

Sun Frontier Fudousan Co., Ltd. Business Report Shareholder Newsletter 2024

Fiscal Year Ended March 31, 2024

Stock Code: 8934



SUN FRONTIER

To our Shareholders

Summary of 25th Fiscal Year

Driven by the Real Estate Revitalization Business, Operating Income, Ordinary Income, and Net Income Hit Record Highs.

We hope that things are going well with all of our shareholders, and would like to express our sincere gratitude for your continued patronage.

In the business environment surrounding our group during the 25th fiscal year, the Japanese economy emerged from the three-and-a-half-year-long COVID-19 crisis, and wages and prices began to show signs of a virtuous cycle. In addition, the Bank of Japan has lifted its negative interest rate policy, shifting from a deflationary mindset to a Goldilocks economy with inflationary expectations. On the other hand, the global economy remains unpredictable due to prolonged high inflation and high interest rates in the U.S. and Europe, as well as concerns such as the sharp depreciation of the yen and geopolitical risks.

Amid this business environment, the company's performance for the fiscal year under review was driven by the strong performance of the real estate revitalization business, which in turn was fueled by the smooth sales of high-occupancy, high-value buildings resulting from the replanning of properties in the core downtown office business, with close collaboration among all departments. In addition, the real estate service business saw steady growth in earnings.

Furthermore, the sale of hotels in the hotel development business and the improvement in the performance of the hotel operation business due to the favorable demand from foreign visitors to Japan and other factors accelerated. As a result, the company's performance for the fiscal year under review saw a 3.5% decrease in sales from the previous fiscal year, but operating income increased 18%, ordinary income rose 18%, and net income grew 3%, reaching record highs.

Increased the Year-End Dividend.

The year-end dividend for the 25th fiscal year was 32 yen/share, up 6 yen/share (including the 25th anniversary commemorative dividend of 2 yen) from the initial forecast of 26 yen/share, with the annual dividend including the interim dividend being 58 yen/share, up 10 yen/share from 48 yen/share for the previous fiscal year. As a result, the company has continued to increase its dividend for 11 consecutive years, aside from the fiscal year ended March 2021, when the dividend was maintained at the same level as the year before. In addition, the dividend forecast for the next fiscal year is 33 yen/share for both the interim and year-end dividends, for a total of 66 yen/share. The company will continue to strive to increase the corporate value of the entire group, achieve profit growth, and return profits in a sustainable and stable manner in order to meet the support and expectations of shareholders.

The 26th Fiscal Year, the Final Year of the Current Medium-Term Management Plan

In the current 26th fiscal year (ending March 2025), our group has entered the final year of its current medium-term management plan. Our group is aiming for

quantitative targets of sales of 100 billion yen, an operating income of 20 billion yen, and a net income of 14 billion yen, all of which are record highs for the company. Although this is an uncharted territory for our group, we will definitely achieve these goals through the strength of our employees that we have cultivated over the past 25 years since our founding and the business foundation we have steadily built. Our 26th fiscal year will lead to growth and contribution in the following years.

Long-Term Vision 2035 and Next Medium-Term Management Plan Established to Achieve a Sustainable Growth Path

Our group has formulated the "Long-Term Vision 2035" as our ideal vision in 10 years and the next medium-term management plan to realize it (please refer to pp. 3-4 for details). We will clearly define our future strategies early on, unify the wills of the entire group, and achieve a sustainable growth trajectory toward the realization of our management philosophy.

Contributing to the Realization of a Sustainable Society

In these turbulent times, the business environment is changing rapidly. However, our group will always strive to sincerely carry out our business with the spirit of altruism, which is our corporate philosophy, in order to help solve social issues. Then, we are determined to contribute to the realization of a sustainable society.

We would like to ask for the continued support and encouragement of our shareholders.



June, 2024
Sun Frontier Fudousan Co., Ltd.
President Seichi Saito

Consolidated Business Report (Performance Highlights)

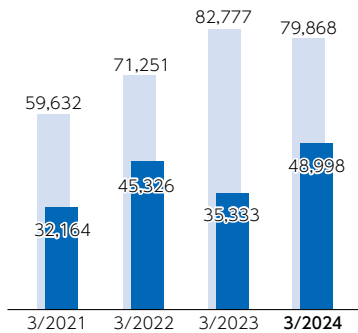
Points of Consolidated Financial Results

- In the real estate revitalization business, our company's core business, property sales progressed steadily this fiscal year as well. The business maintained a high segment profit margin (30.6%) while driving overall corporate performance strongly. The amount of purchase have exceeded 50 billion yen for the first time, and our company is steadily accumulating inventory assets that will contribute to revenue generation in the following fiscal years.
- The hotel operation business made rapid progress in improving its performance, partly due to the demand from foreign visitors to Japan. In the hotel development business, we completed the sale of one hotel at the end of April and recorded development profit. In addition, in anticipation of future growth, we are promoting numerous development projects nationwide and steadily building the foundation for future business.

Variations in Sales and Profit/Loss

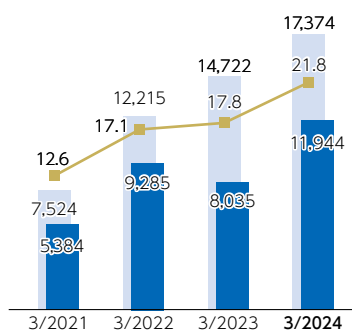
■ Net Sales (million yen)

■ Year-end ■ Interim



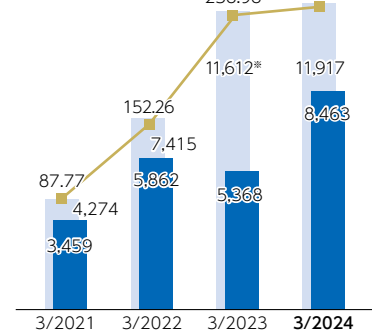
■ Ordinary Profit (million yen) • Ordinary Profit Ratio (%)

■ Year-end ■ Interim
■ Ordinary Profit Ratio



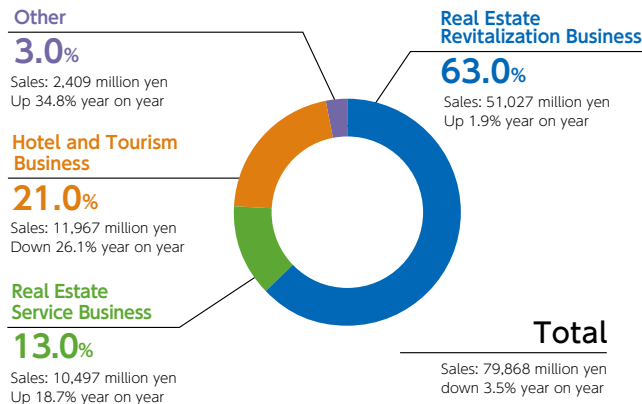
■ Profit attributable to owners of parent (million yen) • Net income per share (¥)

■ Year-end ■ Interim
■ Net income per share



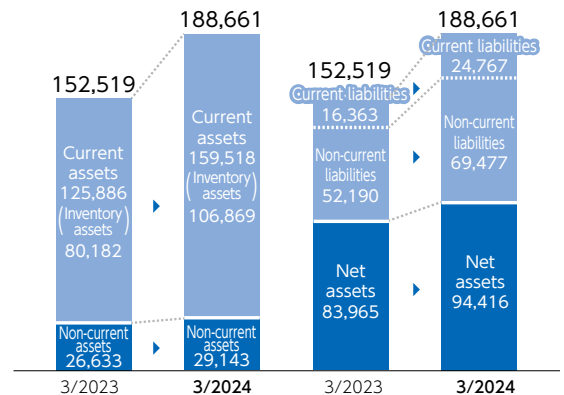
*In the fiscal year ended March 2023, profit grew significantly, thanks to unique positive factors such as the reduction in taxable income resulting from the deficit carried forward through the recovery of the hotel and tourism business and the tax effect from the recognition of deferred tax assets.

Composition of Sales by Segment



Summary of Consolidated Financial Statements

(Unit: million Yen)



Announcement of Long-Term Vision 2035 and Formulation of the Next Medium-Term Management Plan

The fiscal year ending March 2025 is the final year of the medium-term management plan, which is to be extended for an extra two years as announced in May 2021, and the outlook for consolidated results is as planned. We forecast net sales of 100,000 million yen (up 25.2% year on year), an operating income of 20,870 million yen (up 18.6% year on year), an ordinary income of 20,000 million yen (up 15.1% year on year), and a profit attributable to owners of parent of 14,000 million yen (up 17.5% year on year).

In addition, we have newly established a long-term vision for 2035, ten years from now, and have formulated the next medium-term management plan, which will end in the fiscal year ending March 2028. By formulating the next medium-term management plan prior to the completion of the medium-term management plan that will end in the fiscal year ending March 2025, we will clearly define our future strategies early on, unify the wills of the entire group, and achieve a sustainable growth trajectory toward the realization of our management philosophy.

Long-Term Vision 2035 (What We Aspire to Be in 10 Years)

Making the Best Use of Limited Resources to Fill the World With Smiles and Excitement!

**Becoming a Corporate Group That Continues to Take on the Challenge
of Creating Future Value**

Next Medium-Term Management Plan (Fiscal Year Ending March 2026 - Fiscal Year Ending March 2028)

**Through Products Guided by Customer Needs and Compassionate Services,
We Will Promote Diversification Through Core Business Collaborations
and Actively Engage in Solving Societal Challenges.**

We will contribute to solving social issues by strengthening our human resource base, expanding our business domain, and increasing opportunities to serve our customers through the diversification of pay-per-use businesses and the stable growth of recurring-revenue businesses.

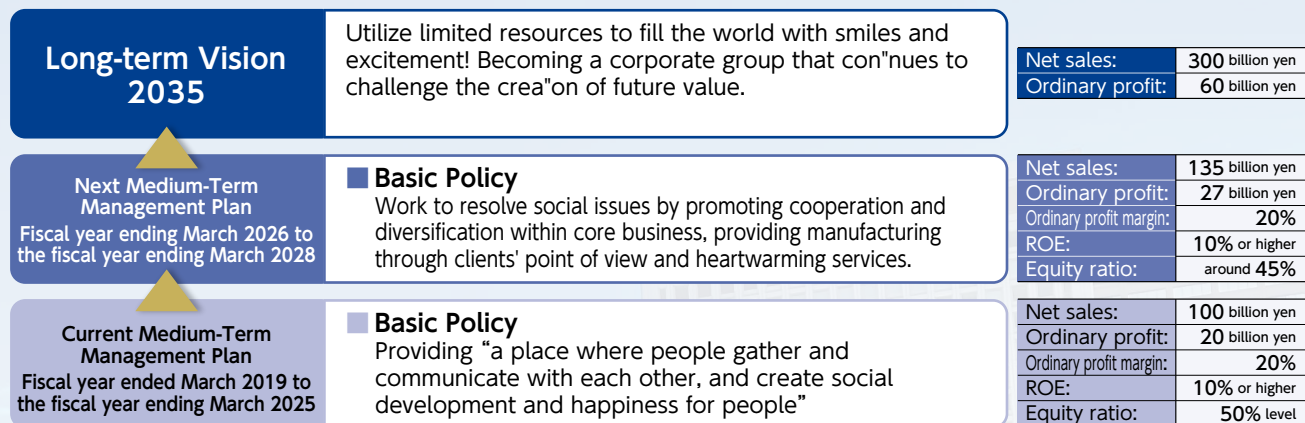
Sales

135 billion yen

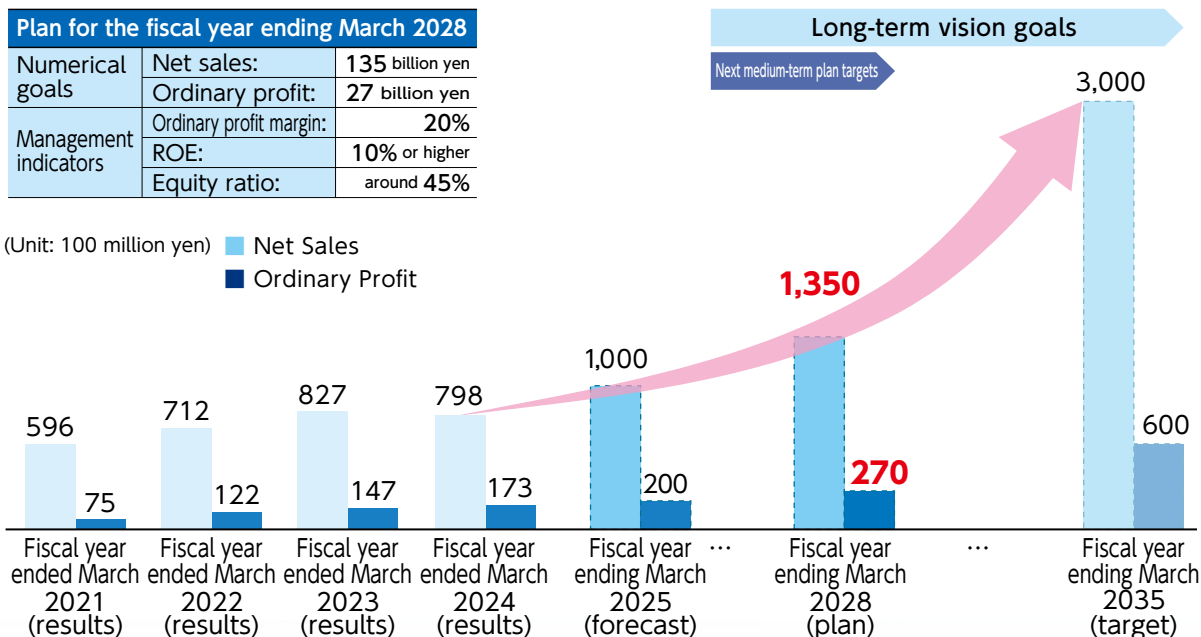
Ordinary income

27 billion yen

Next Medium-Term Management Plan and the Long-Term Vision 2035



We will maintain our high profitability and growth potential while paying attention to financial discipline and investing more aggressively in businesses to ensure capital efficiency.



Business Topics Steadily Advancing the Initiatives in Each Segment

<Meeting Room Rental Business> We opened large-scale facilities in Shinjuku and Shimbashi and accelerated business expansion.

In November 2023, we opened Vision Center Shinjuku Maynds Tower, boasting the largest conference room in the Shinjuku area (total area: 796 tsubo [≒ 2,600 m²]). In February 2024, we opened Vision Center Shimbashi, our first base in the Shimbashi area (total area: 391 tsubo [≒ 1,300 m²]), increasing the total number of rental conference room facilities to 17. We will continue to accelerate our business vigorously.

Shinjuku Maynds Tower▼ Vision Center Shimbashi▼



For more information▼



<New businesses> Launch of employment support business for foreigners in Japan



▲Signing at the Japan-Vietnam Economic Forum

In October 2023, we established SF Human Support Inc. (SFHS) as a consolidated subsidiary to support the employment of foreigners with specialized skills in Japan. Under the promotion of SFHS, we have concluded an MOU with Dong-A University in Da Nang, Vietnam, to strengthen human resource development in both Japan and Vietnam further.

For more information▼



September 2023

October 2023

November 2023

December 2023

<Health-oriented management> Certified as a Tokyo Sports Promotion Company



▲Annual sports camps

The Tokyo Metropolitan Government annually recognizes companies that promote and support sports for their employees as "Tokyo Sports Promotion Companies." We have been recognized for our various efforts to improve employees' health, including the encouraging of various sports club activities and company-wide sports tournaments (sports camps), and received the "Tokyo Sports Promotion Company" designation.

For more information▼



<Hotel Business> Large-scale renovation of Tabino Hotel Express Narita



"Sky Heart Hotel Narita" underwent a major renovation. The hotel reopened under the new "Tabino Hotel" brand. The hotel is conveniently located only 7 minutes by car from Narita Airport and is a specialized lodging hotel ideal for medium/long-term stays.

For more information▼



<Rental Brokerage>

Shimbashi and Ikebukuro branches opened

With a deep commitment to supporting building owners, we have established new branches in Shimbashi, Minato-ku and Ikebukuro, Toshima-ku to strengthen our rental brokerage business, which serves as a key added value source for our core real estate revitalization operations and provide prompt solutions to building management challenges. By fostering closer relationships with our clients

Shimbashi Branch▼



Ikebukuro Branch▼



and addressing all property-related concerns, we aim to establish a deeply rooted presence within each community and expand our branch network to be more locally rooted.

January 2024

February 2024

<M&A>

M&A of Seifutei and Joytel Group Hotels



▲Joytel Hotel Osaka Shinsekai

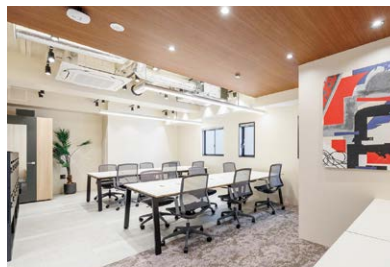
For more information▼



In November 2023, we welcomed Seifutei, a hot spring inn located in Inawashiro-machi, Fukushima Prefecture, and in January 2024, Joytel Group Hotels, which operates five hotels in Osaka and Hyogo Prefectures, into our group through M&A. By strengthening our existing businesses and utilizing M&A strategically, we will further accelerate our growth.

<Construction Solutions>

"AirPlug™" is installed to automatically adjust office air conditioning to the appropriate temperature.



For more information▼



We have decided to introduce the AirPlug™ power solution, developed and manufactured by Aeterlink, into our managed properties. By automatically adjusting the temperature of air conditioning in office buildings using smart sensors, we will improve the comfort of workers and contribute to the promotion of ZEBs (zero energy buildings) and energy savings.

March 2024

<Health-oriented management>

Certified as a "2024 Health and Productivity Management Organization."



2024
健康経営優良法人
Health and productivity

For more information▼



We have been certified as one of the Health and Productivity Management Organizations in 2024. By maintaining and improving our employees' physical and mental health, we aim to make them feel fulfilled in their work and improve their productivity. Encouraged by this certification, we will further strengthen our efforts to maintain and promote the physical and mental health of our employees.

Real Estate
Revitalization Case

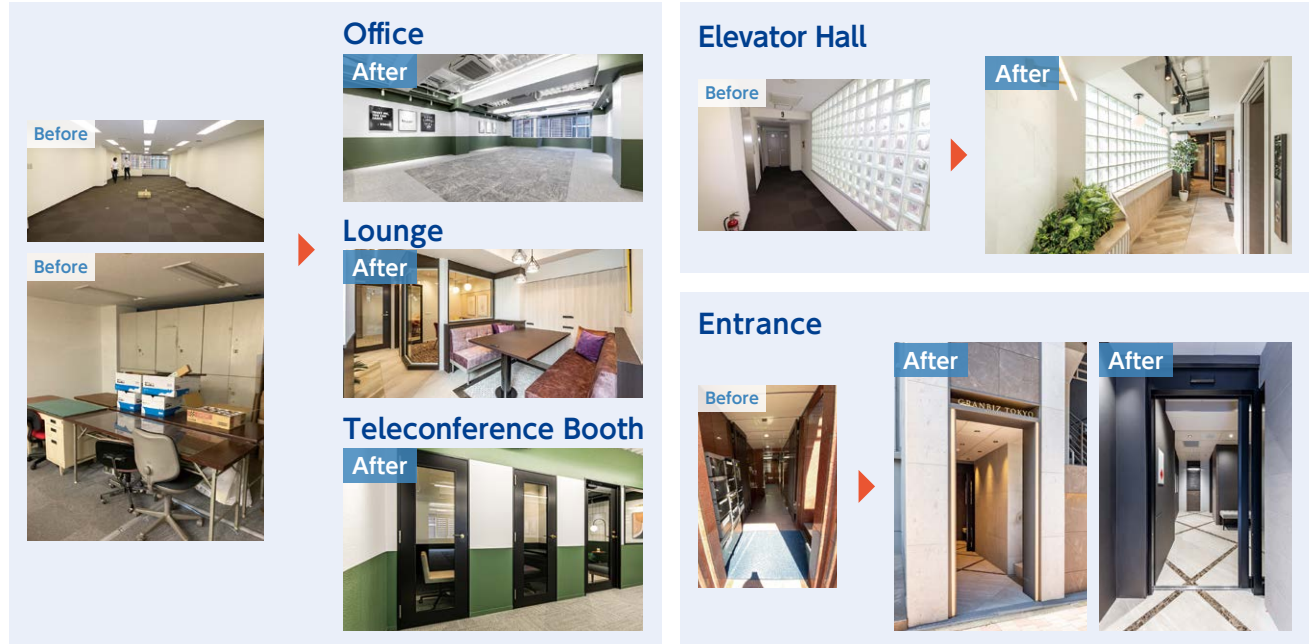
Building for Investment in Nihonbashi

~ We Used Our Revitalization Know-How and Our Ability to Collaborate With Other Businesses to Revitalize Highly Liquid and Legally Compliant Real Estate. ~

The property had been enlarged in the past without proper application procedures, and at the time of our purchase, the building had legal compliance issues and liquidity issues as a real estate asset. Although it was extremely difficult to carry out the work and coordination to rectify the situation while the tenants were still occupying the building, we were able to successfully complete the rectification work through persistent and constructive dialogue with the administrative agencies and the building of close relationships with the tenants by our management department. Finally, we filed an application for an enlargement, and after a completion inspection, we were able to successfully receive an inspection certificate.

This project is an example of our company's unique revitalization expertise, honed through years of experience in reviving small and medium-sized office buildings and our ability to collaborate with various businesses proved invaluable in transforming this property into a highly marketable and compliant asset, effectively reintroducing it to the market for the benefit of society.

In addition, by creating a layout that capitalizes on the shape of the building, this property will be selected for its profitability and rental competitiveness, which will take full advantage of its location in Nihonbashi.



Shareholder Return

Shareholder Special Benefit

Shareholder Benefit Program

We present discount coupons to shareholders listed in our company's shareholder registry as of March 31. Shareholders who hold 500 or more shares and meet the conditions for long-term holding will receive twice the number of discount coupons.

Frequency: Once a year with the record date being **March 31**

Distributed: around **late June**

Clarification of Long-Term Holding Conditions

Previously, the long-term shareholding period was calculated based on the end of the first March after acquiring a single unit of shares or more. The determination was made at the end of each March, and the holding of shares was considered long-term holding from the end of March three years after the acquisition.

Moving forward, long-term shareholding will be recognized for shareholders who have continuously held 500 or more shares under the same shareholder number for at least seven consecutive periods, as recorded in the shareholder register at the end of September and the end of March of each year, and who continue to hold the required number of shares at the end of the first March following qualification. The same applies to shareholders who have continuously held 1,000 or more shares under the same shareholder number for at least seven consecutive periods.

In addition, we have set a transition period until the end of March 2026 to postpone the determination of long-term holding under clarified conditions.

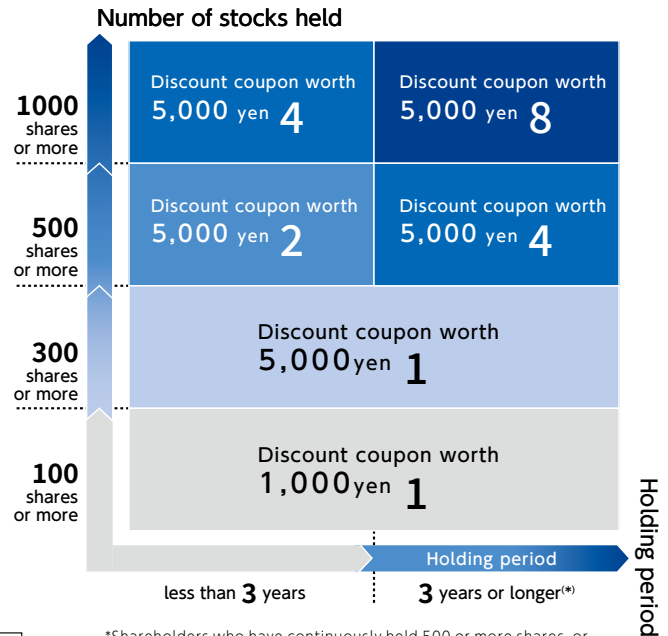
For details, please refer to the two-dimensional barcode on the right or the release on our website dated February 8, 2024.

For more information

https://www.sunfrt.co.jp/news_release/files/2402_0002/240208_04.pdf



Details of Shareholder Benefits



*Shareholders who have continuously held 500 or more shares, or 1,000 or more shares, under the same shareholder number for at least seven consecutive periods, as recorded in the shareholder register at the end of September and the end of March of each year, and who continue to hold the required number of shares at the end of the first March following qualification are eligible for certain benefits.

Hotels offering shareholder benefits

[Seifutei- Inawashiro Bandaisanroku Onsen]
Joined our group through stock acquisition.



▲ Exquisite open-air baths in guest rooms where you can feel the grandeur of nature with all five senses



▲ Spacious and elegant guest rooms where you can spend your precious time in pursuit of comfort

[Tabino Hotel Express Narita]
Reopened after renovation in December 2023.



▲ Guest rooms with natural wood warmth and relaxing color tones



▲ Healthy breakfast buffet featuring delicacies from the mountains and the sea produced in Chiba Prefecture

Measures for Realizing Management with Awareness of Cost of Capital and Stock Prices

In March 2023, the Tokyo Stock Exchange (hereinafter referred to as "TSE") issued a request to TSE Prime Market-listed companies titled "Measures for Realizing Management with Awareness of Capital Costs and Stock Prices" (hereinafter referred to as "the measures"). This request urged companies to "practice management with awareness of capital costs and capital efficiency based on the balance sheet, not just the level of sales and profits on the income statement." In response to the TSE's request regarding the measures, our group will promote the following initiatives primarily to realize management with awareness of capital costs and stock prices, thereby increasing corporate value.

Initiatives

(1) Improve ROE through profit growth by implementing specific measures

We will speed up the PDCA (Plan, Do, Check, Act) process regarding specific measures that will be the driver of ROE improvement, which is a priority for our group.

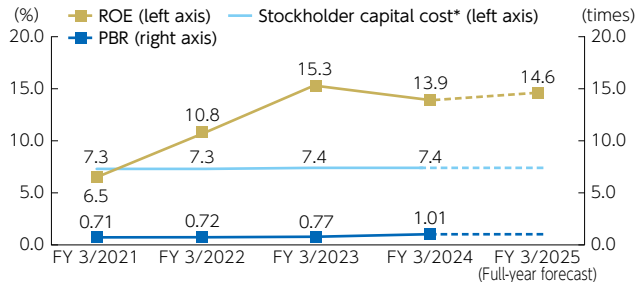
(2) Strengthen IR activities

We will further enhance dialogue in the capital markets and strive to improve capital efficiency further.

For more information

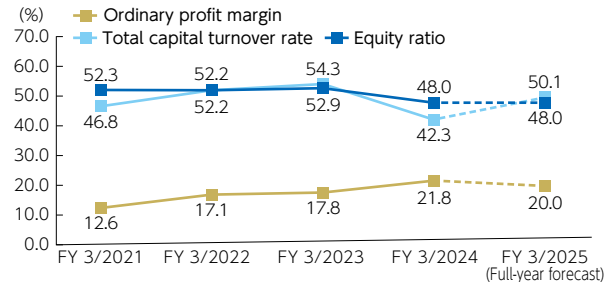


Improved PBR due to improved ROE



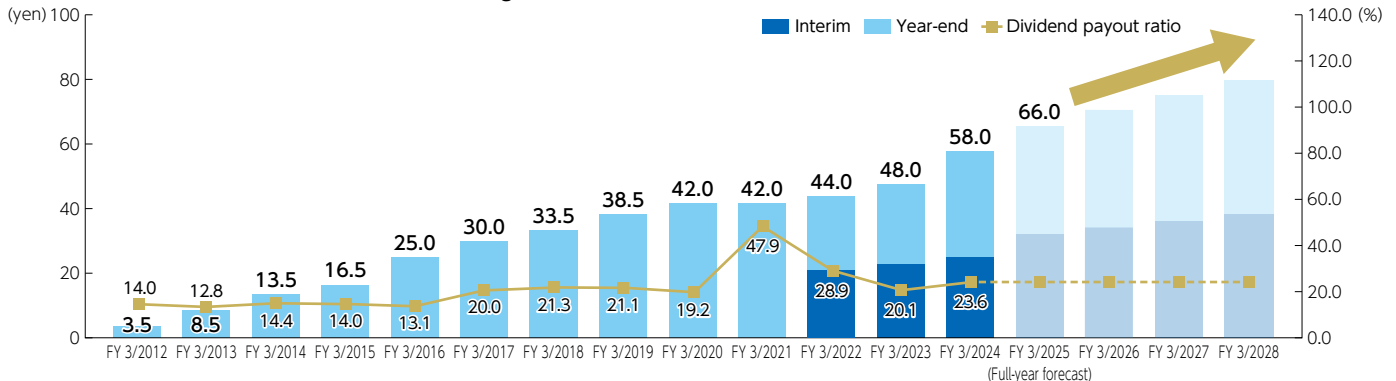
*Calculated using Capital Asset Model. Expected to remain 7-8% from the fiscal year ending March 2025

Ordinary profit margin × Total capital turnover × Equity ratio = ROE improvement



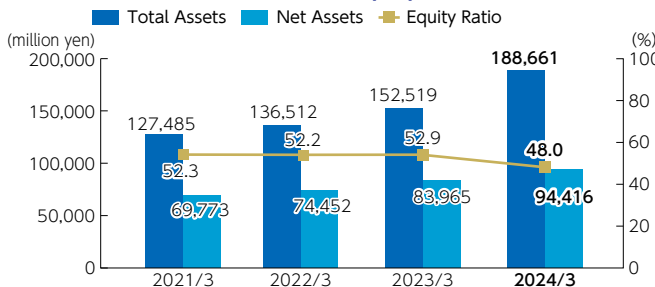
Dividends

The company maintained a dividend increase for 11 years except for the fiscal year ended March 2021, when the same dividend amount was maintained. We will grow our business and continue to increase dividends.

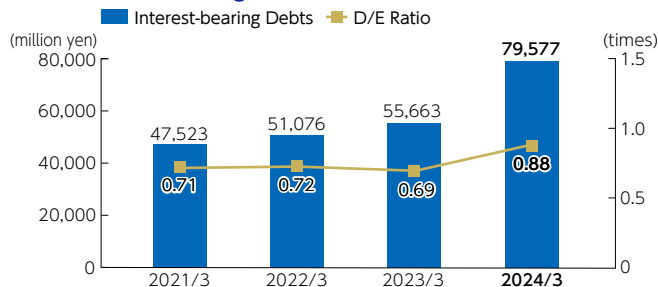


Financial Highlights

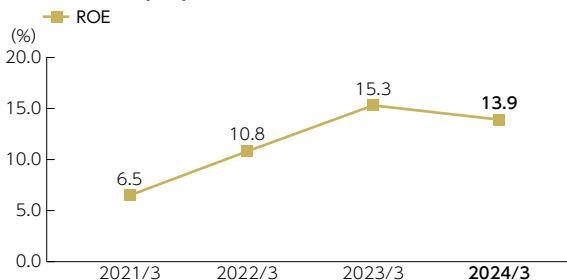
Total Assets, Net Assets, Equity Ratio



Interest-bearing Debts • D/E Ratio*1



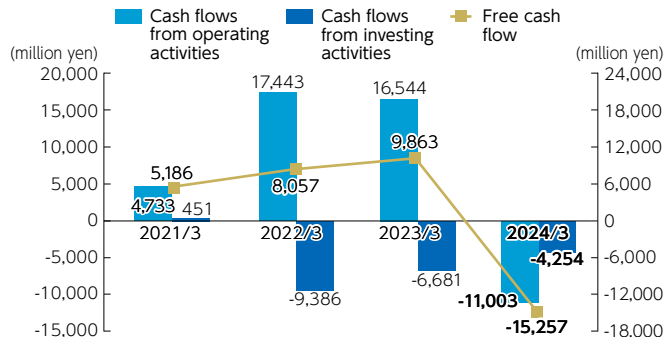
Return on Equity (ROE)*2



*1 D/E ratio is calculated by interest-bearing debts / equity capital, and is an indicator of financial soundness.

*2 ROE is calculated by net income/equity capital (average of year beginning and ending) × 100, and is an indicator for capital efficiency.

Cash Flows



Please refer to our homepage for the detailed financial information.



Notice of the Resolutions at the 25th Annual General Meeting of Shareholders

Please be informed that the following matters were reported and resolved at the 25th Annual General Meeting of Shareholders held on June 25, 2024.

Matters to be reported

- Business report, Consolidated Financial Statements for the 25th Fiscal Year (April 1, 2023 to March 31, 2024) and results of audits of the Consolidated Financial Statements by the Accounting Auditors and the Audit & Supervisory Committee
- Non-consolidated Financial Statements for the company's 25th Fiscal Year
This matter was reported as described in 1 and 2.

Matters to be resolved

Proposal No. 1: Partial amendment to the Articles of Incorporation
The matter was approved and passed as proposed.

Proposal 2 Election of Eight (8) Directors who are not Audit & Supervisory Committee members

Eight Directors, Tomoaki Horiguchi, Seiichi Saito, Izumi Nakamura, Yasushi Yamada, Mitsuhiro Ninomiya, Kenji Honda, and Keiichi Asai (all reappointed) and Koichi Ishimizu (newly appointed) were elected as proposed and assumed office respectively. Keiichi Asai and Koichi Ishimizu are outside directors.

Proposal No. 3: Election of Three Directors as Audit and Supervisory Committee members
Three Directors, Shinichi Tominaga (reappointed), Kazutaka Okubo (newly appointed), and Kyoko Edahiro (newly appointed) were elected and assumed their respective positions as proposed. Kazutaka Okubo and Kyoko Edahiro are outside directors.

Proposal No. 4: Election of one director as a substitute Audit and Supervisory Committee member

Mr. Fumio Tsuchiya (reappointed) was elected as proposed. Mr. Tsuchiya is a substitute Outside Director and a member of the Audit and Supervisory Committee.

Corporate Information

(As of March 31, 2024)

Share Information

Total number of authorized shares	91,200,000
Total number of shares issued	48,755,500
Number of shareholders	14,404

Major Shareholders (Top 10)

Shareholder name	Number of shares held	Shareholding Ratio*
Houou	18,507,500	38.02
The Master Trust Bank of Japan, Ltd. (Account in trust)	3,524,500	7.24
Tomoaki Horiguchi	2,478,396	5.09
Custody Bank of Japan, Ltd. (Account in trust)	2,037,100	4.18
THE BANK OF NEW YORK MELLON 140044	892,400	1.83
DFA INTL SMALL CAP VALUE PORTFOLIO	477,700	0.98
Keiko Horiguchi	416,500	0.86
Sun Frontier Employee Stock Ownership Association	416,000	0.85
JPMorgan Chase & Co	374,851	0.77
SSBTC CLIENT OMNIBUS ACCOUNT	354,057	0.73

* Numbers displayed are rounded off to the second decimal place. Shareholding ratio is calculated by subtracting the treasury stock (74,908 shares). The calculation for shareholding ratio includes the 128,300 shares of our company held by Mizuho Trust & Banking as a trust account according to the Japanese Employee Stock Ownership Plan (J-ESOP).

Shareholder Memo

Fiscal year	From April 1 to March 31 of the following year
Annual shareholder meeting	June
Date of record	March 31
Announcement listing method	Electronic public notice (the Company homepage) If an electronic public notice is not possible due to accident or any other unavoidable circumstances, the notice will be published in the Nihon Keizai Shimbun.
Shareholder registry	Mizuho Trust and Banking Co., Ltd.
Location for handling this business	1-3-3 Marunoichi, Chiyoda-ku, Tokyo Securities Agency Department, Head Office, Mizuho Trust and Banking Co., Ltd.
Contact address	[Number for inquiries only] ☎ 0120-288-324



Company Overview

Name	Sun Frontier Fudousan Co., Ltd. (Code number: 8934)		
Headquarters	Toho Hibiya Building, 1-2-2, Yurakucho, Chiyoda-ku, Tokyo 100-0006 Tel.+81-3-5521-1301 https://www.sunfrt.co.jp/en/		
Capital	¥11,965 million		
Executives	Chairman Representative Director	Tomoaki Horiguchi	Senior Executive Officer Shuhei Oda
(As of June 25, 2024)	President Representative Director Executive Officer	Seiichi Saito	Senior Executive Officer Kentaro Kawanishi
	Vice President Director Vice President Executive Officer	Izumi Nakamura	Senior Executive Officer Takeshi Hirahara
	Senior Managing Director Senior Managing Executive Officer	Yasushi Yamada	Executive Officer Kenji Wakao
	Managing Director Managing Executive Officer	Mitsuhiro Ninomiya	Executive Officer Hiroyuki Takekawa
	Director Senior Executive Officer	Kenji Honda	Executive Officer Keiichiro Nishimoto
	Outside Director	Keiichi Asai	Executive Officer Hiroyuki Kobayashi
	Outside Director	Koichi Ishimizu	Executive Officer Testya Arai
	Full-time Audit & Supervisory Committee Member	Shinichi Tominaga	Group Executive Officer Keitaro Otomichi
	Outside Director & Supervisory Committee Member	Kazutaka Okubo	Group Executive Officer Kazuyuki Yanagimura
	Outside Director & Supervisory Committee Member	Yukiko Edahiro	

Notice Billboard advertisement now posted at Tokyo Metro Hibiya Station

This ad has visualized Sun Frontier's hope of spreading SUN = radiant vigor (value creation) in local communities.



Location: Near Exit A5 of Hibiya Station on the Tokyo Metro Hibiya Line