Forecast for FY2025/3 and Business Initiatives

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So, from my perspective, I am going to explain the progress against the full year forecast.

I would like to add our recent initiatives in each of our business fields.

2025年3月期 業績予想に対する進捗

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

First, as explained earlier, the results for the first quarter are as follows.

As for the progress rate against the full-year forecast, net sales reached 15.7%, ordinary profit 13.7%.

Although the progress rate is lower compared to the same period of a typical year, the overall progress is in line with the initial plan.

As for the progress rate by business segment, the sales progress rate for the RP business stands at 12%. This is because, under this fiscal year's sales plan, relatively large-scale sales are scheduled for the second quarter and beyond.

Since the current sales are progressing almost as planned, we expect to return to the usual pace of over 50% progress by the end of the second quarter.

Meanwhile, the sales progress rates for the real estate services business and the hotel management business are both at around 26%, steadily building up performance.

Trends in Ordinary Profit for recently 5 fiscal years

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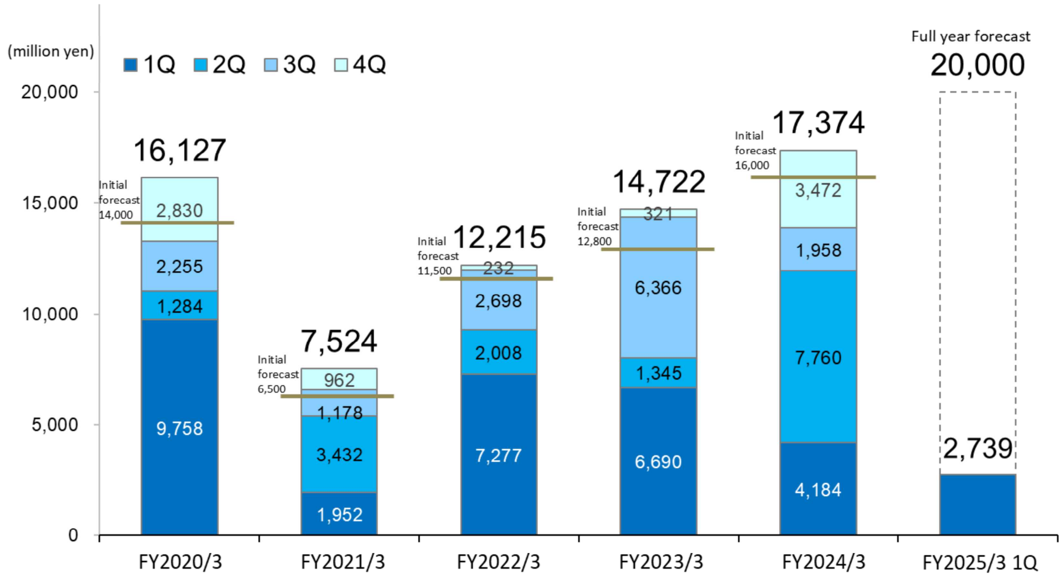
Progress against the financial results forecast was in line with the plan. Many of the planned sales of the properties are scheduled for 2Q or later.



Sun Frontier Fudousan Co., Ltd

This graph shows the changes in ordinary profit for each fiscal year.

Each quarter’s progress is shown in colors.

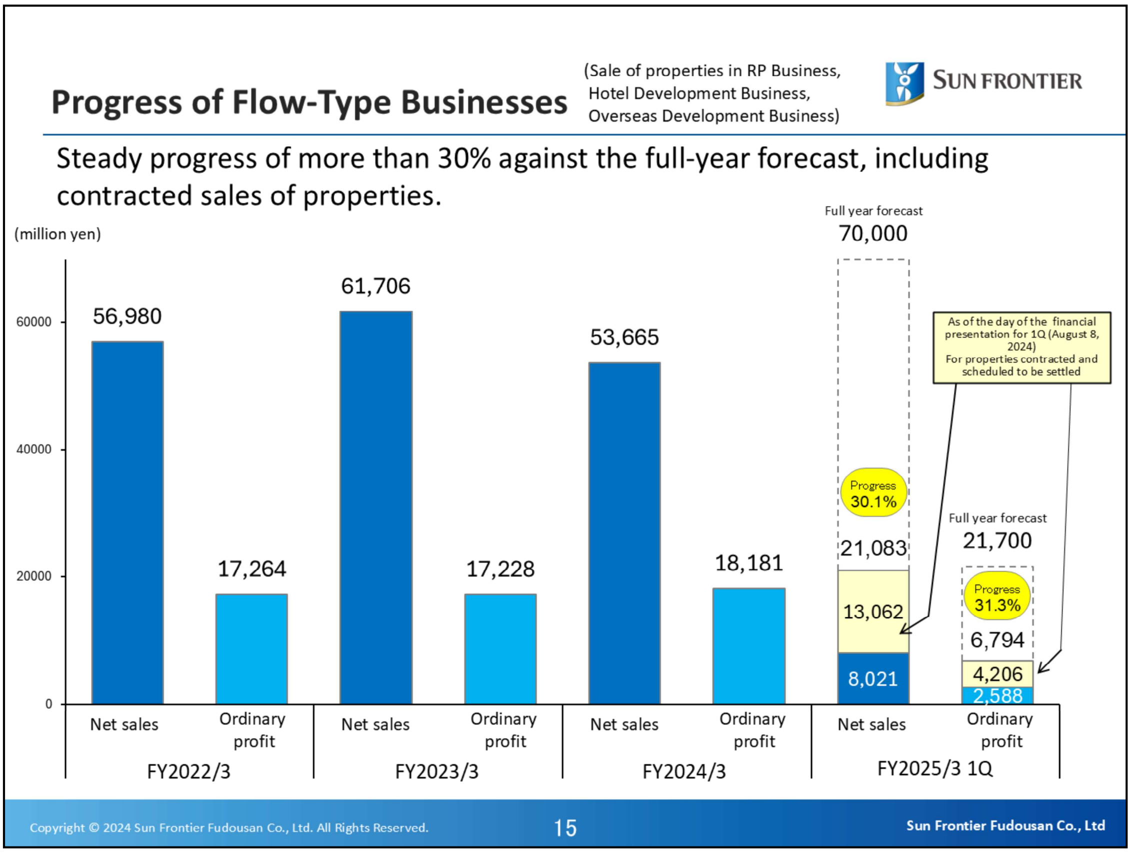
The darkest and blue areas are the first quarter results.

As you can see, the first quarter tends to fluctuate significantly depending on the fiscal year.

Given that it covers only a short period of the first three months, the progress rate is highly susceptible to large swings,

Either upward or downward, depending on the scale of property sales and the timing of settlements.

We appreciate your understanding in this matter.



After that, I would like to add something about the current situation.

This slide shows the performance of the flow-type business.

The sum of the sales of real estate for sale, including RP properties, hotel-type properties, and small-lot real estate properties,

This is a graph of net sales and gross profit.

Regarding this fiscal year's performance, the amounts highlighted in light yellow represent the sum of properties

that have been sold and settled, as well as those already contracted and scheduled for settlement,

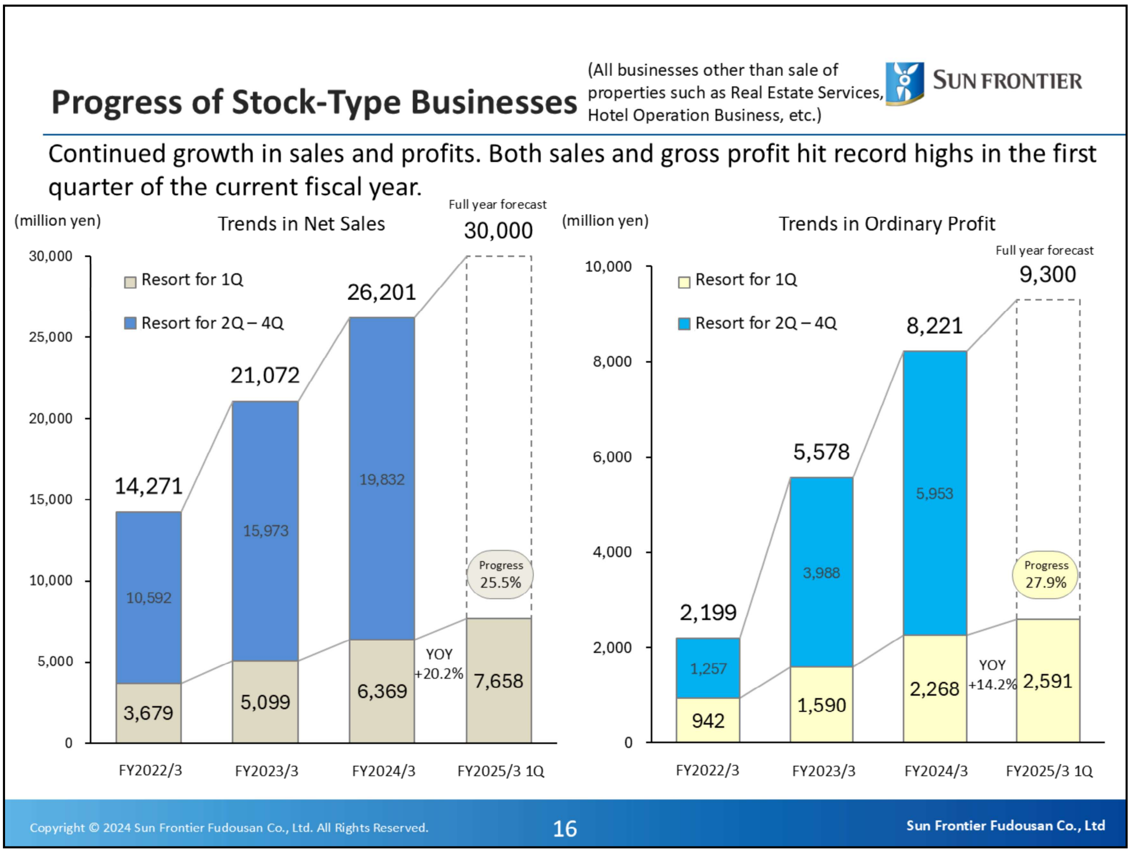
as of yesterday's earnings announcement for the second quarter.

In terms of figures, this amounts to approximately 13 billion yen in net sales and 4.2 billion yen in gross profit.

Adding this to the first quarter's results brings us to a level just over 30% of the full-year forecast.

Considering we have achieved over 30% progress in about four months of this fiscal year,

we perceive that we are progressing at almost the planned cruising speed.



Meanwhile, the stock business is steadily growing.

In the first quarter of the fiscal year under review, we achieved year-on-year increases in both net sales and profits, and achieved record-high growth.

This graph shows the results other than the sale of the real estate for sale explained just before.

In revenues and gross profit from real estate services and hotel operations that are not derived from property sales

Represents the transition.

In this sector, the first quarter performance shows sales of 7.6 billion yen, reflecting a growth rate of over 20% compared to the same period last year.

Additionally, gross profit stands at approximately 2.6 billion yen, which exceeds the first quarter's selling, general, and administrative expenses (2.3 billion yen) by about 300 million yen. (In the previous fiscal year's full-term results, this figure was negative 600 million yen.)As a result, we are now building a financial structure where revenue other than property sales profits covers the selling, general, and administrative expenses.

Moving forward, we aim to further enhance the growth trajectory in this sector, thereby elevating our financial structure to a more stable and robust level.

Business Environment Awareness

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

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

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

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

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

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

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

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

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

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

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

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

Next is the business environment.

It is currently difficult to predict how last weekend's sharp decline in stock prices and the sudden fluctuation in exchange rates will impact the real estate market and the broader economy moving forward.

However, in terms of the broader direction, it is expected that Japan's policy interest rates will gradually move toward an increase. On the other hand, in the United States and Europe, interest rates are likely to move in a downward direction, driven by concerns over slowing inflation and economic deceleration. I believe that this overall scenario will not change.

Additionally, amid these conditions, the recovery trend in the office building market and the expanding demand in the hotel and tourism markets are expected to continue for the time being.

While we will be vigilant about the unstable financial environment, we intend to firmly push forward with our business in accordance with the initial plans.

Replanning Business, An Example of Initiatives (1)

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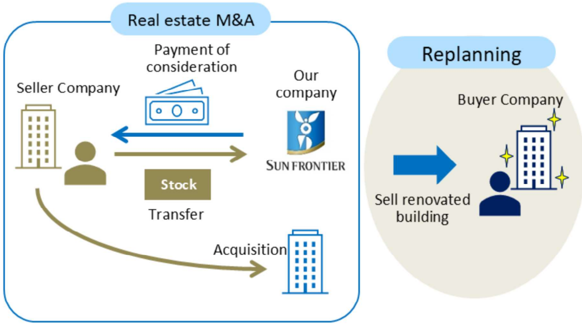
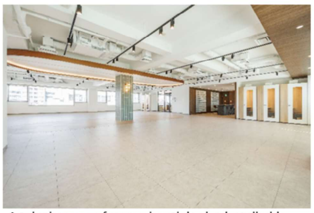
Renovated a building acquired through real estate M&A into one with excellent design and functionality.

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





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

A meeting room made of glass with soft light shining through

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

Now, I would like to introduce some recent topics from each of our business segments.

First, let me share an example from the Replanning Business. This case involves a four-story building located in Shibuya Ward (built in 1988, 36 years old).

This project differs from our usual property acquisitions; it is a case where we worked on adding value to a building acquired through a real estate M&A transaction. Originally, this deal came about as a result of a long-standing relationship with a cooperating company through our leasing department. We were consulted regarding the reorganization of a client's corporation, and it was through this M&A transaction that the acquisition was finalized.

Although such examples are still few, we intend to continue actively pursuing such M&A opportunities in the future to diversify our building acquisition routes.

This building, after undergoing renovations, was eventually purchased by a client who initially leased it and then decided to use part of it as their headquarters.

Replanning Business, An Example of Initiatives (2)

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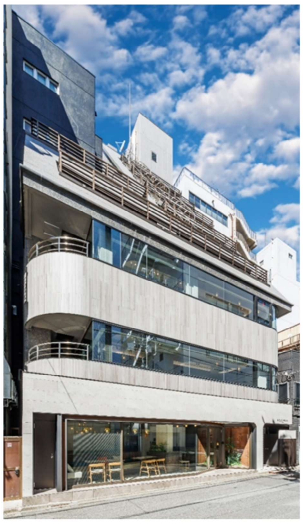
Converted parking lots to office space to increase operating area and improve profitability of buildings.



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

Before

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

After

Converted to a set-up office and increased profitability

After

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

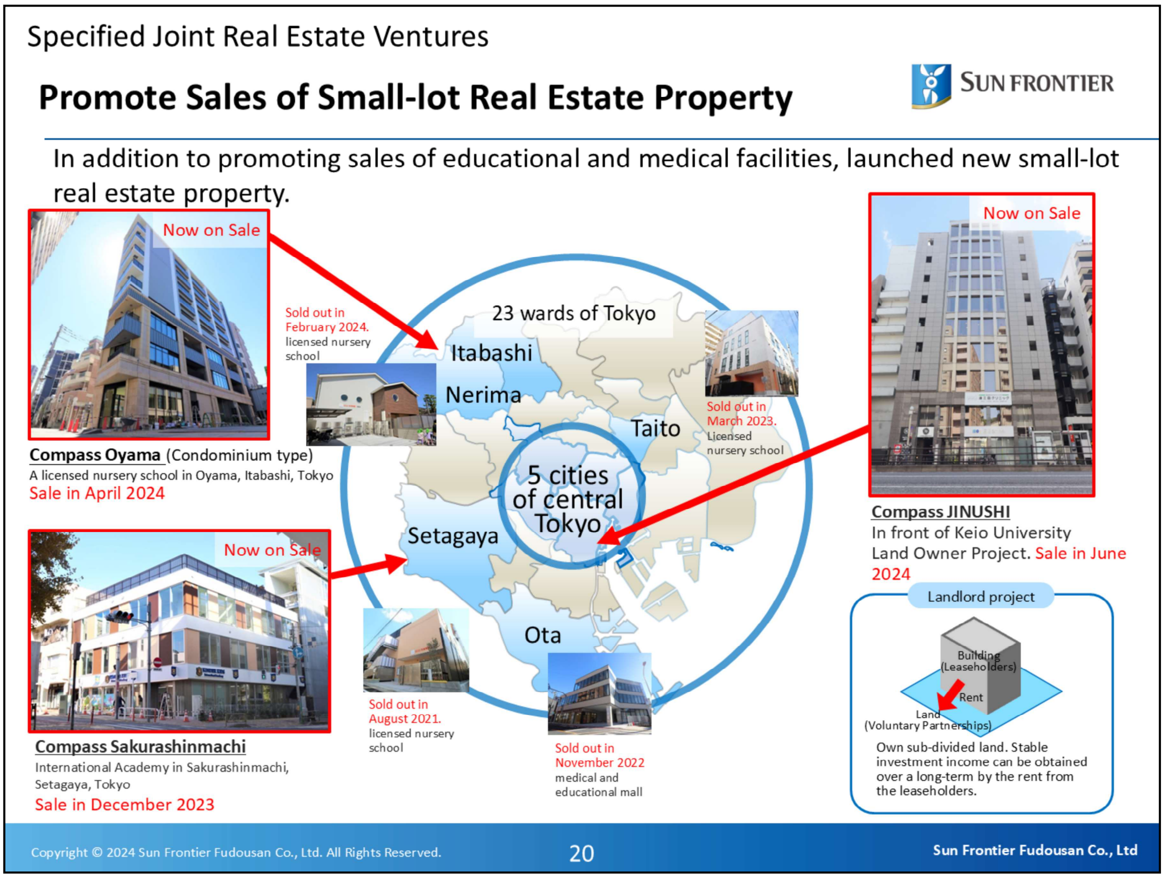
Various fixtures in the lounge can support various working styles and stimulate communication

Next, here is an 8-story building 2032 year's old (built in 1992 and 1992) in Chuo-ku, Tokyo.

In this case, we converted the first-floor parking area into office space, which increased rental income and enhanced the building's profitability.

The stylish, café-like office interior design was very well received, and tenant occupancy proceeded smoothly. Additionally, we received feedback from tenant companies that the new office environment has positively impacted recruitment efforts and boosted employee motivation.

This property was purchased by a client from Taiwan who highly values the quality of our post-sale property management services.



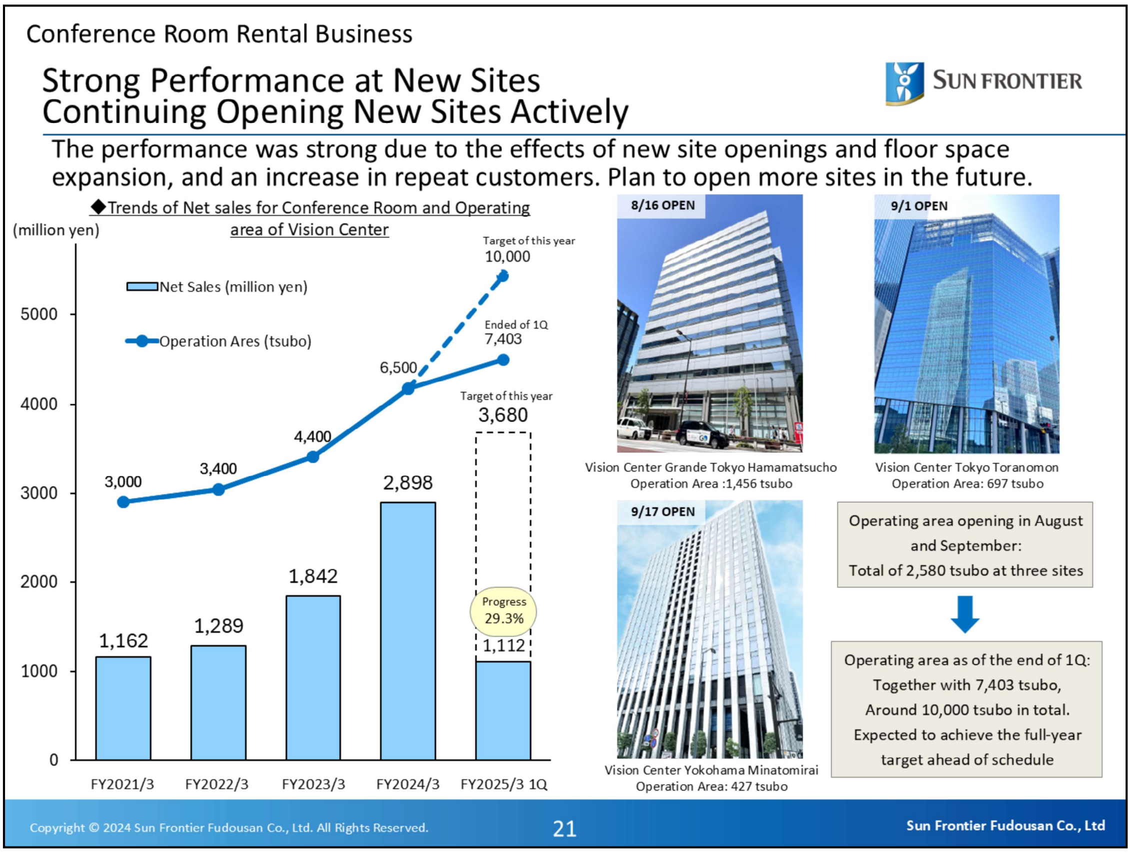
Next is Small-lot Real Estate Business.

A long-term stable product with nursery schools and international schools in the suburbs of central Tokyo,

The product continues to be favorably received, and sales are proceeding smoothly.

Additionally, we have recently started handling a new type of product: fractional ownership of the land beneath buildings in the city center.

The first of these projects has been launched in Mita, Minato Ward, under the name "Compass Jinushi Keio University Front," where we have begun sales of this fractional ownership product.



This is followed by Conference Room Rental Business.

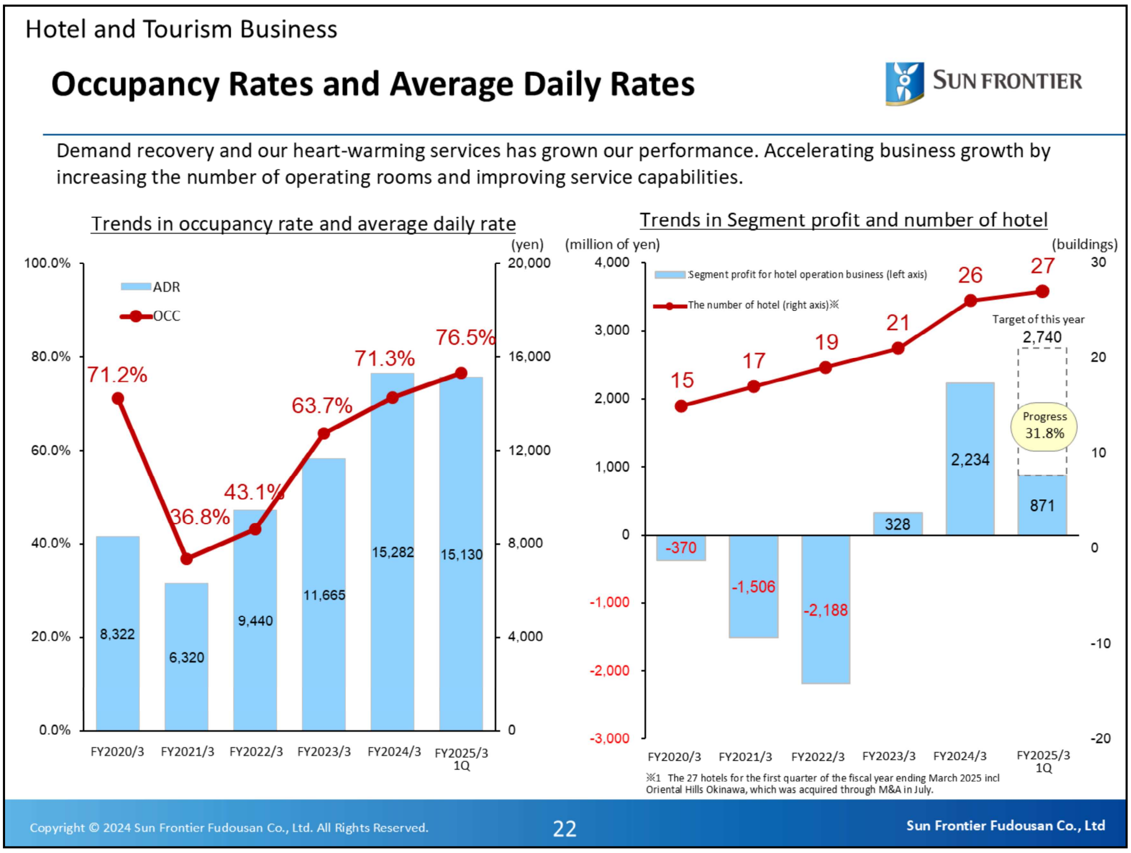
We are continuing to enjoy strong sales and are aggressively opening new stores to expand our operating area.

From this month to next month, Shinbashi, Toranomon, Yokohama Minato Mirai no, 3 bases, totaling more than 2500 tsubo, will be newly opened.

Currently, we are observing an additional surge in demand, beyond the recovery demand from COVID-19.

Amid the growing trend of companies not maintaining large meeting spaces within their own offices, there is increasing demand for services that allow flexible use of space, only when needed and for the required area.

We aim to capture this demand and will continue to actively expand our locations and grow our business.



This is followed by Hotel Management business. This is also very good.

Earnings are growing due to robust inbound demand and a recovery in domestic travel demand.

Against this backdrop, we are increasing the number of guest rooms we operate while actively utilizing M&A.

At the same time, based on our management policy of being a hotel that is heartwarming and fun.

In order to improve our servicing capabilities, we aim to provide a level of exciting experiences that surpasses customer satisfaction.

The entire company is making concerted efforts.

Expanding Hotel Business actively with Hotel Development and M&A

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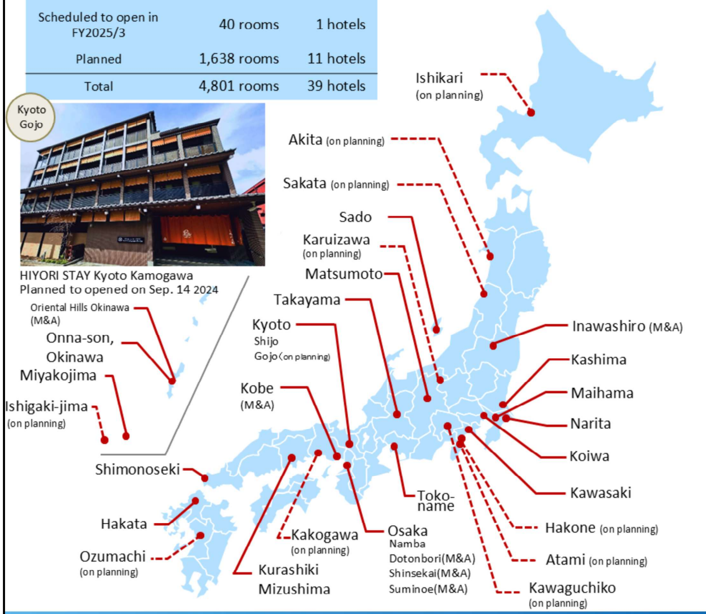
<Number of hotel rooms>

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



(As of August 2024)

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

Currently, there are 27 hotels in operation with 3,123 rooms.

As for future plans, first of all, “Hiyori Stay Kyoto Kamogawa" is scheduled to open in Gojo, Kyoto in September this year.

In addition, including those currently under construction and those where development land has been acquired and plans are being formulated, we are looking at a total of approximately 39 hotels with around 4,800 rooms over the next three years.

Hotel and Tourism Business

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Acquired ORIENTAL HILLS OKINAWA

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

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

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

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

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

This is the most recent case, but last month Oriental Hills Okinawa was acquired through an M&A, the hotel joined our group.

This is a cottage-type "All Suite Villa" that opened in 2006 in Onna Village, Okinawa's main island.

All 14 villas are equipped with a "private pool.

“ Additionally, for dining, we have specialized chefs for "sushi, French cuisine, and teppanyaki," offering authentic cuisine made with carefully selected local ingredients, making it a true "auberge."

Finally, we are working on the Sado business as part of our hotel tourism business.

As you know, on July 27th, the gold mine on Sado Island was finally registered as a UNESCO World Cultural Heritage site.

Until now, our group has been developing various businesses on the island and working to create regions under the slogan "Tourism, Sado, Vitality!"

Specifically, we are focusing on the operation of our 3 core hotels, including rental cars and taxis.

Businesses that handle secondary transportation on the island, as well as the rental and sale of sports activity-related equipment,

In addition, the management and operation of highland lodges and the planning and sales of souvenirs,

We have been developing a series of businesses to energize Sado in the areas of accommodations, transportation, tourism, sports activities, etc.

With the registration of the island as a World Heritage Site, it is expected that the number of visitors and tourists from Japan and abroad will increase.

Through these projects, we intend to contribute to the prosperity of the local community by further enhancing tourism in Sado.

That concludes my explanation.