

Sun Frontier Fudousan Co., Ltd

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

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

February 6, 2025



SUN FRONTIER

Securities Code : 8934

I am Hirahara, General Manager of Corporate Planning Department.
I will provide an overview of the performance summary up to page 12.

Overview of the Results for FY2025/3 3Q



Stock-type businesses such as the Real Estate Service Business and the Hotel Operation Business achieved record-high profits. Property sales are concentrated in the fourth quarter, and the full-year performance is expected to meet the initial forecast.

(Unit: million yen)

	Results	Profit margin	Year-on-year	Growth rate	Forecast	Achievement rate
					(disclosed on Feb. 8, 2024)	
Net sales	60,501	—	-1,756	-2.8%	100,000	60.5%
Operating profit	11,970	19.8%	-2,192	-15.5%	20,870	57.4%
Ordinary profit	11,414	18.9%	-2,488	-17.9%	20,000	57.1%
Profit**	7,855	13.0%	-1,889	-19.4%	14,000	56.1%

*The profit attributing to owners of parent.

Performance Highlights

- As of the announcement date, the progress rate of gross profit against the full year forecast is over 90% including the properties that are contracted and will be settled within this fiscal year.
- In the Replanning Business, the number of properties sold increased by two from the same period last year. Progress is as planned, as disclosed at the beginning of the fiscal year. A large number of settlements are scheduled in the fourth quarter.
- In the Real Estate Service Business, each segment achieved record-high profits by securing new clients and expanding the use of services by existing customers.
- In the Hotel Operation Business, it continued to capture the recovery of domestic travel demand and the expansion of inbound demand, achieving both high occupancy rates and high profitability.
- In the Hotel Development Business, the sale of properties is scheduled for the fourth quarter. Steady progress has been made in M&A, acquisition of land for hotel development and construction.

First, let me discuss the full-year outlook.

Our group, which celebrated its 25th anniversary last April, achieved a record-high ordinary profit of 17.3 billion yen for the fiscal year ended March 2024.

In contrast, as of the end of the third quarter of the current fiscal year, progress in sales and profits against the initial forecast was approximately 60%, as shown in the table on the right.

Additionally, considering the performance of the fourth quarter, which saw a concentration of property sales as of yesterday, we expect to achieve the full-year profit level as initially forecasted.

This fiscal year, being the final year of the current mid-term plan, is positioned as a touchstone for sustainable growth as we move towards the next mid-term plan starting this April.

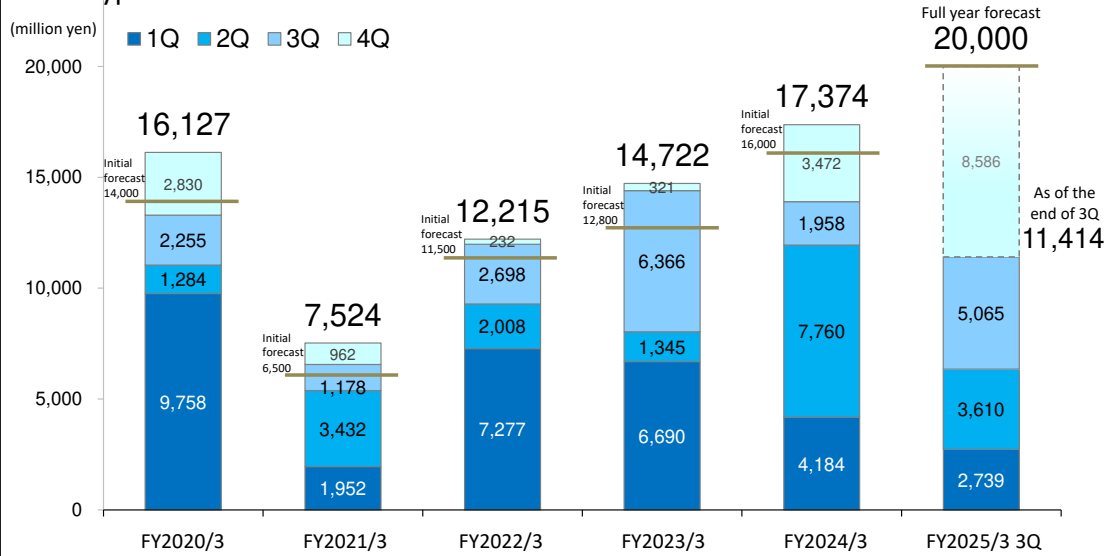
While taking this opportunity to express our gratitude to our stakeholders, we will continue to strive to solve social issues and maximize the corporate value of our group based on our management philosophy.

The performance highlights at the bottom will be explained on the following pages.

Trends in Ordinary Profit for the past 5 fiscal years



Property sales scheduled in the fourth quarter have almost progressed as planned. The annual forecast is expected to be achieved when combined with well-performing stock-type businesses.



As you can see, quarterly ordinary profits vary significantly, reflecting the circumstances of the parties involved in transactions and market conditions. However, please note that we have consistently met our full-year forecasts, even during the COVID-19 pandemic, and have achieved steady growth year by year.

Furthermore, as shown in the graph, we expect to achieve the full-year forecast for the fourth quarter of this fiscal year

Consolidated Income Statement



(Unit: million yen)

	FY2024/3 3Q	FY2025/3 3Q	YoY increase/decrease	YoY change rate
Net sales	62,258	60,501	-1,756	-2.8%
Real Estate Revitalization Business	39,037	38,305	-732	-1.9%
Replanning Business	37,118	36,343	-774	-2.1%
Rental Buildings Business	1,919	1,961	42	2.2%
Real Estate Service Business	7,766	9,279	1,513	19.5%
Hotel and Tourism Business	14,352	12,502	-1,849	-12.9%
Hotel Development Business	5,270	275	-4,994	-94.8%
Hotel Operation, etc	9,082	12,227	3,144	34.6%
Other Business	1,786	1,357	-428	-24.0%
Adjustments	-683	-942	-259	-
Gross Profit (Loss)	20,620	19,445	-1,174	-5.7%
Real Estate Revitalization Business	12,421	11,890	-530	-4.3%
Replanning Business	11,954	11,686	-267	-2.2%
Rental Buildings Business	467	204	-263	-56.3%
Real Estate Service Business	4,290	4,589	298	7.0%
Hotel and Tourism Business	4,095	3,230	-865	-21.1%
Hotel Development Business	2,200	109	-2,090	-95.0%
Hotel Operation, etc	1,895	3,120	1,225	64.6%
Other Business	238	328	89	37.3%
Adjustments	-425	-592	-167	-
Selling, General and Administrative Expenses	6,457	7,475	1,017	15.8%
Operating Profit (Loss)	14,163	11,970	-2,192	-15.5%
Ordinary Profit (Loss)	13,902	11,414	-2,488	-17.9%
Profit	9,744	7,855	-1,889	-19.4%
EPS	200.76 yen	161.73 yen	-39.03 yen	-19.4%

Keynotes of Income Statement

<Real Estate Revitalization Business>

The number of properties sold was 22, an increase of 2 compared to the same period last year (including 2 small-lot properties). Including properties that are contracted and scheduled to be settled in the fourth quarter, the gross profit is expected to meet the performance forecast.

<Real Estate Service Business>

Achieved record-high results in the first nine months of the fiscal year by winning new customers through property management contracts and sales brokerage, while strengthening proposals of sub-leases to existing customers.

<Hotel and Tourism Business>

Boosted by strong inbound demand, Hotel Operation maintained a high occupancy rate and saw significant growth in both sales and profit. Hotel Development has property sales scheduled for the fourth quarter.

<Selling, General and Administrative Expenses>

Progressed according to plan. Increased YoY due to personnel costs from human capital investment and depreciation due to investment in operations, systems and M&A.

Next, I will explain four points regarding the consolidated income statement.

First, as shown in the top right of the screen, the replanning business, which accounts for 60% of consolidated sales, is expected to achieve the full-year forecast while maintaining a profit margin of 30%, considering the outlook for the fourth quarter.

Second, the real estate services business has demonstrated synergies within the group, with both scale and profits growing steadily, particularly in the conference room rental and property management businesses.

Third, in the hotel and tourism business, the operations have captured both inbound and domestic demand, significantly increasing occupancy rates and room rates, resulting in a 34% increase in sales and a 64% increase in gross profit compared to the same period last year.

Fourth, regarding selling, general, and administrative expenses, we have continued to focus on human capital investment to attract and retain talented personnel amid the current competitive landscape for talent acquisition.

Consolidated Balance Sheet



- Assets -

<Cash and deposits> Decreased by 9.8 billion yen from the end of the previous fiscal year due to property purchases and construction progress, tax payments and dividends.

<Inventories> Increased by 18.8 billion yen from the end of the previous fiscal year due to purchases and construction of RP properties, small-lot products and land for hotel development.

<Non-current assets> Increased by 5.5 billion yen from the end of the previous fiscal year due to land acquisition, construction progress for hotel development, and M&A.

(Unit: million yen)	As of End of March 2023	As of End of March 2024	As of End of December 2024	Increase/decrease (compared to the End of March 2024)
Current assets	125,886	159,518	169,154	+9,636
Cash and deposits	42,016	47,867	37,969	-9,898
Inventories	80,182	106,869	125,760	+18,890
Breakdown) RP※	70,327	95,927	106,570	+10,643
Hotel	9,750	9,545	16,981	+7,435
Overseas, etc.	105	1,398	2,208	+811
Other current assets	3,688	4,780	5,423	+643
Non-current assets	26,633	29,143	34,709	+5,566
Property, plant and equipment	20,410	22,323	24,835	+2,511
Intangible assets	815	1,193	2,366	+1,172
Investments and other assets	5,406	5,626	7,508	+1,882
Total assets	152,519	188,661	203,864	+15,202

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

The total assets increased by 15.2 billion yen compared to the end of the previous fiscal year, reaching 203.8 billion yen, surpassing the 200 billion yen mark for the first time.

The main components of this increase include a reduction in cash and deposits by 9.8 billion yen, while inventory assets increased by 18.8 billion yen due to strong procurement and M&A activities, and fixed assets increased by 5.5 billion yen.

Consolidated Balance Sheet - Liabilities/Equity -



<Interest-bearing debt> Increased by 9.1 billion yen due to borrowings for property purchases.
A total of interest-bearing debt is 88.6 billion yen.

<Equity ratio> Maintained a high level of 46.7 % while actively investing.

Changes of Equity Ratio

As of End of March 2023	As of End of March 2024	As of End of September 2024
52.9%	48.0%	46.7%

(Unit: million yen)	As of End of March 2023	As of End of March 2024	As of End of December 2024	Increase/decrease (compared to the End of March 2024)
Current liabilities	16,363	24,767	22,685	-2,081
Short-term borrowings, etc.	5,492	12,269	9,539	-2,730
Other current liabilities	10,871	12,497	13,146	+648
Non-current liabilities	52,190	69,477	82,209	+12,732
Long-term borrowings	50,170	57,272	69,109	+11,837
Bonds payable	0	9,999	9,999	+0
Other non-current liabilities	2,019	2,205	3,100	+894
Total liabilities	68,553	94,244	104,895	+10,650
Shareholders' equity	80,430	89,889	94,641	+4,751
Other	3,535	4,526	4,327	-199
Total net assets	83,965	94,416	98,968	+4,552
Total liabilities and net assets	152,519	188,661	203,864	+15,202

On the other hand, in terms of liabilities and net assets, interest-bearing debt increased by 9.1 billion yen compared to the end of the previous fiscal year, reaching 88.6 billion yen.

As shown in the table at the top right, the equity ratio remains high at 46.7%, though it has slightly decreased, still maintaining a safe level.

Looking ahead, we aim to balance financial soundness with appropriate leverage, anticipating further conversion of convertible bonds into equity, thereby enhancing capital efficiency.

Our financial institutions have consistently rated our group's financial health and strict procurement standards highly. Leveraging this investment capacity, we will continue to pursue proactive growth investments.

Performance for Each Business Segment

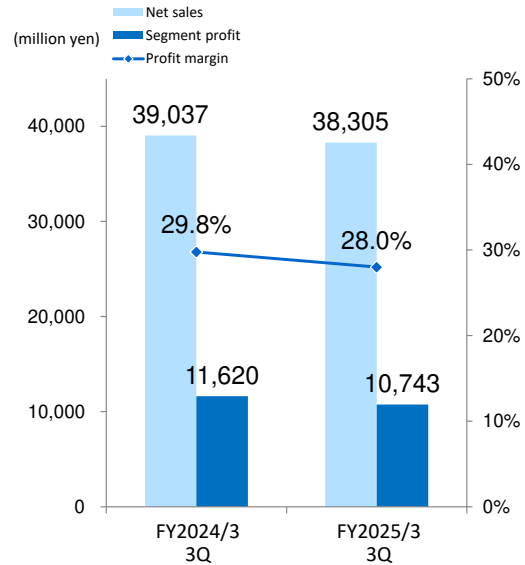


Real Estate Revitalization Business (Replanning and Rental Buildings)

<Replanning Business>

- The total number of properties sold this term is 22 (including 2 small-lot properties). Although both revenue and profit decreased compared to the same period last year, including properties that are contracted and scheduled to be settled within this term, the performance forecast is expected to be met.
- The average business period was 655 days (-45 days YoY). Excluding one new property (1,877 days) and one long-term property (1,911 days), the average was 509 days.

(Unit: million yen)	FY2024/3 3Q	FY2025/3 3Q	Increase/ decrease
Net sales	39,037	38,305	-1.9%
Replanning Business	37,118	36,343	-2.1%
Rental Building Business	1,919	1,961	+2.2%
Segment profit ^{※1}	11,620	10,743	-7.5%
Replanning Business	11,152	10,539	-5.5%
Rental Building Business	467	204	-56.3%
Profit margin	29.8%	28.0%	-1.7%pt
Replanning Business	30.0%	29.0%	-1.0%pt
Rental Building Business	24.4%	10.4%	-13.9%pt
Number of properties sold	20 cases	22 cases	+2 cases
Number of stocks	61 cases^{※2}	70 cases^{※2}	+9 cases



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

Next, let's discuss the performance by business segment.

The core replanning business has experienced a decline in both revenue and profit compared to the same period last year up to the third quarter. However, considering the outlook for the fourth quarter, we expect to maintain a profit margin in the 30% range and achieve the initial forecast.

Performance for Each Business Segment



Real Estate Revitalization Business

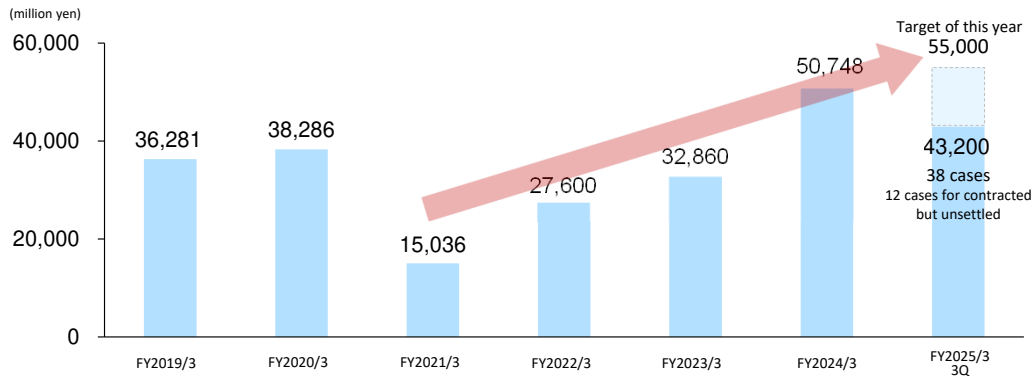
<Property purchases of Replanning Business > ※

The purchase amount, including contracted but unsettled properties, is 43.2 billion yen.

Steady progress toward the full-year purchase target of 55 billion yen.

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

(Unit: million yen)	FY2024/3 3Q	FY2025/3 3Q	Increase/ decrease
Number of property purchases	33 cases	38 cases	+5 cases
(of which, contracted and unsettled)	4 cases	12 cases	+8 cases
Purchase amount	43,118	43,000	+82
(of which, contracted and unsettled)	6,920	18,371	+11,451



Regarding the purchase of replanning properties, we have accumulated levels nearly matching last year's record high.

We will continue to strengthen our comprehensive purchase capabilities, both individually and organizationally, in the office division without relaxing our purchasing standards.

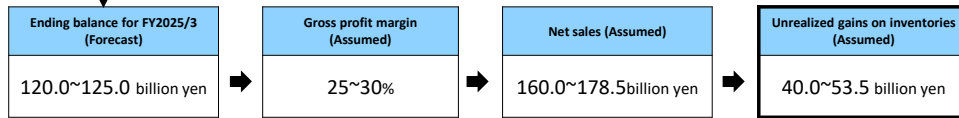
Trends in Inventories and Gross Profit of Property Sales



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

	FY2021/3 (Results)	FY2022/3 (Results)	FY2023/3 (Results)	FY2024/3 (Results)	FY2025/3 (Forecast)
Sales of properties	45.1 billion yen	57.0 billion yen	61.7 billion yen	53.7 billion yen	70.0 billion yen
Cost of property sales	33.1 billion yen	40.3 billion yen	44.9 billion yen	36.1 billion yen	49.0 billion yen
Gross profit ※	12 billion yen RP 9.2 billion yen Hotel 2.8 billion yen	16.7 billion yen RP 16.0 billion yen Hotel 0.7 billion yen	16.8 billion yen RP 15.3 billion yen Hotel 1.5 billion yen	17.6 billion yen RP 15.5 billion yen Hotel 2.1 billion yen	21.0 billion yen RP 20.0 billion yen Hotel 1.0 billion yen
Gross profit margin	26.6%	29.2%	27.2%	32.8%	30.0%
Purchases during the fiscal year, construction work, etc.	27.4 billion yen	31.6 billion yen	47.7 billion yen	62.8 billion yen	62.2~67.2 billion yen
Ending balance of the inventory	86 billion yen	77.3 billion yen	80.1 billion yen	106.8 billion yen	120.0~125.0 billion yen

Affected by COVID-19, both net sales and purchase decreased, and causing the decrease of the balance of inventories. .
 Although COVID-19 prolonged, sales were good. Started refocusing on purchases, but the balance of inventories declined.
 Sales remained strong. The results of strengthening purchase emerged, leading to the increase of the balance of inventories.
 Increase in the balance by selling as planned and investing aggressively.
 Aggressively invest for the next fiscal year and beyond while selling at high margins and achieving the Medium-Term Management Plan



※ Gross profit = ordinary profit - sales commission

Here are the actual and projected gross profits associated with inventory assets and property sales.

As you can see, including the outlook for this fourth quarter, we have consistently expanded our operations while maintaining high profit margins. This demonstrates our strong track record and high feasibility for future growth.

Performance for Each Business Segment

Real Estate Services Business

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



<Property Management and Building Maintenance>

- In PM Business, both sales and profit increased due to an increase in the number of buildings under management.
- In BM Business, both sales and profit increased due to price revisions and efforts to improve added value in addition to increasing the number of managed buildings, while controlling cost increases associated with inflation.

<Brokerage>

- Leasing brokerage was flat compared with the same period of the previous year.
- In Sales Brokerage, in addition to winning referral contracts, the Brokerage Business for Taiwanese clients by Sun Frontier Fudousan Taiwan, a group company, grew and led to increased sales and profit.

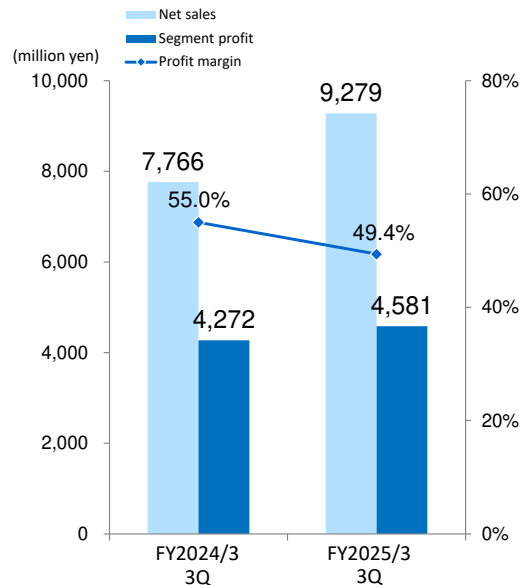
<Rental Conference Room>

- Despite an increase in sales due to the expansion of operations from new openings and increased orders for long-term and large-scale events from repeat customers, profit decreased due to increased start-up preparation expenses..

<Rent Guarantee>

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

(Unit: million yen)	FY2024/3 3Q	FY2025/3 3Q	Increase/ decrease
Net sales	7,766	9,279	+19.5%
Segment profit ^{※1}	4,272	4,581	+7.2%
Profit margin	55.0%	49.4%	-5.6%pt



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

The real estate services business is integrally linked with the replanning business, forming a complementary relationship that provides a high-value, one-stop value chain platform within our group.

Although the segment profit margin deteriorated by 5 percentage points compared to the same period last year due to upfront investments in the conference room rental business, we have expanded our operations with a 19% increase in sales and a 7% increase in profits, based on the trust of our clients, including property owners.

Performance for Each Business Segment



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

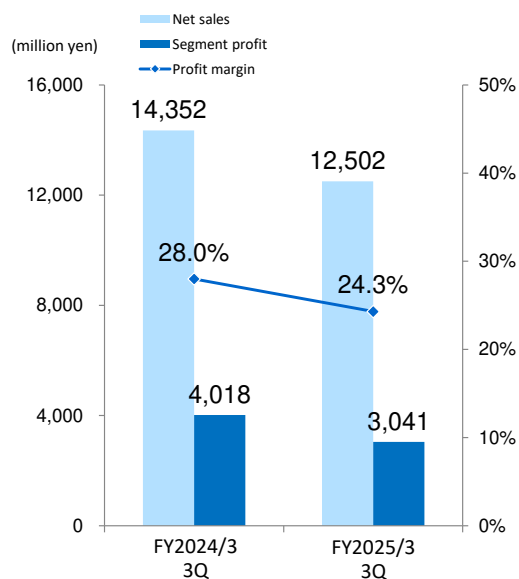
<Hotel Development Business>

- Both sales and profit decreased due to the impact of the sale of one hotel in the same period last year.
- We acquired land in Nago, Okinawa. Construction in Ishikari and Kakogawa has also progressed smoothly. Furthermore, construction in Kumamoto is scheduled to commence in January, etc. Many development projects are in progress.

<Hotel Operation Business*1>

- The number of hotels increased due to M&A. Both sales and profit increased due to the continued recovery of travel demand and effect of inbound demand, as well as increases in occupancy rates and average daily rates.

(Unit: million yen)	FY2024/3 3Q	FY2025/3 3Q	Increase/ decrease
Net sales	14,352	12,502	-12.9%
Hotel Development Business	5,270	275	-94.8%
Hotel Operation Business, etc.	9,082	12,227	+34.6%
Segment profit ※2	4,018	3,041	-24.3%
Hotel Development Business	2,123	20	-99.1%
Hotel Operation Business, etc.	1,895	3,021	+59.4%
Profit margin	28.0%	24.3%	-3.7%pt
Hotel Development Business	40.3%	7.3%	-33.0%pt
Hotel Operation Business, etc.	20.9%	24.7%	+3.8%pt



※1 There is Profit of Hotel Rental included.

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

In the development segment of our hotel and tourism business, we are targeting 10,000 rooms by identifying and carefully selecting locations that align with our business model.

We had anticipated the sale of one property in our initial performance forecast and will continue to focus on completing this within the current fiscal year.

Meanwhile, the operations segment performed so well that it achieved the full-year outlook by the third quarter. As a result, segment profits increased by 1.1 billion yen compared to the same period last year, reaching 3 billion yen.

Although the business environment remains challenging due to labor shortages, we will continue to create "warm and enjoyable hotels" that contribute to regional revitalization in collaboration with local residents.

Performance for Each Business Segment



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

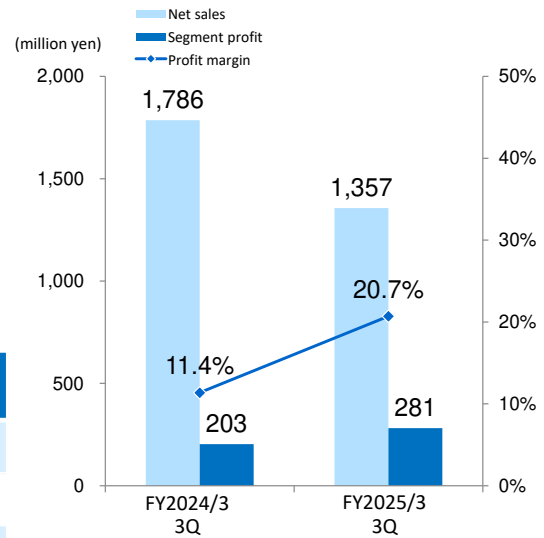
<Construction Business>

- Profits increased due to improvements in profit margins on large projects and other factors.

<Overseas Development Business>

- The second condominium project in Vietnam (HIYORI Aqua Tower), which started constructing in August 2024, is scheduled to be completed in Autumn 2026.

(Unit: million yen)	FY2024/3 3Q	FY2025/3 3Q	Increase/ decrease
Net sales	1,786	1,357	-24.0%
Segment profit ^{*1}	203	281	+38.3%
Profit margin	11.4%	20.7%	+9.3%pt



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

Lastly, in the construction business, despite the challenging business environment due to rising inflation rates and the impact of the 2024 problem, we will further tighten profitability measures for each project.

In our overseas development business in Vietnam, the second development project, HIYORI Aqua Tower, is scheduled for completion in the fall of 2026. We will continue to contribute to the regional development of Vietnam and bring smiles, joy, and happiness to the local community.