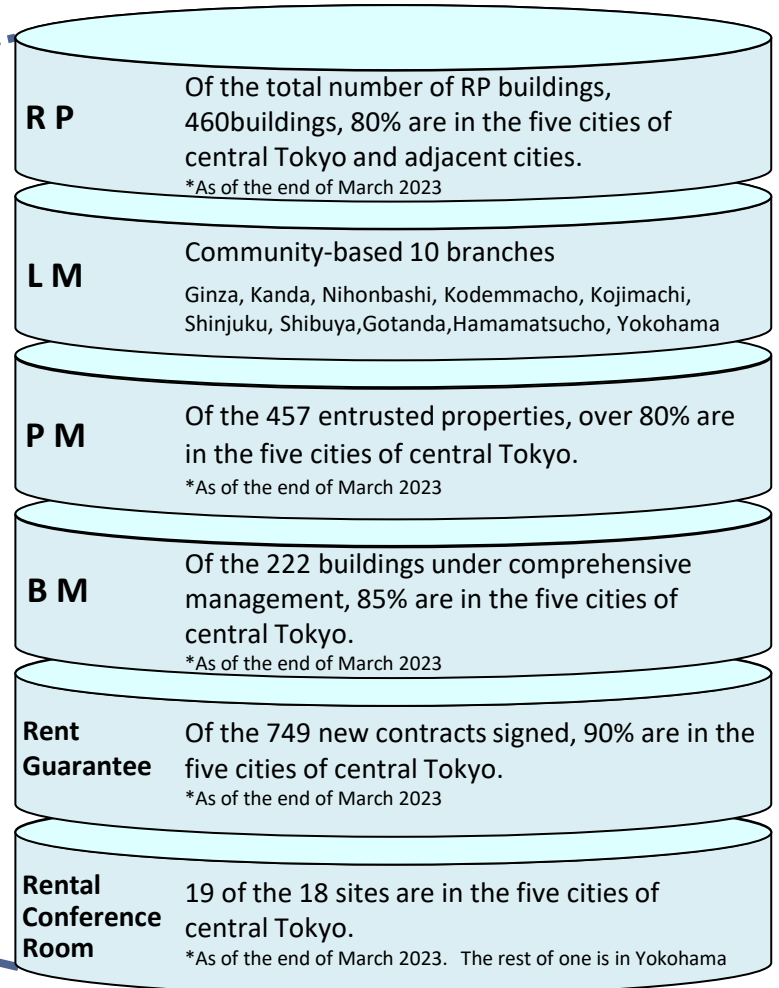
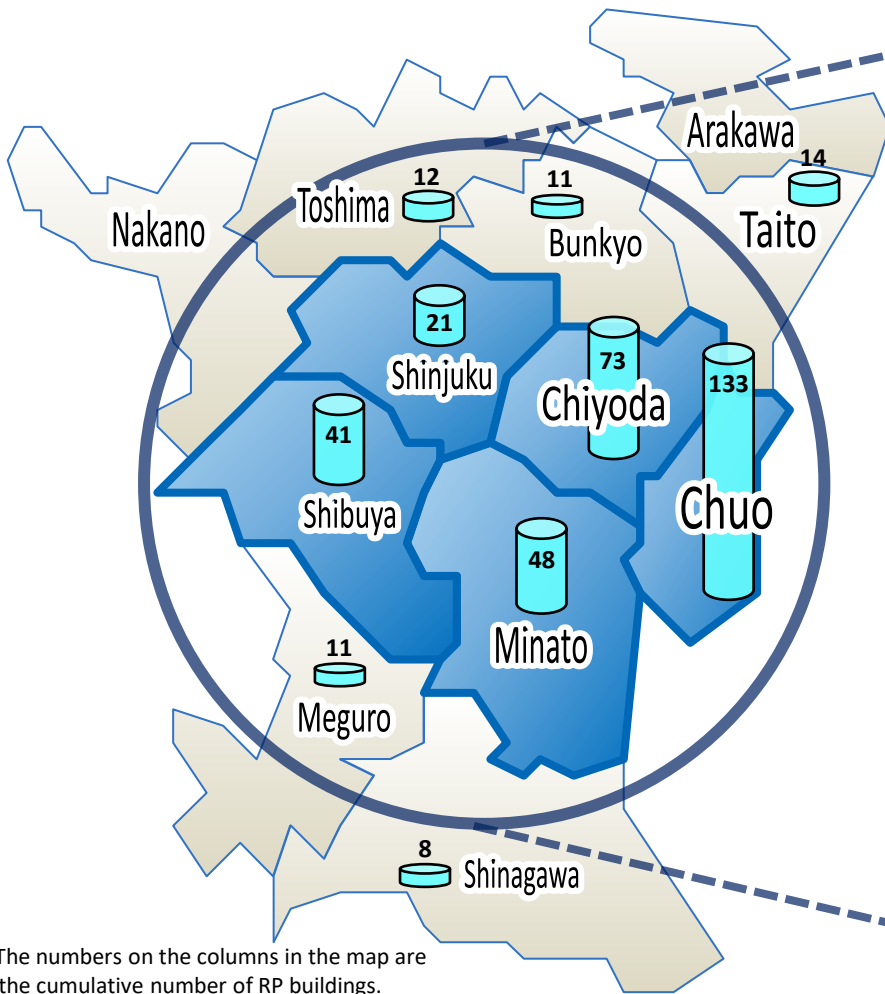
Eligible shareholders	Shareholders stated or recorded in the shareholder list as of the end of March of each year who hold one unit (100 shares) or more for our company share.
Outline	Discount coupons for hotels operated by our group companies based on the number and period of shares held.
Details and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

# Business Model



# Strategy in Office Business

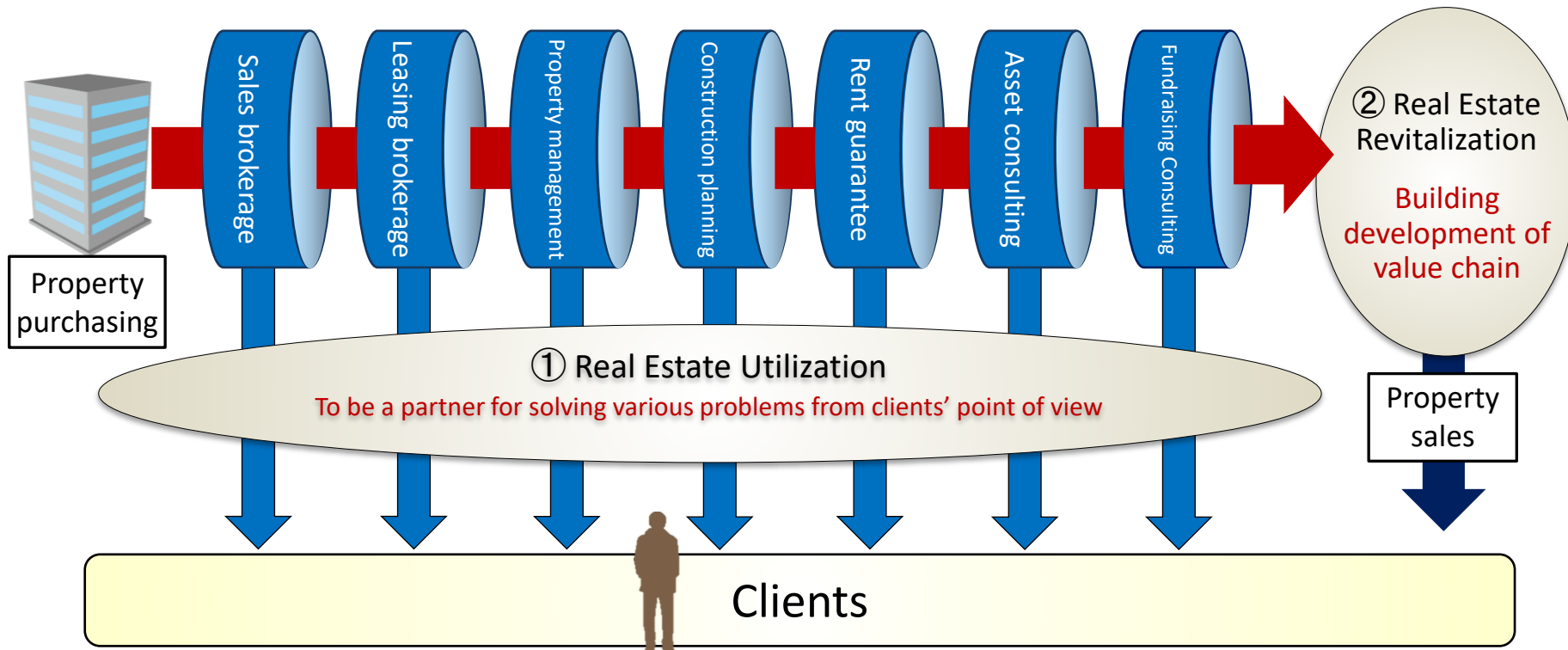
Solving client's various problems, mainly in the five cities of central Tokyo.



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

# Strengths in Office Business

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



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

# Business Model for Replanning Business

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



# Set-up Office Share

"Set-up Office" is an office set up in an office building replanned by the Company. Unlike regular office interiors, the office has reception and reception room, etc. set up, highly designed interior work in the office area, which is rented out with some equipment and fixtures pre-installed.

## ◆ Four benefits for tenant companies

**Merit 1) Reduced burden on management**

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

**Merit 2) Immediately available after moving**

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

**Merit 3) Reduced financial burden**

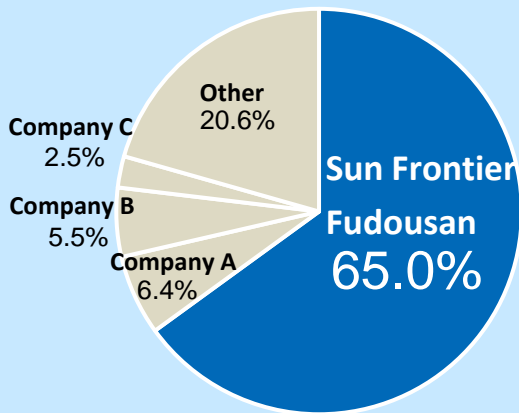
Significant cost reduction for office interiors, etc., and no interior assets recorded by tenants.

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

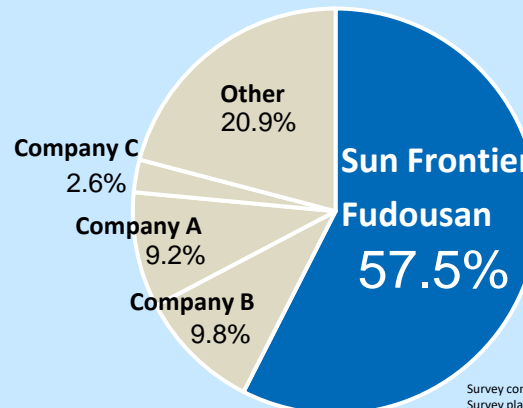
Improve employment of human resources, employee motivation, and office productivity by the office interior that pursues a high level of design, focusing on design, functionality, and various usage scenes.

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

Based on the number of rental rooms



Based on rental area



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

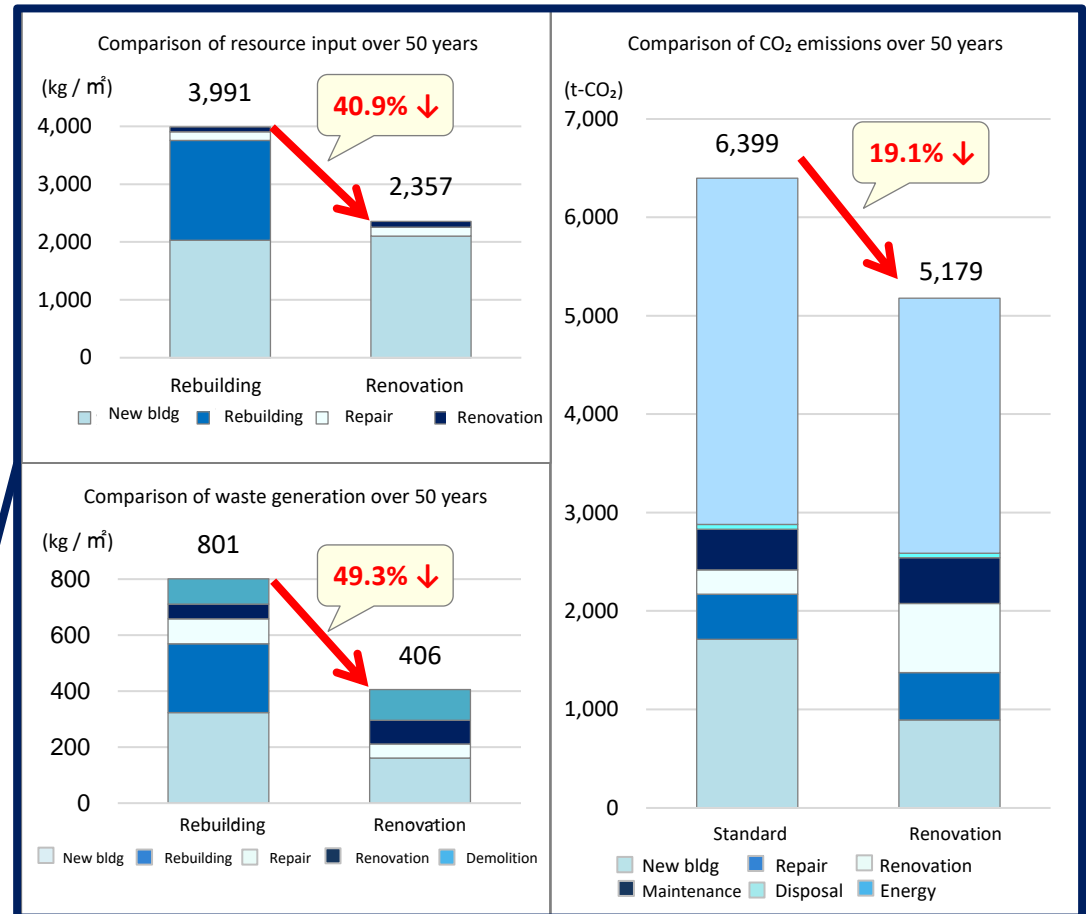
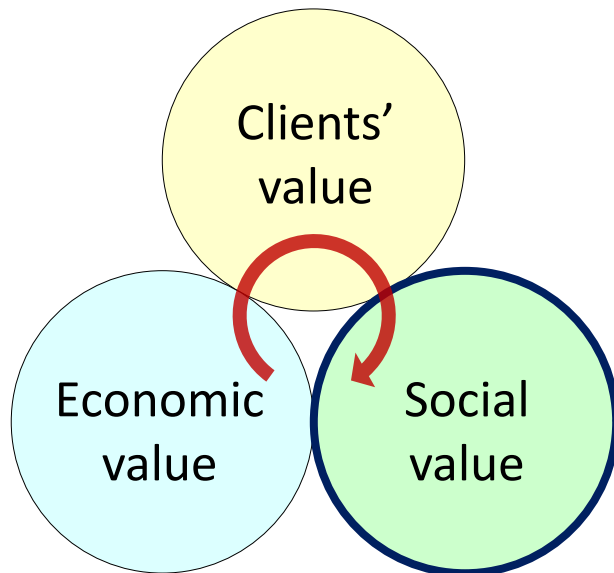
# Create both Customer Value and Social Value

Solving social issues through supporting our clients' business.

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

II

Reducing non-reproducible resources to prosper humankind, plants and animals on the earth.



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

# 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.

Renewal Open on March 31, 2023



## Our Hotel Brand



**HIYORI**  
HOTELS & RESORTS

Luxury Class
Sora Niwa Terrace Kyoto Bettei
Hiyori Ocean Resort Okinawa

Upper Class
Sora Niwa Terrace Kyoto
SADO RESORT HOTEL AZUMA
SADO NATIONAL PARK HOTEL OOSADO

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

Upper Middle Class
HIYORI Hotel Maihama
HIYORI Hotel Osaka Namba Station
Tabino Hotel lit Matsumoto
Tabino Hotel lit Miyakojima
Tabino Hotel Villa Miyakojima
Spring Sunny Hotel Nagoya Tokoname Station

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

(As of May 2023) ✕ Will be temporarily closed on May 31, 2023



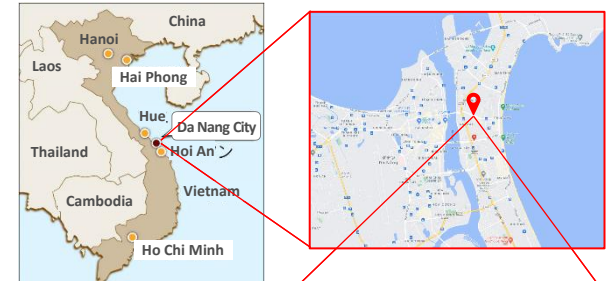
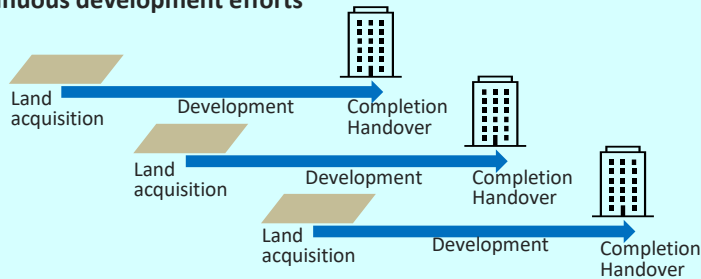
# Business Model of Overseas Business

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



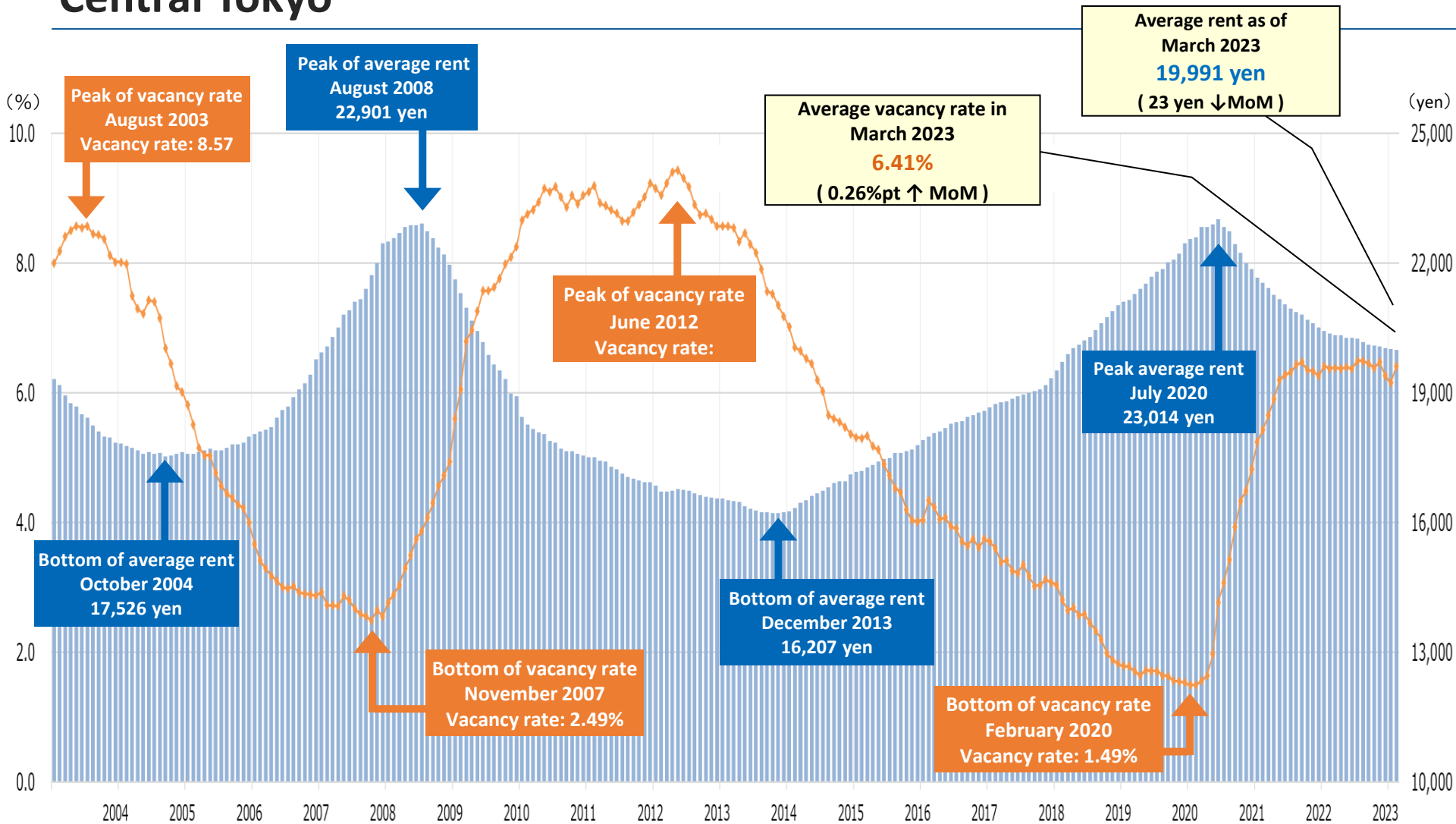
Rooted in the local community in Vietnam, we work together with local partners to ensure high construction quality, a safe, organized, and beautiful construction site.





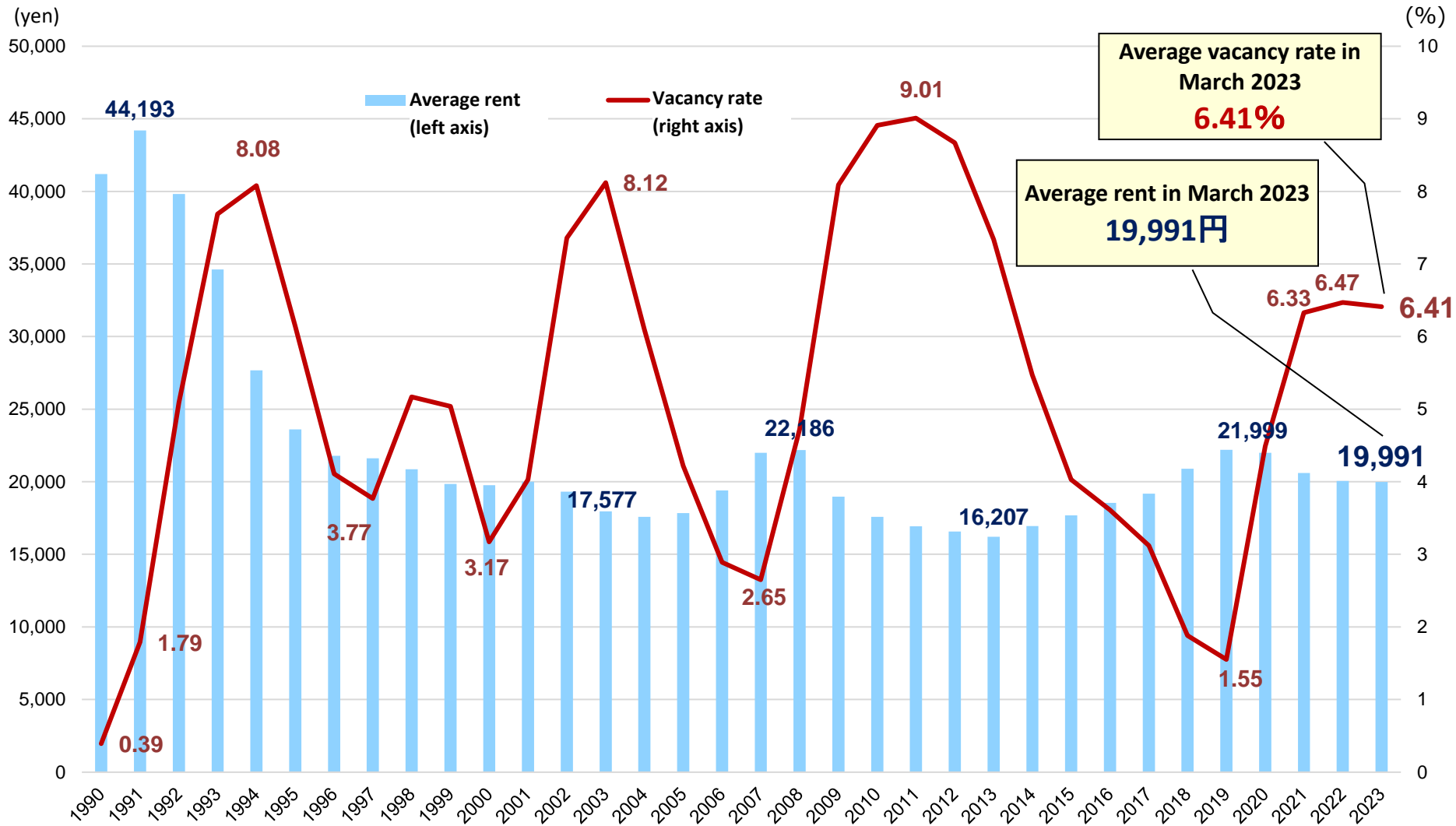
# Reference Materials

# 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



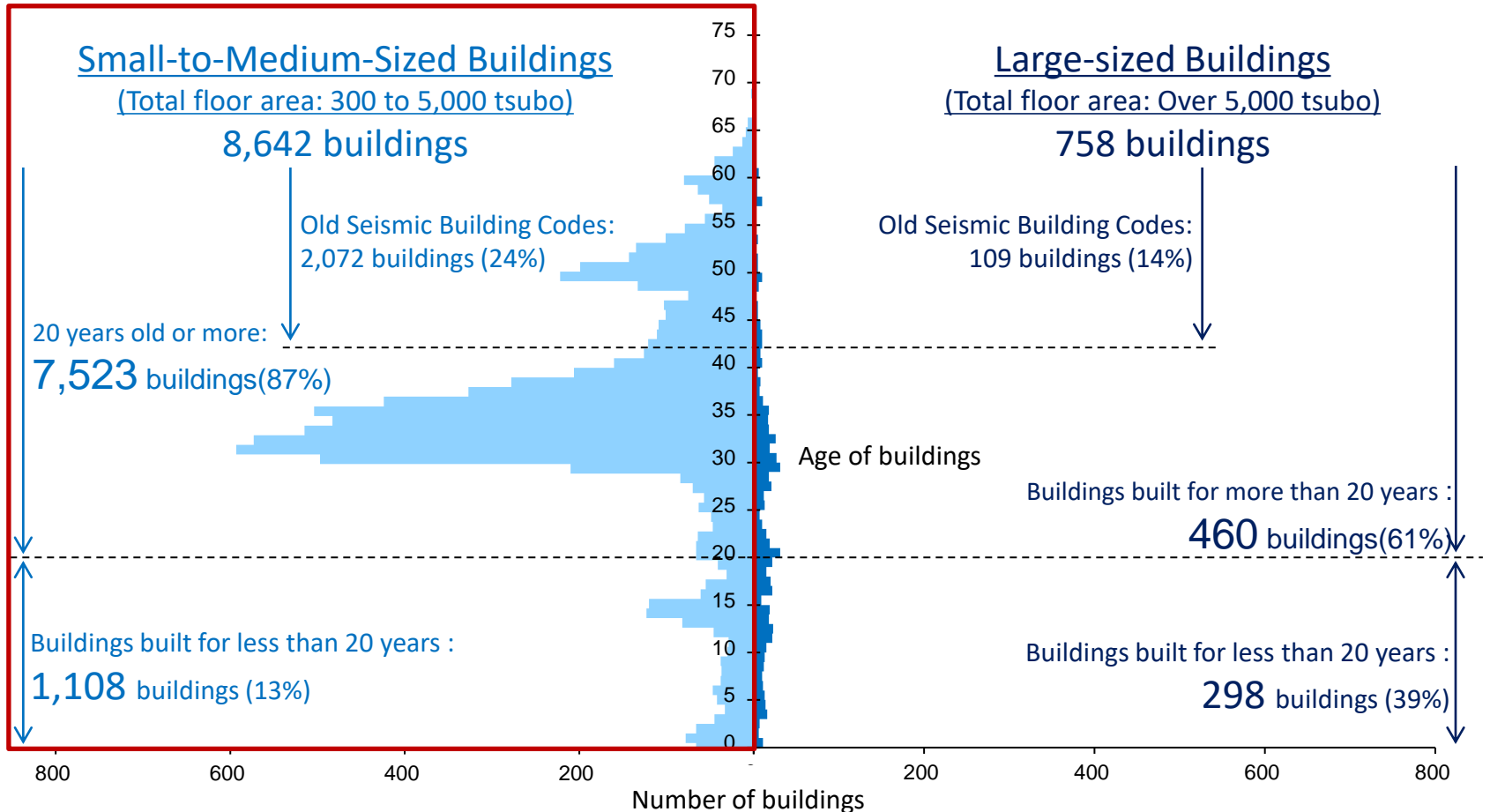
Source: Compiled by the Company based on Miki Shoji's "Office Report"

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

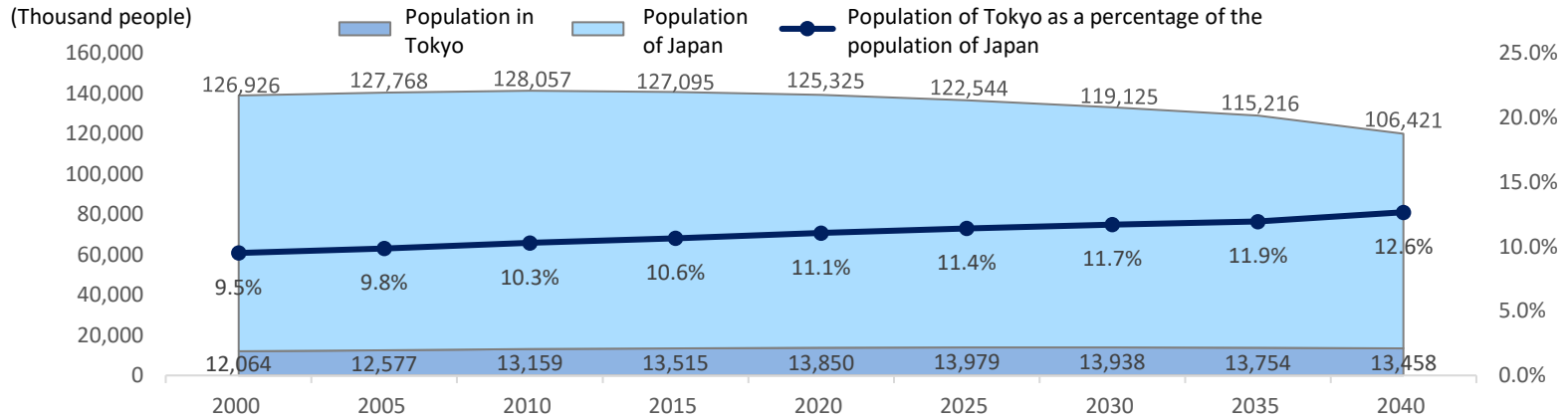


Source : Created by us based on "Tokyo 23 cities Office Pyramid 2023 (based on the number of buildings)" (Xymax Real Estate Institute)

# Market Size and Number of Corporations in Tokyo

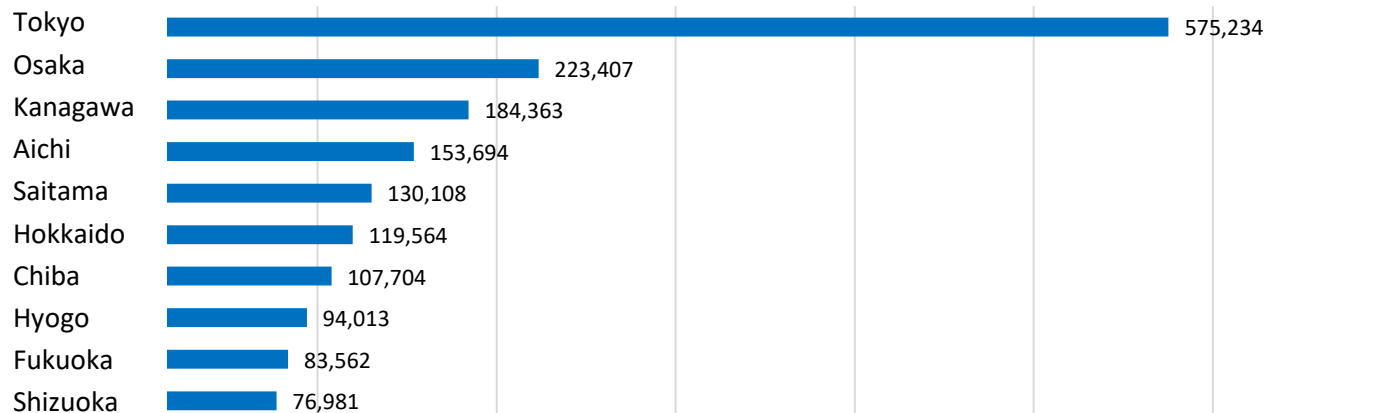
Provide happiness and improve society development in Tokyo which people and corporations gathering.

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



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

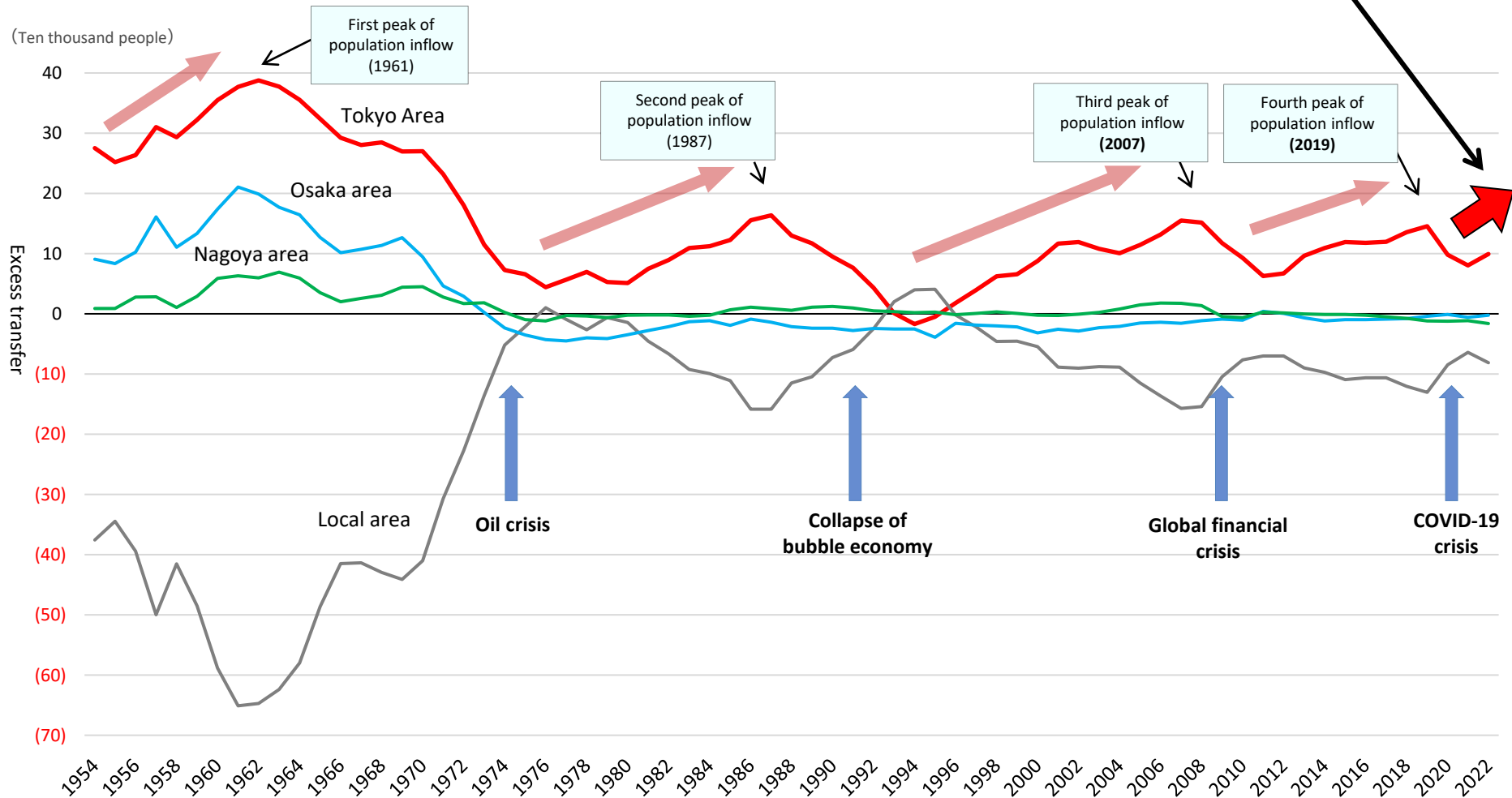
### Top 10 Prefectures in Number of Corporations



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

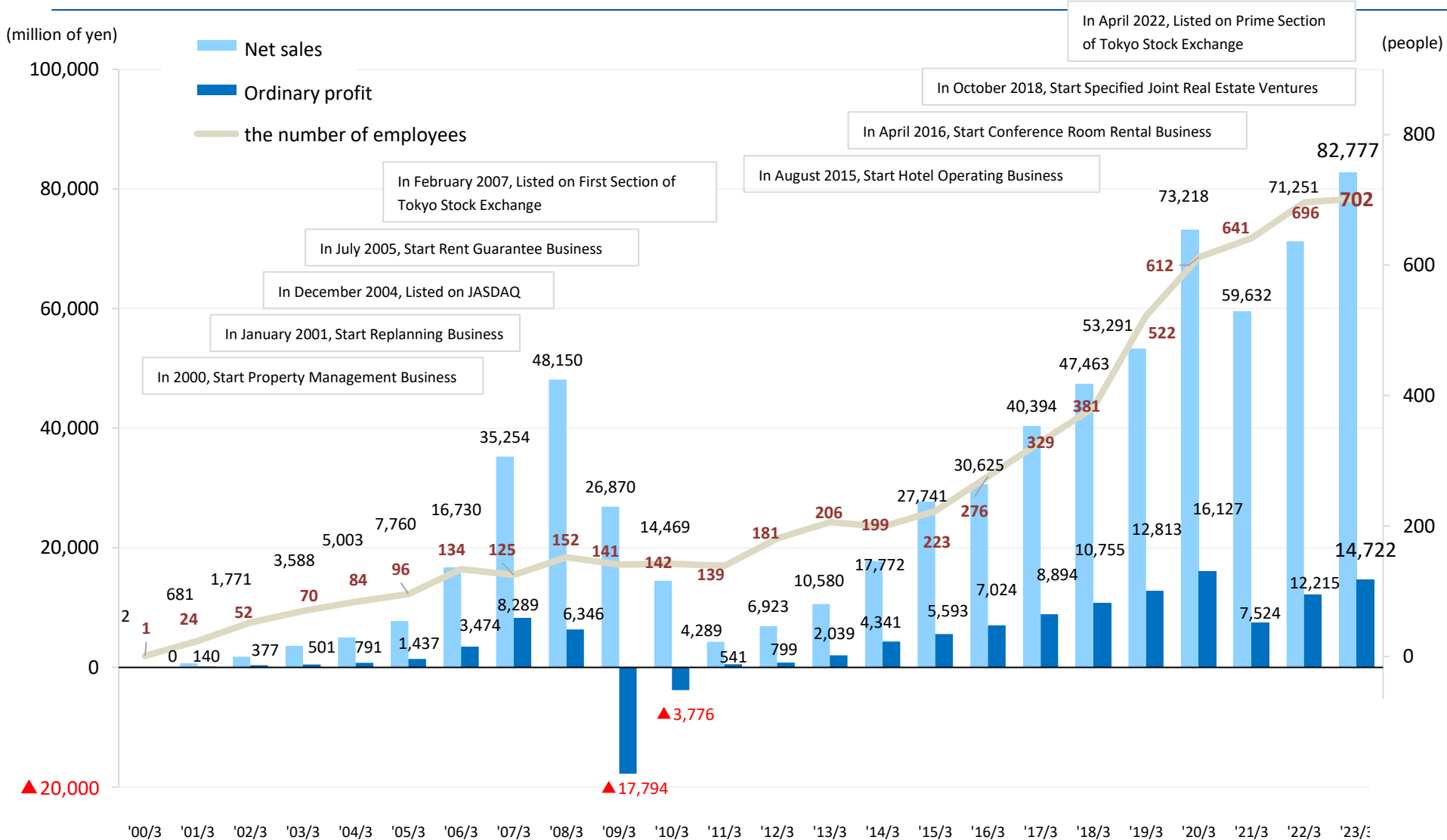
# Population Movements in the Three Major Metropolitan Areas and Local Areas

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"

# History



# Company Profile

<b>Company Name</b>	Sun Frontier Fudosan Co., Ltd.
<b>Location of Head Quarters</b>	1-2-2, Yurakucho, Chiyoda-ku, Tokyo
<b>Date of Foundation</b>	April 8, 1999
<b>Date of Listing</b>	February 26, 2007 (First Section of Tokyo Stock Exchange)
<b>Capital Stock *</b>	11,965 millions yen
<b>Representative</b>	Tomoaki Horiguchi, Chairman Representative Director Seiichi Saito, President Representative Director
<b>Number of Consolidated Employees *</b>	702 employees (1,303 including part-timers and temporary workers)
<b>Average Age of Employees*</b>	36.4 years old
<b>Business Profile</b>	<b>Real Estate Revitalization</b> <b>Real Estate Service</b> ( Properties Management, Brokerage, Construction Planning, Rent Guarantee, Building Operations, Asset Consultation ) <b>Hotel Development and Operation</b>
<b>Accounting Month</b>	March
<b>Listed Market</b>	Tokyo Stock Exchange Prime (Code number: 8934)
<b>Company Name</b>	Sun Frontier Fudosan Co., Ltd.

\* As of the end of March 2023



# Thank you for your continued support.

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

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**SUN FRONTIER**