

Sun Frontier Fudousan Co., Ltd. Business Report

Interim Shareholder Newsletter 2025

April 1, 2024 to September 30, 2024



Stock Code: 8934



SUN FRONTIER

To our Shareholders

Summary of the First Half of the 26th Fiscal Year

In the first half of the year, the business made steady progress toward achieving the goals in the final year of the current medium-term business plan

We extend our sincere gratitude to our shareholders for their continued support.

During the first half of the 26th fiscal year (April 1, 2024 - September 30, 2024), our group made steady progress toward achieving the goals in the final year of our current medium-term business plan. In the first half of the fiscal year, sales amounted to 36,786 million yen (down 25% year on year, 37% of the full-year forecast), and ordinary income was 6,350 million yen (down 47% year on year, 32% of the full-year forecast). The year-on-year decrease in sales and income is due to the sales of hotels and large office properties in the same period of the previous year, which resulted in higher figures last year. However, the majority of our property sales are scheduled for the second half of this year. Despite slower-than-expected progress in the second quarter, we remain confident of achieving the full-year forecast. In addition, despite the fact that payments haven't been finalized yet, the gross profit from sales (including those based on contracts) as of the time of the financial statement announcement has exceeded 50% of the full-year forecast. In the second half of the year, we will focus on ensuring that we meet the targets set in our current medium-term business plan and build a strong foundation for future growth, aiming to meet the expectations of our shareholders.

Boldly venturing into new areas with the next medium-term business plan and a 10-year perspective in mind

In May of this year, our group announced the Long-term vision 2035, outlining the desired state of our company 10 years from fiscal 2025, along with the next medium-term business plan to achieve this vision. While we aim to achieve the goals of our current medium-term plan in the 26th fiscal year, we are actively pursuing various initiatives with a focus on our next medium-term plan and the next decade. In our office business, we are leveraging digital transformation to strengthen and deepen our collaborative relationships and further enhance our diverse partnerships. Additionally, we have established Sun Frontier Asset Management Co., Ltd. to enter the private real estate investment trust business. In the area of small-lot real estate ownership products, we are refining our real estate utilization techniques by developing

products for a wide range of asset types and areas outside of central Tokyo. In projects such as apartment replanning in New York, U.S., and condominium development in Vietnam, we are ensuring that each project, which is in its initial stages, is firmly on track. We will also be prepared to accelerate growth through mergers and acquisitions and to secure resources for growth in response to soaring construction costs and competition for human resources. Our company will also continue to enhance its comprehensive capabilities by boldly venturing into new areas in order to achieve sustainable, high growth that is not just temporary.

The overarching policy will remain unchanged regardless of the circumstances.

While our group, with all its employees, is fully committed to achieving the numerical targets set for the final year of our current medium-term business plan, we recognize the importance of strengthening our management foundation for the future. We are aware that this will not be an easy challenge and are determined to tackle it. However, as a company that provides value to society, we will not get caught up in short-term figures, but rather focus on growing by being close to our customers, developing useful human resources, and keeping our feet firmly planted on the ground. In addition, we will return the profits we earn from society to our shareholders.

We will continue to strive to meet the expectations of our shareholders by steadfastly adhering to our guiding principle: "We prioritize trust over profit. We strive to transform ourselves, addressing customer concerns from their perspective and exceeding their expectations. We humbly ask for your continued and even greater support and encouragement.



Seiichi Saito
President & CEO

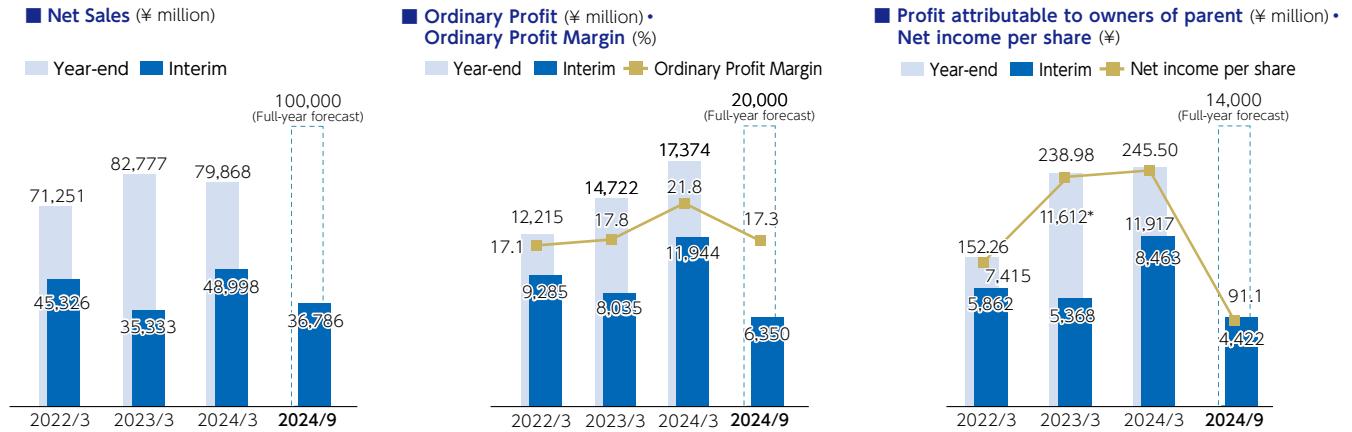
Sun Frontier Fudousan Co., Ltd.
December, 2024

Business Report for the First Half of FY March 2024 (Financial Highlights)

Points of Consolidated Financial Results

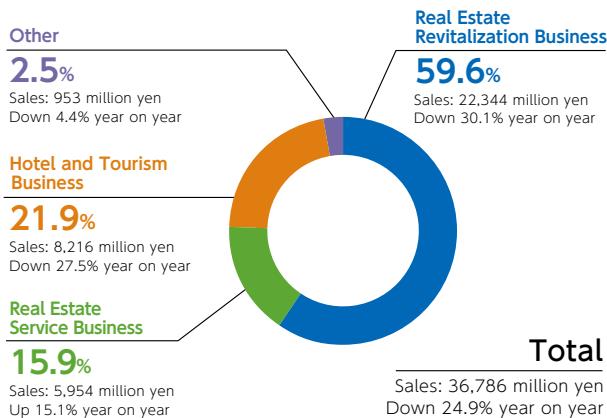
- In the core real estate renovation business, although property sales were in line with the initial plan, both sales and profit decreased compared to the same period of the previous year. That said, as the majority of property sales are scheduled for the second half of this fiscal year, the business is making steady progress toward achieving the full-year target. Furthermore, property acquisitions for future development have been progressing robustly.
- Our hotel and tourism business has experienced significant growth, driven by strong demand from foreign visitors to Japan. In our hotel development business, we are planning to sell properties in the second half of the year. Additionally, we are actively pursuing development plans for numerous hotels across Japan, steadily building a foundation for future growth.

Variations in Sales and Profit/Loss



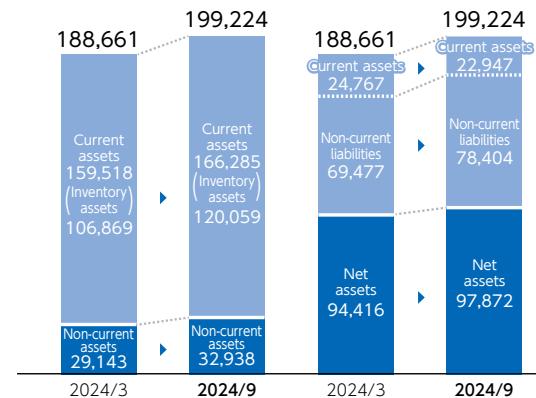
* In the fiscal year ended March 2023, the company recorded significant growth due to the impact of unique positive factors such as the reduction of taxable income due to loss carried forward resulting from the recovery of performance of the hotel and tourism business, and the tax effect of recording of deferred tax assets.

Composition of Sales by Segment



Brief Consolidated Quarterly Statement of Financial Position

[unit: million yen]



Publication of the “Sun Frontier Sustainability Report 2024”

Our company has published the Sun Frontier Sustainability Report 2024, which summarizes our corporate group's sustainability initiatives. To further deepen your understanding of our group, this report primarily features interviews with managers of each business highlighting our growth strategies, practical initiatives for sustainability, and interviews with departments driving human capital management. We invite you to read it.

For more information
https://www.sunfrt.co.jp/sustainability/disc/sustainability_report_2024_en.pdf



Contents

Introduction

Value Creation

- 09 Top Message
- 12 Realizing Management that Considers the Cost of Capital and Stock Price
- 14 Medium-Term Management Plan Review
- 16 Roadmap and Key Measures for Long-Term Vision 2035
- 17 Summary of Real Estate Revitalization Business
- 21 Summary of Real Estate Services Business
- 26 Summary of Hotel and Tourism Business
- 29 Other
(Overseas Business, Construction Business, etc.)

Sustainability

- 33 Specific Measures and KPIs
- 34 Three important issues (1) Environmental Protection
Roundtable Discussion: Embracing Circular Economy Challenges
- 38 Three important issues
- 41 Three important issues
- 48 Management
- 51 Risk Management & Compliance

Data Section

Top Message

Marking a quarter of a century of history, the 25th anniversary of the Company's founding, we will elevate our growth phase toward new goals.

Seiichi Saito
President & CEO



Interviews with business managers



We have successfully balanced “contributing to community development” with “maintaining high profit margins” in our core business.

Hiroyuki Kobayashi
General Manager of
Replanning Dept.

Round Table Discussion

The challenge of a “circular economy” in the revitalization of office buildings



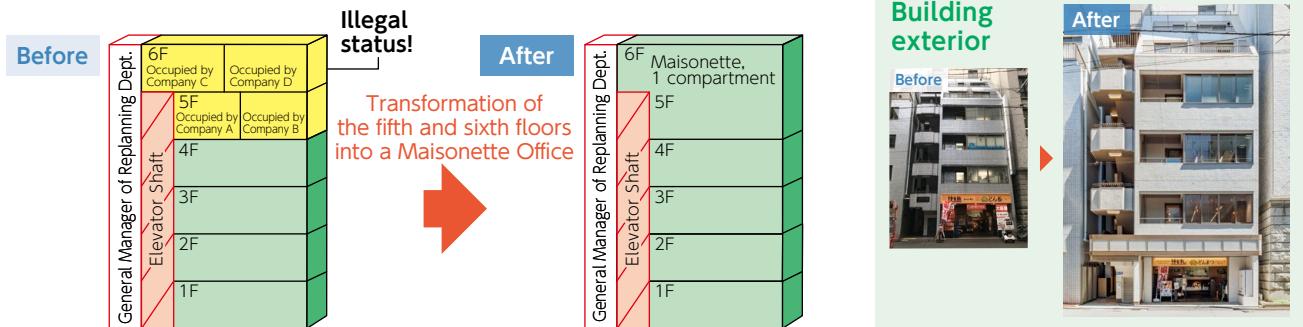
Real Estate Revitalization Case Study

Jinbocho revenue-generating building

–Improved the liquidity by resolving the illegal situation. Equipment renovation and mural art made it into a highly profitable building with a competitive lease.

At the time of purchase, the fifth and sixth floors of the property, which were originally designed to be occupied by a single tenant, were being used by four tenants, resulting in an illegal condition due to the lack of secured escape routes. After the purchase, our management department carefully informed the tenants about the dangers of the situation, while our rental department proposed alternative offices equivalent to their current ones. The tenants eventually cooperated and agreed to relocate, allowing us to resolve the illegal condition. In our revitalization business, we are committed to improving the liquidity of real estate by addressing potential risks in buildings and ensuring the safety of tenants, driven by a strong sense of mission.

In addition, the main entrance influences the first impression of the building. For this property, we enclosed the previously open-air elevator hall with partitions and installed automatic doors to create an entrance with a sense of refinement and sophistication. Additionally, we installed impactful art in the office, transforming the property into a highly profitable building with enhanced leasing competitiveness that maximizes the potential of its prestigious Chiyoda Ward location, and subsequently sold it.



Approach



Office



Art



Elevator Hall





▲ Private swimming pool



▲ Guest rooms



▲ Auberge



▲ Entrance

Private suite villas & auberge. Experience the refined luxury of a glamorous yet private retreat.

On July 23, 2024, our corporate group acquired Oriental Resort Associates Co., Ltd., the operator of Oriental Hills Okinawa, through an acquisition.

Oriental Hills Okinawa is located in Onna, Okinawa, one of the premier resort destinations in the region. Perched on a small hill 30 meters above sea level overlooking the East China Sea, the resort features 14 exclusive all-suite villas. Each suite boasts an ocean-view terrace that opens up to a private pool, allowing guests to enjoy breathtaking views of the sea and stunning sunrises every morning through expansive floor-to-ceiling windows in the living room and bedroom.

Guests can choose from Edo-style sushi, French cuisine, or teppanyaki for dinner at the restaurant set above a serene water feature. The restaurant is renowned as an auberge where professional chefs craft personalized dining experiences using carefully selected local ingredients.

Access

60 minutes by car from Naha Airport
15 minutes by car from Yaka IC on Okinawa Expressway

We offer a free shuttle service between Naha Airport and the hotel.

*This service is available for guests staying for two consecutive nights or more.

For more information
<https://or-okinawa.com/en/>



Information on Shareholder Benefits

List of hotels where shareholder vouchers can be used



LUXURY

- (1) Shijo Kawaramachi Hot Spring: Sora Niwa Terrace Kyoto Bettei
- (2) Hiyori Ocean Resort Okinawa
- (3) Oriental Hills Okinawa

UPPER

- (4) HOTEL OOSADO (formerly Hotel Osado)
- (5) SADO RESORT HOTEL AZUMA (formerly Hotel Azuma)
- (6) Inawashiro Bandaisanroku Onsen: Seifutei
- (7) Shijo Kawaramachi Hot Spring: Sora Niwa Terrace Kyoto Bettei

UPPER MIDDLE

- (8) Hiyori Hotel Maihama
- (9) HIYORI HOTEL OSAKA NAMBA STATION
- (10) Nichiwa Stay Kyoto Kamogawa (opened on September 14, 2024)
- (11) TABINO HOTEL Lit MATSUMOTO
- (12) TABINO HOTEL Lit MIYAKOJIMA
- (13) TABINO HOTEL Villa MIYAKOJIMA
- (14) Spring Sunny Hotel: Nagoya Tokoname Station

ECONOMY

- (15) Donden Highland Lodge "Natural Resort"
- (16) Tabino Hotel Sado
- (17) Tabino Hotel Hida Takayama
- (18) Tabino Hotel Kashima
- (19) Tabino Hotel Kurashiki Mizushima
- (20) Tabino Hotel Express Narita
- (21) Joytel Hotel Shinsekai Sakaisujidori

Shareholder Benefit Program

We present discount coupons to shareholders listed in our company's shareholder registry as of March 31, 2024. 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

For more information

https://www.sunfrt.co.jp/ir_info/stockholder_benefit_plan/



Details of Shareholder Benefits

Number of stocks held	less than 3 years		Long-term shareholding 3 years or longer (*)	
	1,000 shares or more	Discount coupon worth 5,000 yen 4	Discount coupon worth 5,000 yen 8	Discount coupon worth 5,000 yen 4
500 shares or more	Discount coupon worth 5,000 yen 2	Discount coupon worth 5,000 yen 4	Discount coupon worth 5,000 yen 1	Discount coupon worth 5,000 yen 2
300 shares or more	Discount coupon worth 5,000 yen 1		Discount coupon worth 1,000 yen 1	
100 shares or more	Discount coupon worth 1,000 yen 1		Discount coupon worth 1,000 yen 1	

*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.

Corporate Information

Share Information

Total number of authorized shares	91,200,000
Total number of shares issued	48,755,500
Number of shareholders	14,167

■ Major Shareholders (Top 10)

Shareholder name	Number of shares held	Shareholding Ratio*
Houou Co., Ltd.	18,507,500	37.99
The Master Trust Bank of Japan, Ltd. (Account in trust)	4,284,300	8.80
Custody Bank of Japan, Ltd. (Account in trust)	2,675,000	5.49
Tomoaki Horiguchi	2,481,874	5.10
THE BANK OF NEW YORK MELLON 140044	752,400	1.54
DFA INTL SMALL CAP VALUE PORTFOLIO	489,000	1.00
STATE STREET BANK AND TRUST COMPANY 505103	454,600	0.93
STATE STREET BANK AND TRUST COMPANY 505001	453,381	0.93
Keiko Horiguchi	416,500	0.86
Sun Frontier Employee Stock Ownership Association	396,800	0.81

* Numbers displayed are rounded off to the second decimal place.
Shareholding ratio is calculated by subtracting the treasury stock(44,316 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 administrator	Mizuho Trust and Banking Co., Ltd.
Location for handling this business	1-3-3 Marunouchi, Chiyoda-ku, Tokyo Securities Agency Department, Head Office, Mizuho Trust and Banking Co., Ltd.
Contact address	[Number for inquiries only] ☎ 0120-288-324



(As of September 30, 2024)

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.sunftrt.co.jp/en/		
Capital	¥11,965 million		
Executives	Chairman	Tomoaki Horiguchi	Senior Executive Officer
(As of Sep. 30, 2024)	Representative Director	Seiichi Saito	Senior Executive Officer
	President & CEO	Seiichi Saito	Senior Executive Officer
	President Executive Officer	Izumi Nakamura	Senior Executive Officer
	Executive Vice President	Izumi Nakamura	Senior Executive Officer
	Vice President Executive Officer	Yasushi Yamada	Executive Officer
	Managing Director	Yasushi Yamada	Executive Officer
	Senior Executive Officer	Mitsuhiro Ninomiya	Executive Officer
	Managing Director	Mitsuhiro Ninomiya	Executive Officer
	Managing Executive Officer	Kenji Honda	Executive Officer
	Director and Senior Executive Officer	Kenji Honda	Executive Officer
	Outside Director	Keiichi Asai	Group Executive Officer
	Outside Director	Koichi Ishimizu	Group Executive Officer
	Director (Audit and Supervisory Board Member)	Shinichi Tominaga	Group Executive Officer
Outside Director (Audit and Supervisory Board Member)	Kazutaka Okubo	Group Executive Officer	
Outside Director (Audit and Supervisory Board Member)	Yukiko Edahiro	Group Executive Officer	

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