

Consolidated Financial Statements for the Third Quarter of Fiscal Year ending March 2021

We are aiming to be the real estate company of the world's most
loved, trusted and selected by clients.

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February 9, 2020



SUN FRONTIER

Stock Code: 8934

Performance Summary of 3Q of FY ending March 2021



Operating Profit and Ordinary Profit exceeded plans. Sales of RP and Hotel Business properties are performing well.

(Unit: 1 million yen)

	Results				Progression Rate	
	Results	Profit Margin	Year-on-Year	Growth Rate	Full-year Forecast	Progression Rate
Net Sales	46,442	—	-8,188	-15.0%	70,000	66.3%
Operating Profit	7,032	15.1%	-6,527	-48.1%	6,930	101.5%
Ordinary Profit	6,562	14.1%	-6,735	-50.6%	6,500	101.0%
Profit*	4,059	8.7%	-4,917	-54.8%	4,100	99.0%

*"Profit" represents net income attributable to shareholders of the parent company.

※Both operating profit as well as ordinary profit exceeded the earnings forecasts and has been performing well also. At present, there is no change in the earnings forecast, but we will promptly announce if we determine that it is necessary to be revised due to future progress.

Topics

1) Solid performance in RP Business drove companywide results

- The number of sales in RP Business was 18, and the segment profit ratio remained high (25.2%, -8.1%pt year on year). The solid performance drove the companywide performance even in the COVID-19 outbreak. However, sales and profits fell sharply year on year, partly due to a reactionary fall from the previous fiscal year.
- In such circumstances, when developing new products we will continue to aim creating offices that are selected by clients in this new world based on new values by capturing changes of offices, towns, way of working by grasping client needs when we interact with clients.

2) Sales and profits of Hotel Development Business and Overseas Businesses supported results

- In the Hotel Development Business the HIYORI OCEAN RESORT OKINAWA was completed in December as part of a development PJ in Onna Village, Okinawa Prefecture. Delivery is being done and during this period 126 plots has been delivered and posted about 1.5 billion segment profit. Operation division is still having a hard time, but lot sales are going well.
- In Overseas Business, all the delivery of Hiyori Garden Tower, a condominium development project in Danang, Vietnam, was completed. Sales and profits increased significantly and contributed to companywide results.

Consolidated Income Statement



(Unit: 1 million yen)

	FY ended March 2020 April - December	FY ended March 2021 April - December	Increase/ Decrease
Net Sales	54,631	46,442	-15.0%
Real Estate Revitalization Business	45,131	37,957	-15.9%
Replanning Business (including Hotel Development)	42,299	35,406	-16.3%
Rental Building and Sublease	2,832	2,550	-10.0%
Real Estate Service Business	2,566	2,562	-0.2%
Operation Business	4,335	2,383	-45.0%
Other Business	3,574	4,208	17.7%
Adjustment	-976	-669	-
Gross Profit	19,132	12,421	-35.1%
Real Estate Revitalization Business	16,223	10,366	-36.1%
Replanning Business (including Hotel Development)	15,086	9,645	-36.1%
Rental Building and Sublease	1,136	721	-36.5%
Real Estate Service Business	1,646	1,668	1.3%
Operation Business	310	-752	-
Other Business	1,066	1,311	23.0%
Adjustment	-113	-171	-
Selling, general and administrative expense	5,572	5,389	-3.3%
Operating Profit	13,560	7,032	-48.1%
Non-operating Income	231	126	-45.5%
Non-operating Expenses	494	596	20.6%
Ordinary Profit	13,297	6,562	-50.6%
Extraordinary Income and Losses	3	-8	-
Income Tax	4,329	2,526	-41.6%
Profit Attributable to Non-controlling Interests	4	31	675.0%
Profit	8,976	4,059	-54.8%

Income Statement Points

<RP Business>

Although number of sales decreased in RP Business year on year, sales are progressing steadily even in the current situation with the outbreak of the COVID-19. With Hotel Development Business, the sales of HIYORI OCEAN RESORT OKINAWA has been added. As a result, in RP Business sales were down to 37.9 billion (down 16% year on year) and gross profit fell to 10.3 billion (down 36% year on year), but **gross profit ratio was 27.3% and kept a level exceeding the full-year forecast rate (19.1%).**

<Operation Business>

Hotel Operation Business suffered a decline in performance. Although there were signs of recovery in 3Q, performance declined again due to the suspension of the GoTo Travel campaign towards the end of the year. Conference Room Rental Business has been having a hard time too, but secured profit. As a result, in Operation Business sales were down to ¥2.3 billion (down 45% year on year) and posted a loss of approximately ¥0.75 billion.

<Other Businesses>

In Overseas Business the delivery of condominiums for sale was completed. As a result, sales of Other Businesses increased to ¥4.2 billion (up 18% year on year) and gross profit increased greatly to approximately ¥1.3 billion (up 23% year on year). **Profit ratio exceeded the full-year forecast rate (29%) and was 31%.**

Consolidated Balance Sheet - Assets -



<Inventories> decreased by ¥5.9 billion due to the sale of properties. Among them ¥3.1 billion decreased in RP business projects, ¥0.9 billion decreased in hotel projects although there was progress of construction due to the delivery of HIYORI OCEAN RESORT OKINAWA started, and ¥1.9 billion decreased in overseas projects due to the delivery of HIYORI Garden Tower and other factors.

<Cash and time deposits > increased by ¥1.2 billion due to the sale of RP properties and overseas projects, as well as borrowings from financial institutions.

(Unit: 1 million yen)	FY ended March 2019	FY ended March 2020	FY ending March 2021 As of End of December 2020	Increase/Decrease (Compared to End of March 2020)
Current Assets	97,149	113,842	108,495	▲5,347
Cash and time deposits	20,257	18,627	19,860	+1,232
Inventories	74,329	91,766	85,776	-5,989
Breakdown) RP	62,143	71,353	68,201	-3,152
Hotel	7,552	17,019	16,086	-933
Overseas, etc.	4,634	3,395	1,490	-1,905
Other Current Assets	2,562	3,448	2,858	-590
Non-current Assets	13,749	16,450	16,457	+6
Property, Plant and Equipment	9,339	10,413	10,465	+51
Intangible Assets	863	712	599	-113
Investments and Other Assets	3,546	5,324	5,392	+68
Total Assets	110,898	130,293	124,952	-5,340

Consolidated Balance Sheet - Liabilities/Equity -



<Interest-bearing Debt>

decreased by approximately ¥5.3 billion from the end of the previous fiscal year to ¥44.0 billion due to the sale of properties and other factors.

<Net Assets>

increased by ¥4.8 billion due to profit (¥4.0 billion) and the issuance of preferred stock of subsidiaries (¥3.0 billion), despite the payment of dividends in the previous fiscal year (¥2.0 billion).

Change in Equity Ratio

End of March 2019	End of March 2020	End of Dec. 2020
50.3%	49.6%	53.2%

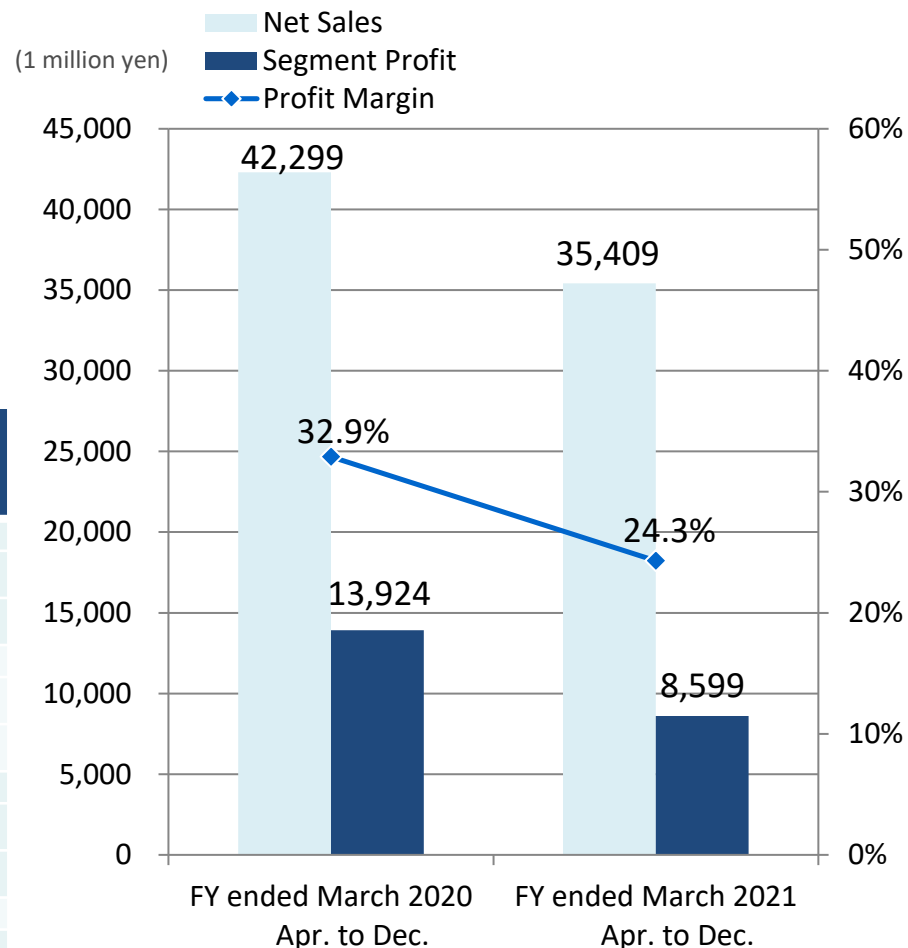
(Unit: 1 million yen)	FY ended March 2019	FY ended March 2020	FY ending March 2021 As of end of December 2020	Increase/Decrease (Compared to end of March 2020)
Current Liabilities	12,859	18,052	14,546	-3,505
Short-term Borrowings, etc.	2,248	4,463	5,368	+905
Income Taxes Payable, etc.	2,661	3,566	611	-2,954
Other Current Liabilities	7,949	10,022	8,566	-1,456
Non-current Liabilities	42,179	47,431	40,748	-6,682
Long-term Borrowings and Bonds Payable	39,751	44,906	38,660	-6,245
Other Non-current Liabilities	2,428	2,525	2,088	-437
Total Liabilities	55,038	65,483	55,295	-10,188
Shareholders' Equity	55,900	64,690	66,701	+2,011
Others	-40	119	2,955	+2,836
Total Net Assets	55,860	64,809	69,656	+4,847
Total Liabilities and Net Assets	110,898	130,293	124,952	-5,340

Replanning Business (Replanning (RP)/ Hotel Development)



- The number of buildings sold was 18 cases and decreased significantly from the previous period (33 cases) due to the impact of the spread of the COVID-19 and because the sale of properties in the previous period went well.
- We posted a decrease (0.24 billion) in evaluation regarding RP business-related properties overseas (NY)
- The average RP Business period was 490 days (+81 days from the previous year). The business period has been extended due to efforts to commercialize buildings to raise their rent levels, but a high profit margin on sales was maintained.
- In the Hotel Development Business HIYORI OCEAN RESORT OKINAWA was completed in December. We posted a segment profit of 1.5 billion (profit margin 20.9%) which contributed to results.
- The number of properties in year-end inventory was 63 (52 RP Business-related properties and 11 Hotel Business-related properties).

(Unit: 1 million yen)	FY ended March 2020 Apr. to Dec.	FY ended March 2021 Apr. to Dec.	Increase/ Decrease
Net Sales	42,299	35,409	-16.3%
Replanning Business	42,268	27,974	-33.8%
Hotel Development Business	30	7,432	+246.7%
Segment Profit (Note 1)	13,924	8,599	-38.2%
Replanning Business	14,053	7,045	-49.9%
Hotel Development Business	-128	1,553	—
Profit Margin	32.9%	24.3%	-8.6%pt
Replanning Business	33.2%	25.2%	-8.1%pt
Hotel Development Business	—	20.9%	—
Number of Items Purchased	34 cases	13 cases	-21 cases
Number of Properties Sold	33 cases	18 cases <small>*Including 1 case of primary composition</small>	-15 cases
Number of Stocks at the End of Fiscal Year	72 cases (Note 2)	63 cases (Note 2)	-9 cases



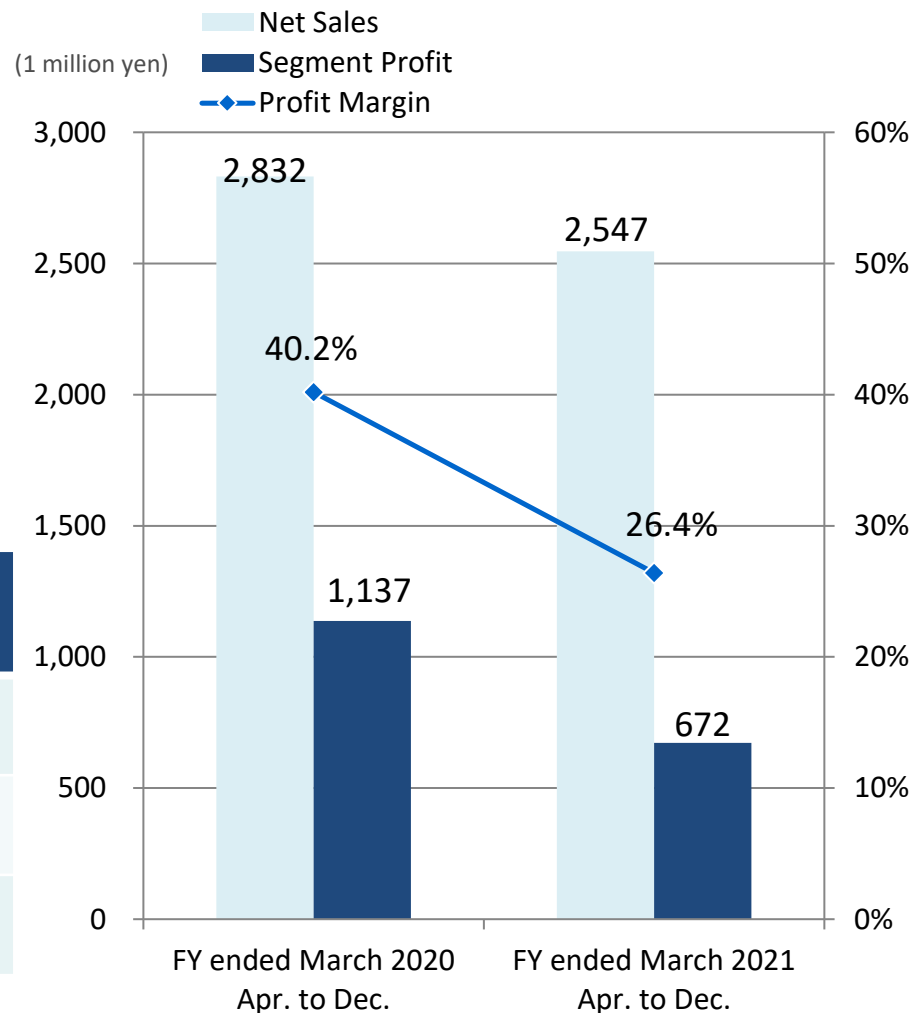
(Note 1) "Segment Profit" is calculated by deducting specific costs of each segment, including interest expenses, sales commission and goodwill depreciation expense from gross profit.
 (Note 2) Projects of land purchase and development are included in RP inventory.

Rental Building Business (Rental Buildings/ Sub-leases)



- There was steady progress in attracting tenants to RP inventory properties and Sublease Business, but net sales, segment profit, and profit margin decreased due to rent exemption due to temporary closure of some hotels and decline in occupancy rate.

(Unit: 1 million yen)	FY ended March 2020 Apr. to Dec.	FY ended March 2021 Apr. to Dec.	Increase/ Decrease
Net Sales	2,832	2,547	-10.1%
Segment Profit	1,137	672	-40.9%
Profit Margin	40.2%	26.4%	-13.8%pt



Real Estate Service Business

(Property Management/ Building Maintenance/ Brokerage/ Leasing)



<PM and BM Businesses>

- In PM Business, the number of PM managing buildings significantly increased, resulting in higher sales and profits. In BM Business, sales and profits decreased due to a decrease in revenue from RP properties.

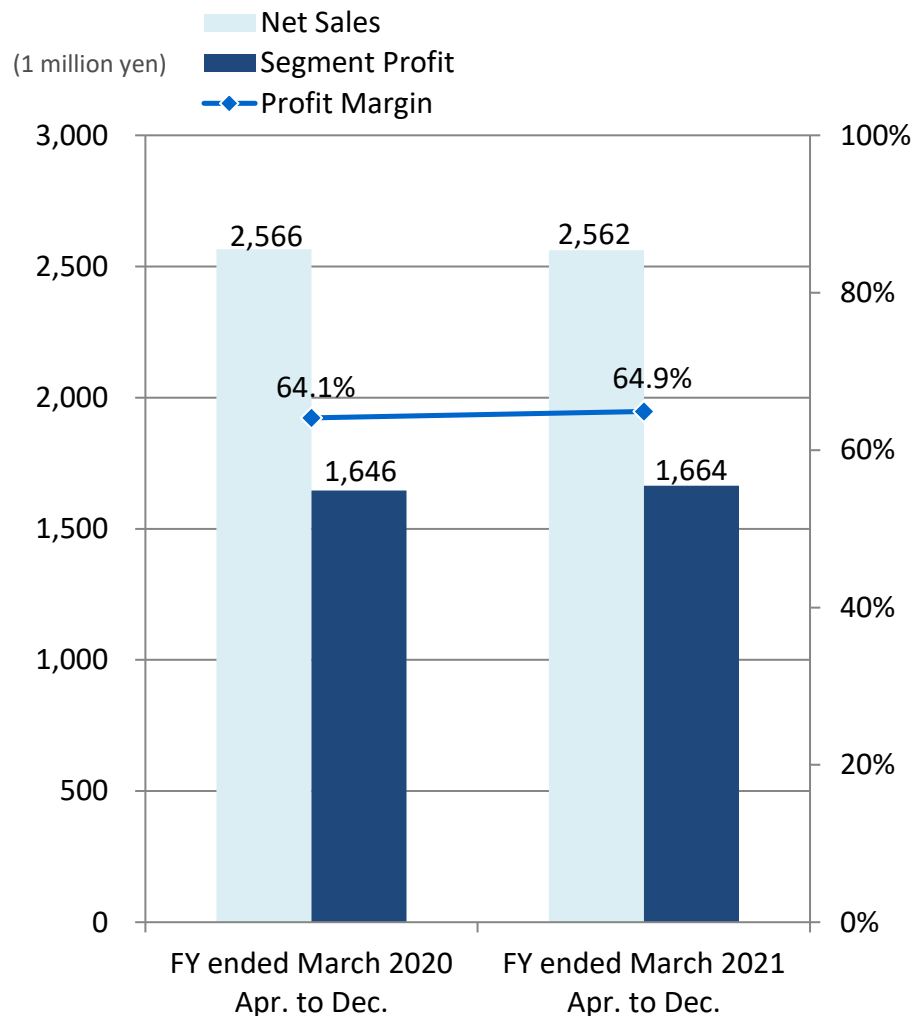
[Number of PM Managing Buildings and Occupancy Rate]

	[Number of Managing Buildings]	[Occupancy Rate]
End of Dec. 2018	377 buildings	97.8%
End of Dec. 2019	391 buildings	98.4%
End of Dec. 2020	404 buildings	95.7%

<Brokerage and Leasing>

- Sales and profits increased significantly due to a steady accumulation of project contracts in cooperation with other departments. Although rental brokerage contributed to the commercialization of RP properties, sales and profits decreased due to a decrease in contracts for external properties due to the impact of the COVID-19 outbreak.

(Unit: 1 million yen)	FY ended March 2020 Apr. to Dec.	FY ended March 2021 Apr. to Dec.	Increase/ Decrease
Net Sales	2,566	2,562	-0.2%
Segment Profit	1,646	1,664	+1.1%
Profit Margin	64.1%	64.9%	+0.8%pt



Operation Business

(Hotel Operation and Conference Room Rental Business)

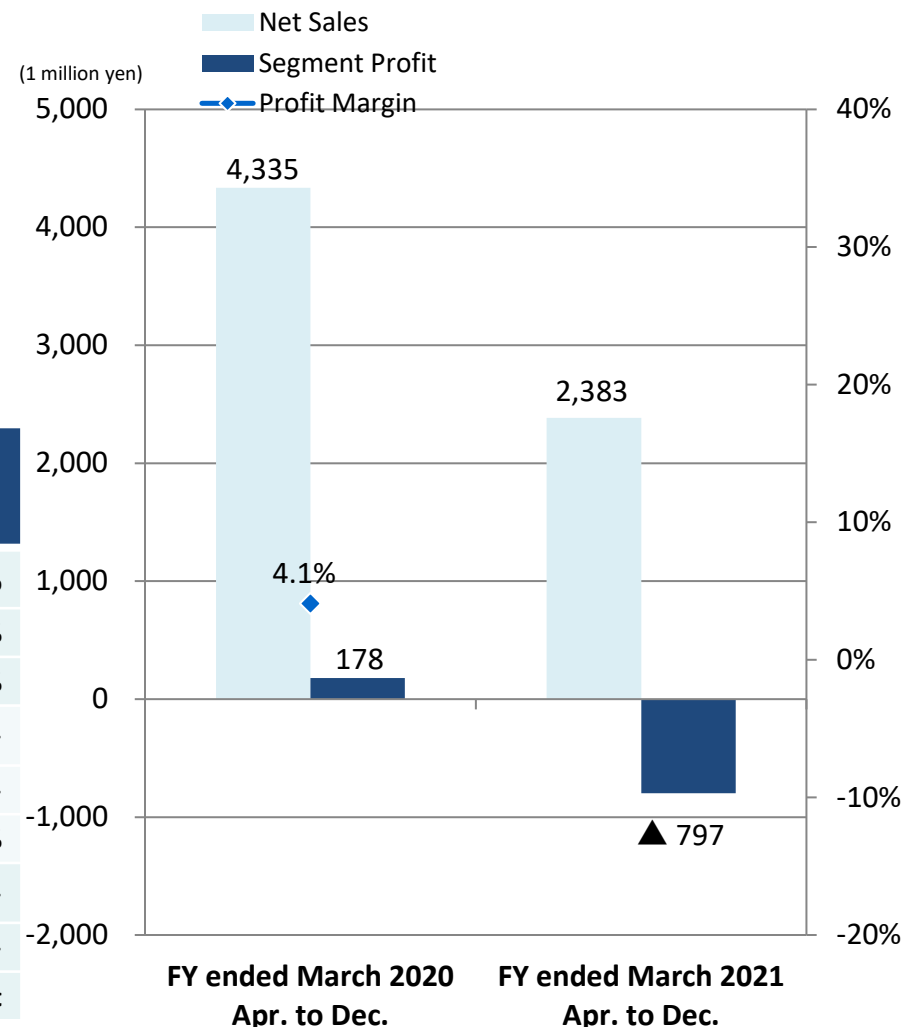
<Hotel Operation Business >

- 7 hotels were temporarily closed in 1Q. From 2Q to 3Q, the performances of hotels in local areas recovered. Large cities hotels such as Osaka and Ginza continue to struggle to recover. Moreover, numbers were stagnant towards the end of the year due to the nationwide suspension of the GoTo Travel campaign. We posted a large decline in revenue and a loss for the period.

<Conference Room Rental Business >

- Secured a profit by starting new services that answers to client demands for space, taking measures to prevent infectious diseases, and deploying online facilities.

(Unit: 1 million yen)	FY ended March 2020 Apr. to Dec.	FY ending March 2021 Apr. to Dec.	Increase/ Decrease
Net Sales	4,335	2,383	-45.0%
Hotel Operation Business	3,346	1,472	-56.0%
Conference Room Rental Business	989	911	-7.9%
Segment Profit	178	-797	—
Hotel Operation Business	-4	-927	—
Conference Room Rental Business	182	130	-28.7%
Profit Margin	4.1%	—	—
Hotel Operation Business	—	—	—
Conference Room Rental Business	18.5%	14.3%	-4.2%pt



Others (Rent Guarantee, Construction and Overseas Business, etc.)

<Rent Guarantee Business>

- The number of consultations from building owners has increased due to increased vacancies, concerns about tenant credit, and switching from personal guarantees. Number of guarantees remained strong and as a result, sales and profits increased.

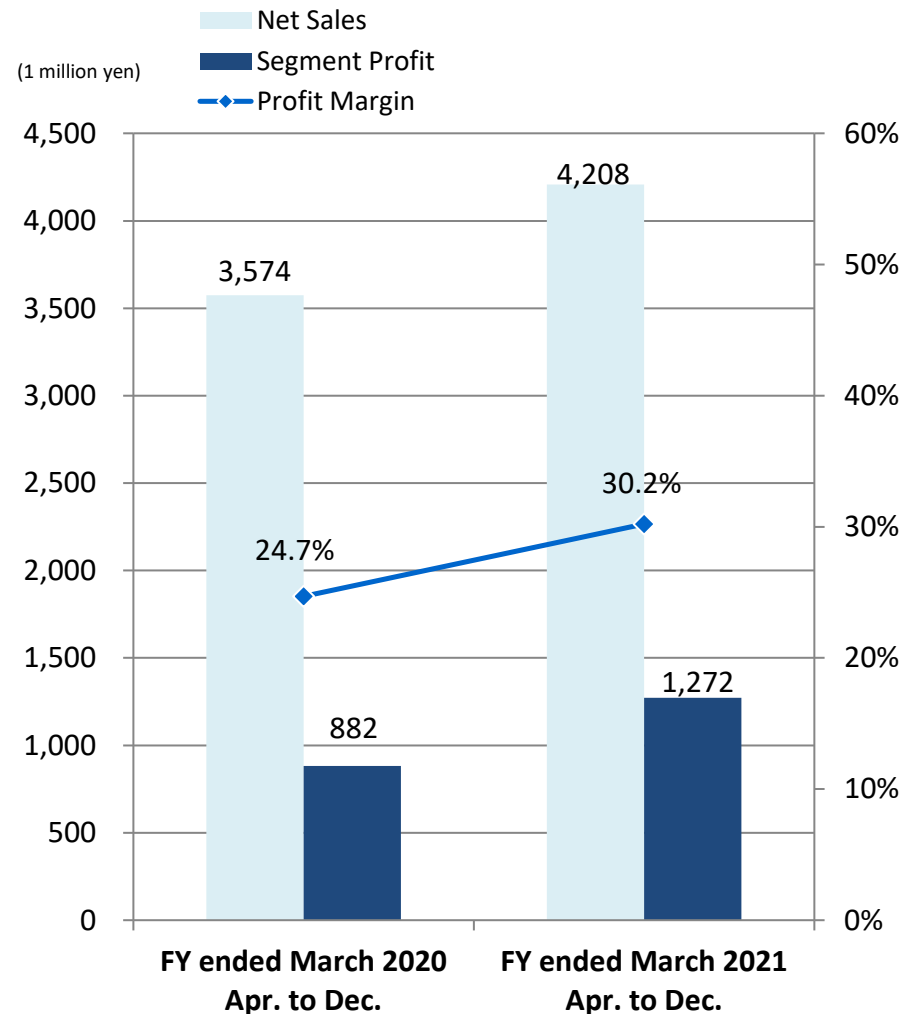
<Construction Business>

- Sales and profits decreased due to a decrease in SF engineering large-scale construction orders from the previous year.

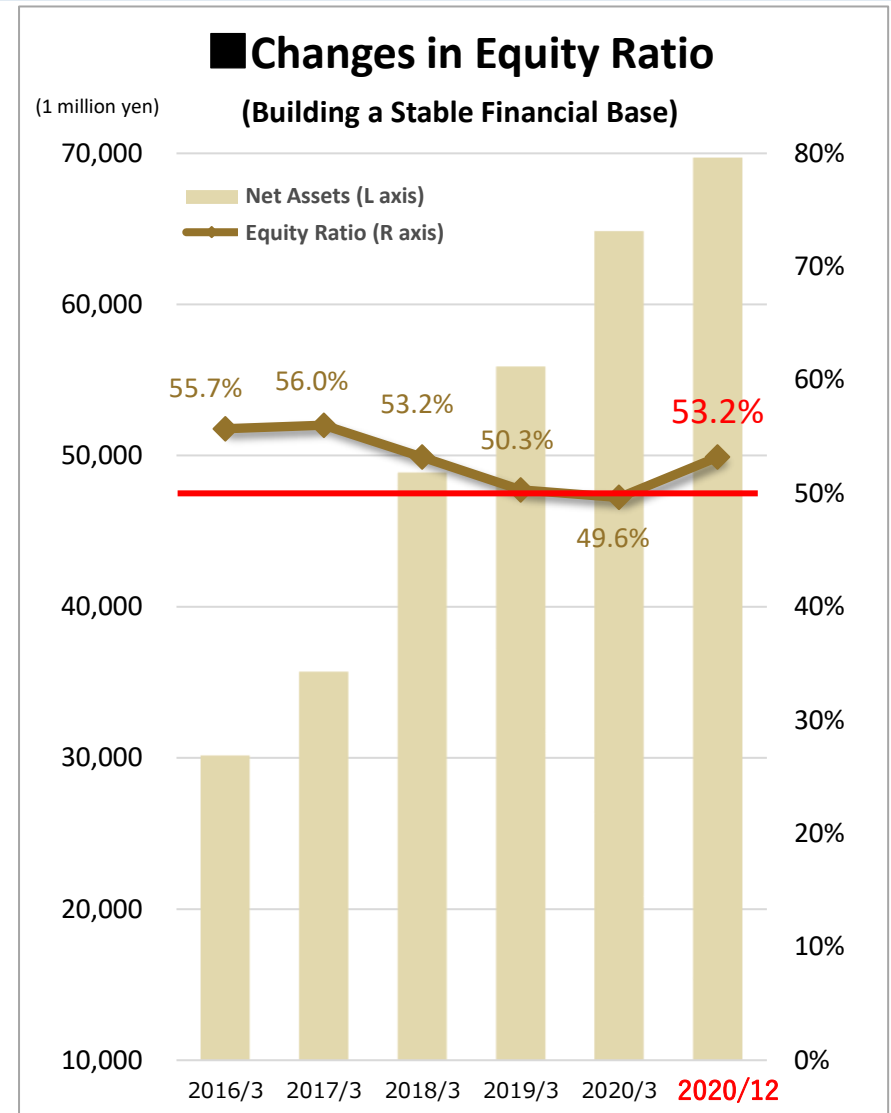
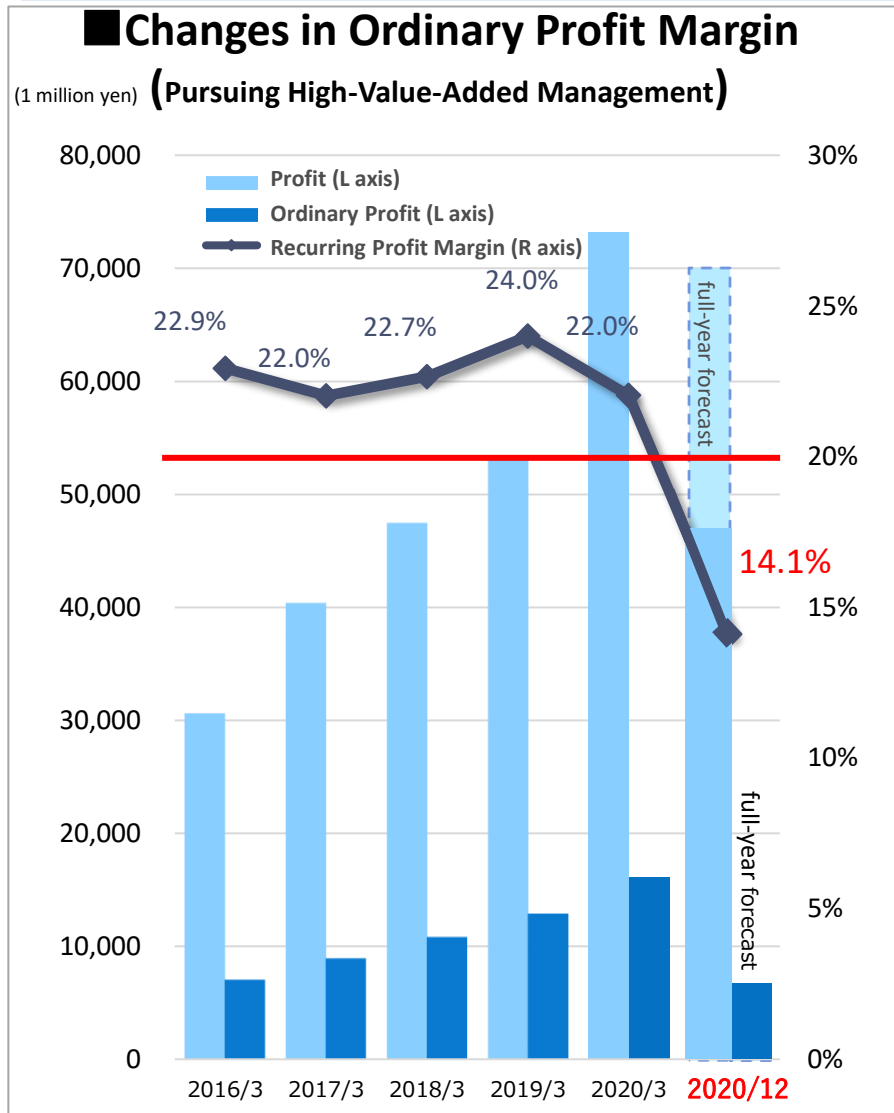
<Overseas Business>

- Delivery of the condominium "HIYORI Garden Tower" in Da Nang completed. This period's sales with the PJ alone was 2.5 billion, segment profit was 0.62 billion and contributed to increase of sales and profits in the Overseas Business.

Unit: 1 million yen)	FY ended March 2020 Apr. to Dec.	FY ending March 2021 Apr. to Dec.	Increase/Decrease
Net Sales	3,574	4,208	+17.7%
Segment Profit	882	1,272	+44.2%
Profit Margin	24.7%	30.2%	+5.5%pt



Trends in Key Management Indicator



2) Impact of the Spread of the new coronavirus (COVID-19) Infection and Immediate Management Policy

Business	Impacts
<p>·Office Building Business</p>	<ul style="list-style-type: none"> ➤ With the low interest rates institutional investors’ motivation to invest is still strong. ➤ The occupancy rate at buildings managed by the Company was 95.7% at the end of December, down about 1% from 96.8% at the end of September, mainly due to decline in business and the downsizing of offices through the introduction of remote work. <u>Recently, there was an increase in cancellation of offices rather than stores and downward pressure is getting stronger. With the declaration of the emergency situation again in January, requests for rent reductions from stores, that has thought to have stabilized, are increasing again. An unpredictable business environment continues.</u> ➤ Office rents did not experience an extreme decline but were on a downward trend with the increase in vacancies. An increase in vacancies is noticeable in large buildings and buildings whose competitiveness declined due to aging. ➤ <u>Lease contracts at RP properties have been steady. Main reasons for relocating offices used to be new establishments and floor space , but currently relocations due to downsizing and cost cutting has been increasing.</u> ➤ Depending on industry, not all are having a difficult time. There are cases where IT-related industries and nest-dweller consumption industry improve their sales and increase their floor space. ➤ In Rent Guarantee Business, the number of delinquent payments, which had increased, is on a downward trend due to policies of financial support for companies . In the current outbreak of the COVID-19, rent guarantee is attracting attention among building owners.

Impact on Main Business and Recent Movements



Business	Impacts
<ul style="list-style-type: none"> • Conference Room Rental Business 	<ul style="list-style-type: none"> ➤ Client needs have changed. There is an increasing need for facilities to support online delivery. <u>Fusion is advancing such as using online or in person depending on training content</u> ➤ Even when the COVID-19 outbreak is under control in the future, the overall volume is not expected to return to the previous level. On the other hand, the demand for flexible space appears to be growing ➤ Since the declaration of a state of emergency was made again, there was an increase of “refraining from reserving” and “postponing decision,” but there seems to be movement headed for the beginning of spring with the movement of big recruiting companies. ➤ Over-supply caused successive disappearances or withdrawals of rental conference room and shared office providers.
<ul style="list-style-type: none"> • Hotel Operation Business 	<ul style="list-style-type: none"> ➤ In early Autumn, the performance of hotels in local areas recovered. Hotels in major cities struggled. ➤ <u>Unit price and operation rate went down due to the nationwide suspension of the GoTo Travel campaign in December.</u> In addition, <u>a tough environment continues with the declaration of a state of emergency again in January.</u> ➤ In various companies, there are active actions that promote the use of workcation and telework. ➤ Recently, advance reservation has been piling up in hotels of local areas. Moreover, even in the hotels in the cities that has been struggling has started to receive advance reservation too.

- ◆ **The Japanese economy has been severely affected by the spread of COVID-19 infection, and it will take some time to recover.**
- ◆ **The third wave of infection happened and a declaration for a state of emergency was made. The economic stagnation appears likely to be prolonged.**
- ◆ **Until the vaccine is widespread in the world, economic activities will continue to be unstable under the new lifestyle with COVID-19.**
- ◆ **In December foreign visitors to Japan have virtually disappeared (decreased by 97.7% from the same month in the previous year). The aviation and tourism industries are facing a predicament.**

2. The world economy seemed to be recovering from its deceleration, but lateness in even distribution of the vaccine can be a risk.

- ◆ **The IMF expects the global economy 's growth rate in year 2021 to become +5.5% from last year's negative growth. The risk is lateness in widespread distribution of the vaccine.**
- ◆ **The COVID-19 outbreak has further accelerated "compressed changes" in the digitalization of society.**
- ◆ **Europe was able to get out of their second wave of infection. Biden was chosen as the new President of the United States and international cooperation will be promoted.**

3. The office building market in central Tokyo has peaked out due to COVID-19 infection and both vacancy rates and rent has become worse.

- ◆ **Vacancy rates have risen due to business downsizing and job losses caused by the recession, and rent levels are declining.**
- ◆ **Office demand is declining due in part to the downsizing of offices due to the penetration of remote work.**
- ◆ **Demands towards offices has changed with the outbreak of the COVID-19, such as a more flexible type of contract and being equipped with IT facilities.**

Three Policies

① Prevent the Spread of COVID-19 Infection

② Maintain and Continue Business

③ Concentrate Resources on our Main Business "Revitalization and Utilization of Real Estate"

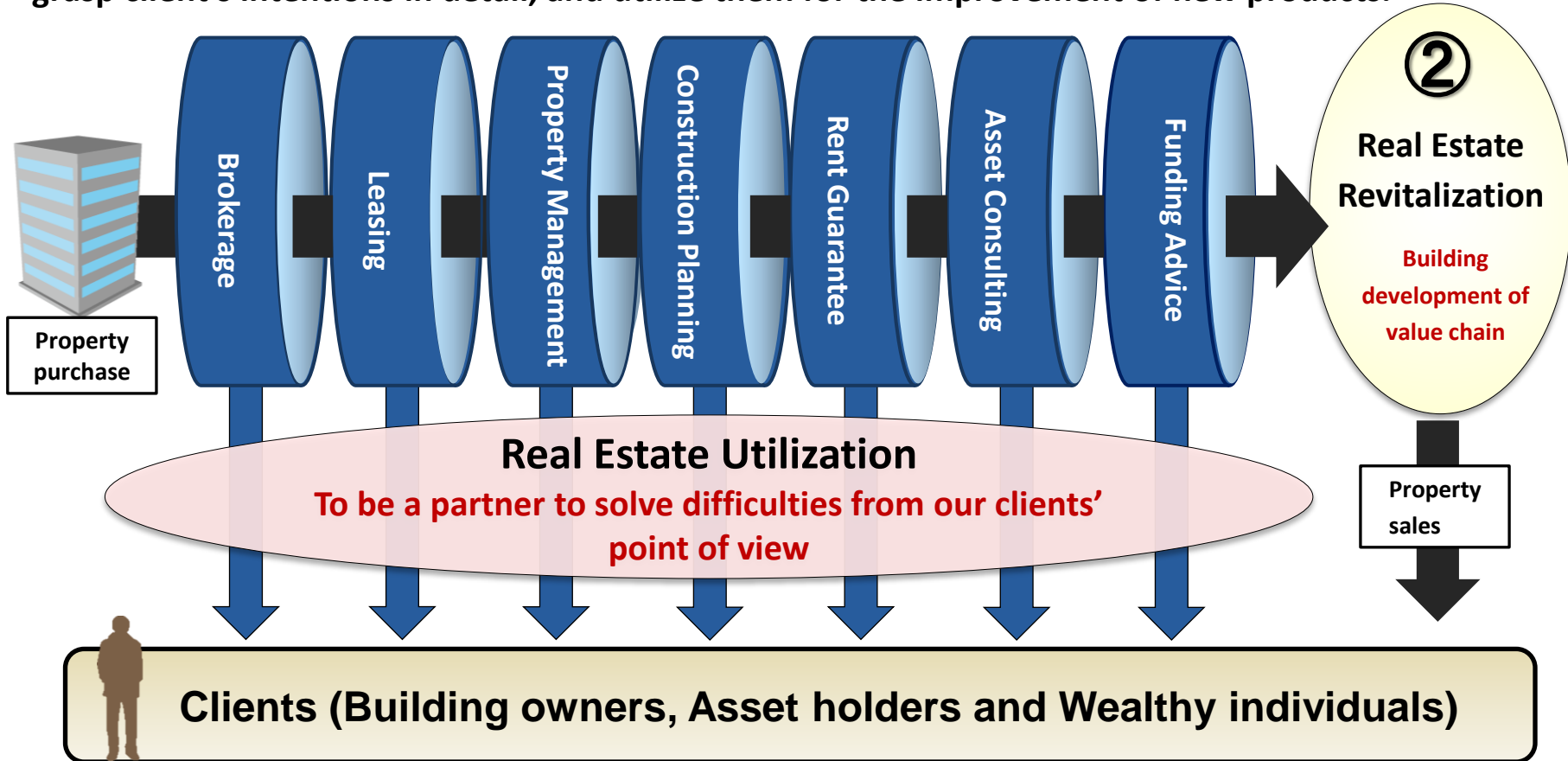
3) With/Post COVID-19 Initiatives

~ 4 growth strategies ~

- 1. Expansion of Main Business**
- 2. Hotel Business**
- 3. Overseas Development**
- 4. M&A**

We reflect client's demands in development of products and create products with high added value

By internalizing purchasing, development, promotion of occupancy, sales, and support, we can grasp client's intentions in detail, and utilize them for the improvement of new products.



- ① **In vertical real estate utilization business**, we survey and solve difficulties on site by listening to our clients' problems.
- ② **In horizontal real estate revitalization business**, We reflect the knowledge and needs of asset value improvement in the revitalized buildings to increase the value and sell them.

Creating a richer way of working and a new way of ideal offices

We pursue flexible and creative office utilization that is not bound by old customs and common sense, and propose it to society.

◆ “WEEK”

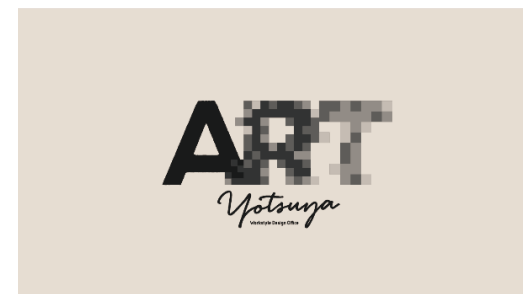
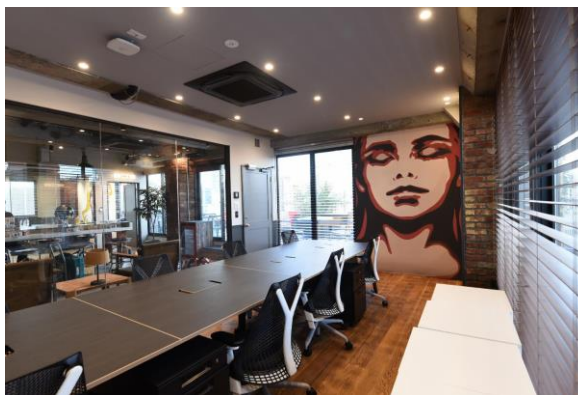
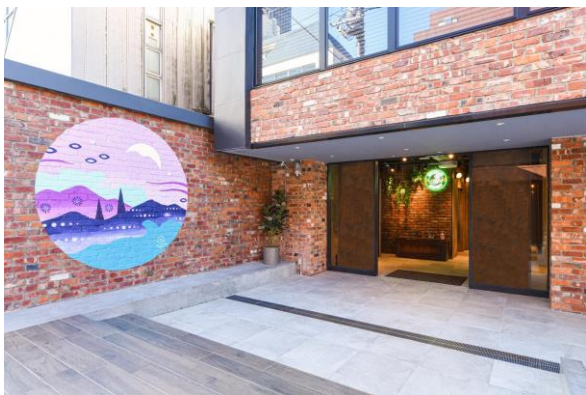
~ New idea to lease our designed set-up shared office on a certain day of the week ~



<https://week-office.com/>

◆ Art X Office

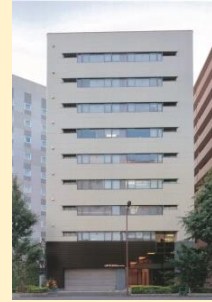
~ Creative Art Office to Choose a Room with Art (Mural) ~



<https://a.yotsuya-office.jp/>

“Make everyday a good workday.” Revitalize offices to make “working enjoyable”

This project aims to create a workplace that supports both physical and mental health by providing a sense of “security” and “comfort” similar to that of a home, through the use of natural environments and anti-bacterial and anti-virus measures. This is an effort to revitalize the office by making everyday a good workday and “working enjoyable”.



Bright sunlight from the veranda of the Shoji shade.

[Consideration for peace of mind]

- fun and creative non-contact alcohol disinfection fixtures
- air-circulating ultraviolet purifiers
- antibacterial coatings
- photocatalyst coating for switches
- automatic lighting, automatic faucets
- ventilation 2 times in 1 hours, high-performance filter ventilation equipment



Sunken kotatsu style concentration booth with bright light.



Elevator hall designed with many Japanese style things.



Non-contact alcohol disinfectant fixtures (words "thank you" come up).



Open-air rooftop gardens. Meetings for more than 10 people are possible.

Safe and secure ventilation equipment



Introduction of a high-performance filter ventilation equipment that ventilates 2 times in 1 hours.

Introduction of sterilization equipment with anti-bacterial specifications that are gentle to the body



Instead of directly irradiating ultraviolet rays with an ultraviolet cleaner, the indoor air is circulated with a fan to maintain a clean environment.

Bacteria elimination & Antibacterial Anti-virus measures applied

Antibacterial coating, photocatalyst coating prevents bacteria and dirt.

“Work style close to life” office

[Pursuit of Office Comfort]

Image of the wind going through the office

"Space Where Natural Wind Passes By"

Creating a comfortable space where wind passes by and a space where communication is induced with a relaxed atmosphere like being at a friend's home party.

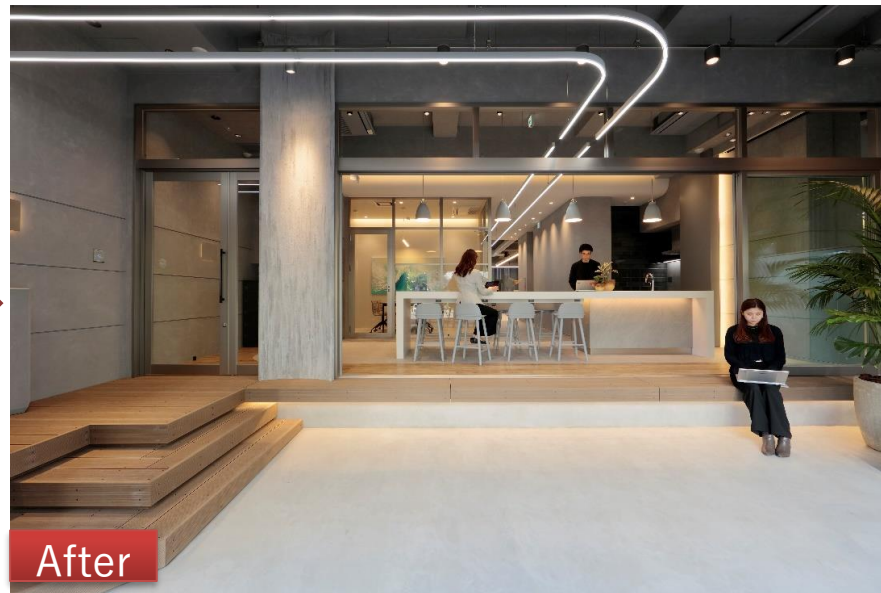
■ Collaboration of "office and residence" functions

- The **dirt floor** and **veranda** have a multi-functional creative space.
- There is an **entrance** and you can also take your shoes off from the office
- The **kitchen** is a place where you can enjoy your favorite homemade dishes.
- If you open the **window**, it is **airy** and comfortable.
- You can feel the **warmth of people** in the space structure connected like a large hall.
- The **private terrace** is a place where you can feel the **nature** and the **season**.



Before

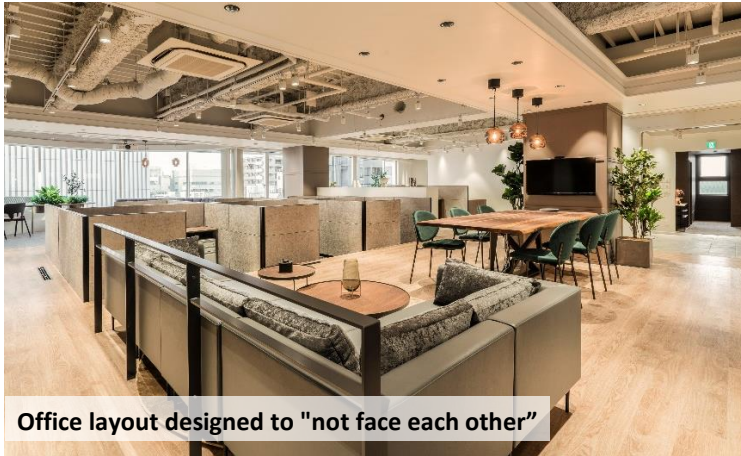
The office is on the first floor with a “dirt floor” and “veranda” connecting from the east side of the building and the side facing the road. When the window on the entrance is fully open, natural wind passes through the office. You can also go with the traditional Japanese lifestyle and take off your shoes.



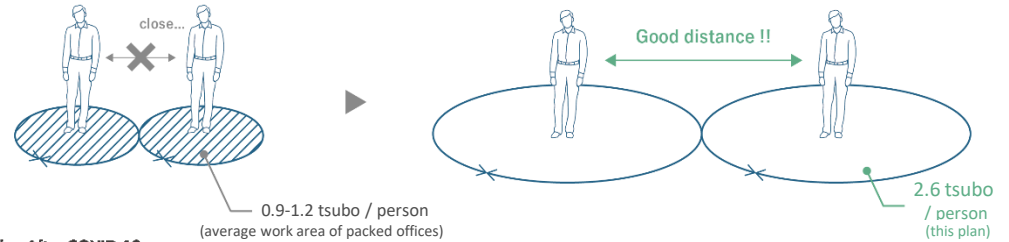
After



“Designing the Air” a next generation type set-up office



Office layout designed to "not face each other"



Function After COVID-19

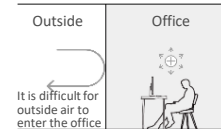
01 Security

The temperature is measured with the mask on
Face authentication security for clock in management



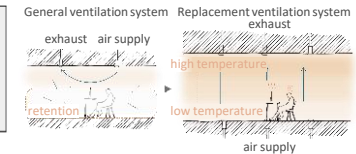
02 Air Conditioning

Air pressure control prevents the entry of dirty air



03 Ventilation

The ventilation efficiency is about 4 times the legal standard by regulating air flow and preventing retention!

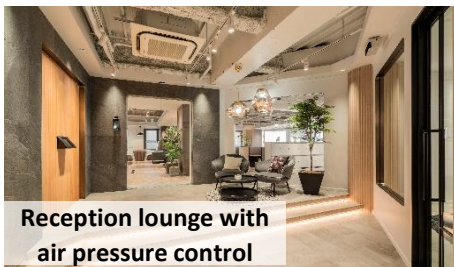


04 Ultra-violet

Protection against airborne viruses with ultraviolet light



Semi-circular meeting space for online meetings and webinars



Reception lounge with air pressure control

■ "Designing the Air" 4 state-of-the-art facilities

1 Face authentication, temperature measurement and attendance management while wearing a mask

Introduction of AI Face Authentication Security, which prevents people from entering the room if they are not wearing a mask or are suspected of having a fever. Attendance management is also possible.

2 The virus is not brought in by pressure control

The "positive and negative pressure" system used in hospitals and food factories is used to prevent the entry of dirty air.

3 Air supply and exhaust

"Floor blowing and displacement ventilation" used in large spaces such as movie theaters was introduced. A system in which air supplied from the floor is smoothly discharged from the ceiling. The ventilation effect is about 4 times that of the legal standard (0.5 times / h). The air is exchanged more than 2 times in 1 hour and the ventilation is the same as when the window is open even in winter.

4 Protection against floating viruses with UV

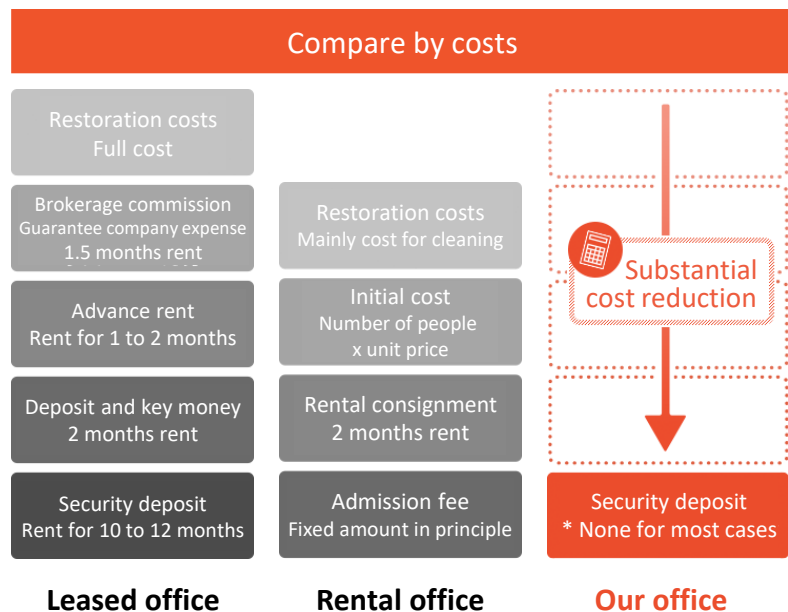
The "AERO SHIELD", a UV irradiation device that reduces viruses by UV irradiation, will improve the air environment by reducing viruses left in the room. As a result of the demonstration that floating bacteria decreased by 89.6% in 7 hours, the introduction of the system has started in domestic airports.

Planning and design: DRAFT Inc.

Flexible office that is “casual, affordable, and only what you need”

In Conference Room Rental Business, "We provide flexible offices and long-term rental meeting rooms that provide only what is necessary at a reasonable price. **Compared to a normal rental office, you can use it without being bound by the contract period, initial cost, or cost at the time of leaving.**

The demand for telework, web conferences, and online seminars (webinar) is rapidly increasing, and offices and campuses are dispersed to prevent infectious diseases. As a new activity base, we are flexibly responding to all business situations.



Facilities and staff ready for online meetings and webinar preparation

Promote ESG in office buildings

Through JAPAN ENERGY & ECOLOGY, Inc., which supports the procurement of renewable energy, we are procuring "Miho-Sanrin no Mori no Denki" (Yamakita-machi, Kanagawa), which is an environmental credit derived from forests, as a new added value in Real Estate Revitalization Business.

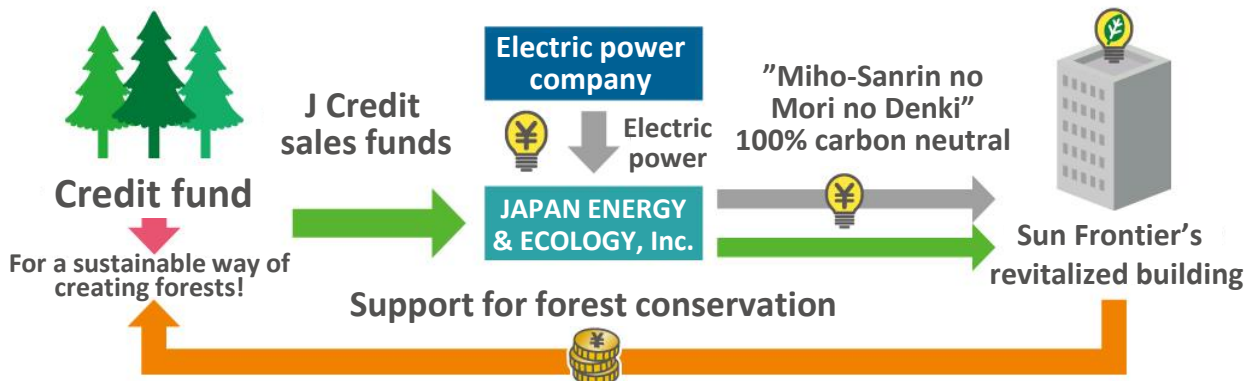
At present, the introduction of the system has been completed in 2 properties, achieving 100% carbon neutral.

As a result, the companies living in the property will be able to report that their CO2 emissions are 0 and that they use electricity from forests as part of their business activities.

Emblem for properties that introduce "Mori no Denki"



Kanagawa Prefecture Miho-Sanrin no Mori no Denki



1. Expansion of Main Business – Deepening and Expanding Office Building Business in Central Tokyo-

Focusing on the central Tokyo area and small and medium-sized office buildings, finding new work styles

We specialize in business areas where we can exert our influence, continue to pursue and refine the expertise of existing businesses based on client feedback, and maximize real estate value.

Expand, strengthen, and differentiate high-profit businesses through cross-business collaboration and chain initiatives.



⇒ We will expand our existing business further and will challenge new fields of business by utilizing M&A, the IT. We will expand our business area of small and medium sized office buildings in central Tokyo.

Our strengths are the ability to propose the value of utilizing offices and to promote occupancy from users' perspective

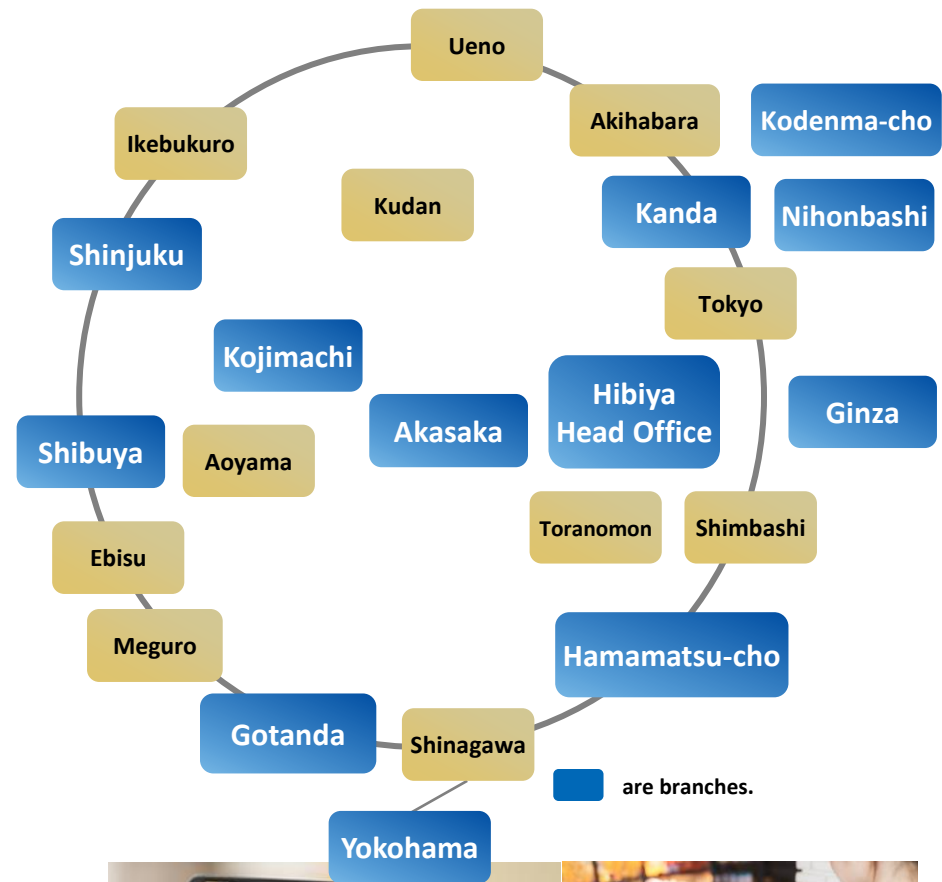
1. **We specialize in small and medium-sized office buildings in central Tokyo.**

We have a branch network in the center of the city with close connections to local communities. Our strength is to propose the optimal utilization value of small and medium-sized offices, which is our specialty, and to guide and mediate tenants.

2. We extend to our clients unfailing courtesy and become **“a real estate company closest to clients.”** We are their trustworthy point of contact to consult and solve any of their problems.

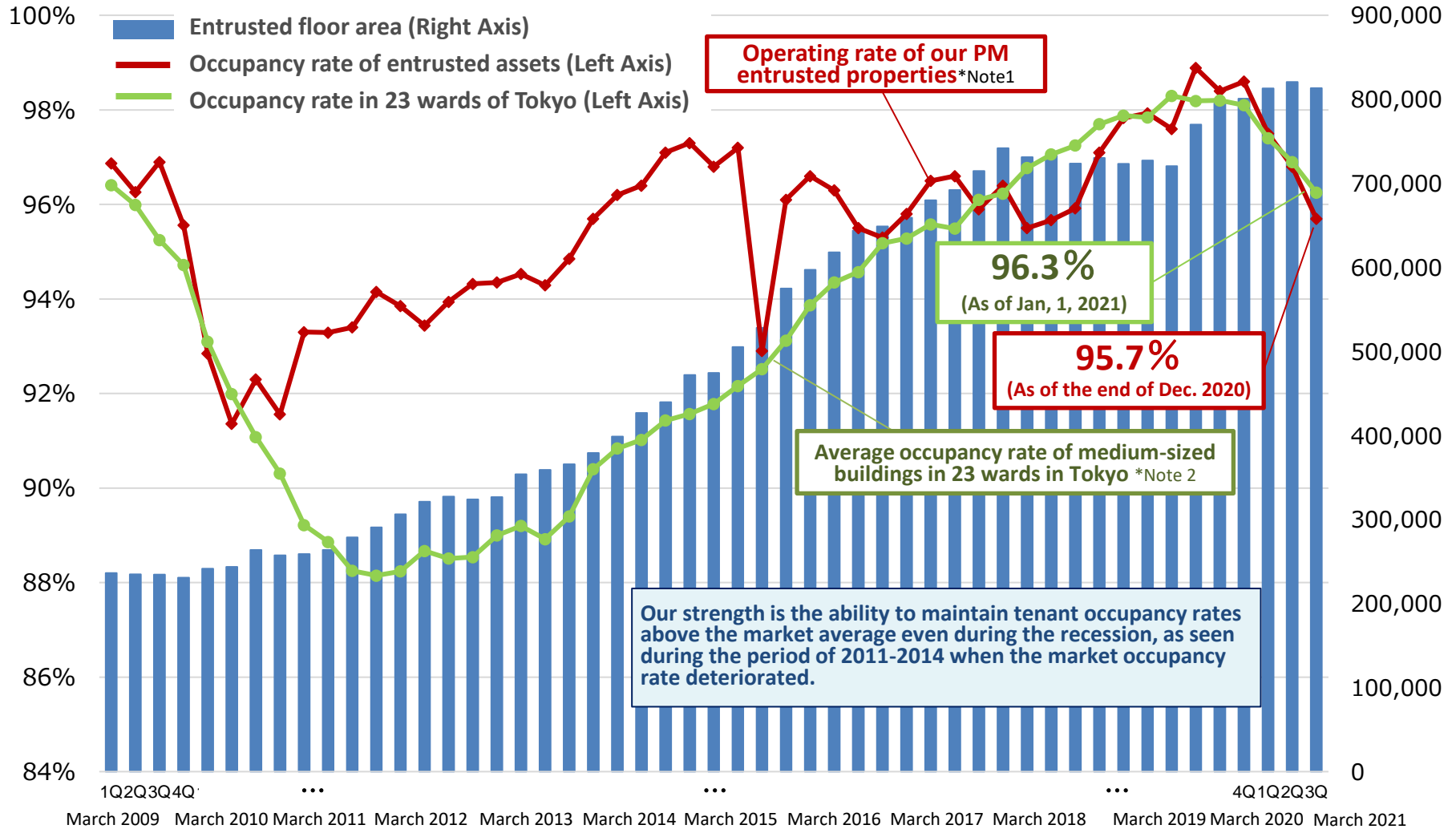
3. We actively utilize digital marketing to strengthen our ability to appeal to a wide range of users. We propose the value of offices to a wide range of users by utilizing furnished offices and online viewing.

4. **As a source of added value creation in the Real Estate Revitalization Business,** we will grasp the needs of tenants, constantly change our Company by relying on the voices of tenants, and create offices where tenants can grow and move in easily.



1. Expansion of Main Business - Property Management Business -

With the experience and organizational strength we have cultivated, we will respond to the COVID-19 outbreak and expand contracts (m²)



*Note1: Operating rate: (Total operating area)/(Total lent available area).

*Note2: Our research based on "Monthly Office Market Research Report" by Sanko Estate Co., Ltd.,

“HIYORI OCEAN RESORT OKINAWA” PRE-OPENING (SCHEDULED) ON FEBRUARY 20

The building was completed in December and the finished delivery of 126 lots contributed to the Company’s results. Delivery of 140 lots completed as of the end of January.

Hotel Appearance

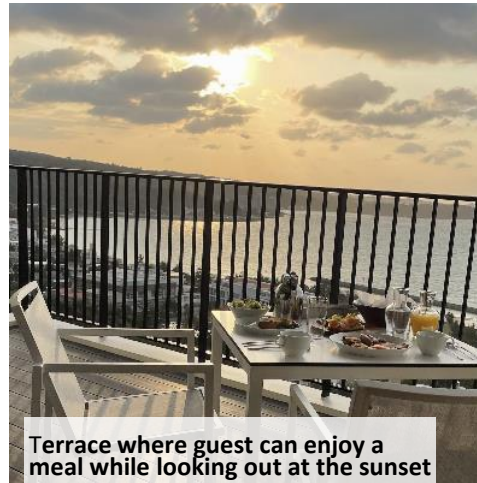


Entrance

Infinity terrace



Hotel Appearance (at night)



Terrace where guest can enjoy a meal while looking out at the sunset

You can view the completed hotel here



Instagram

2. Hotel Business - List of hotels under operation and development -

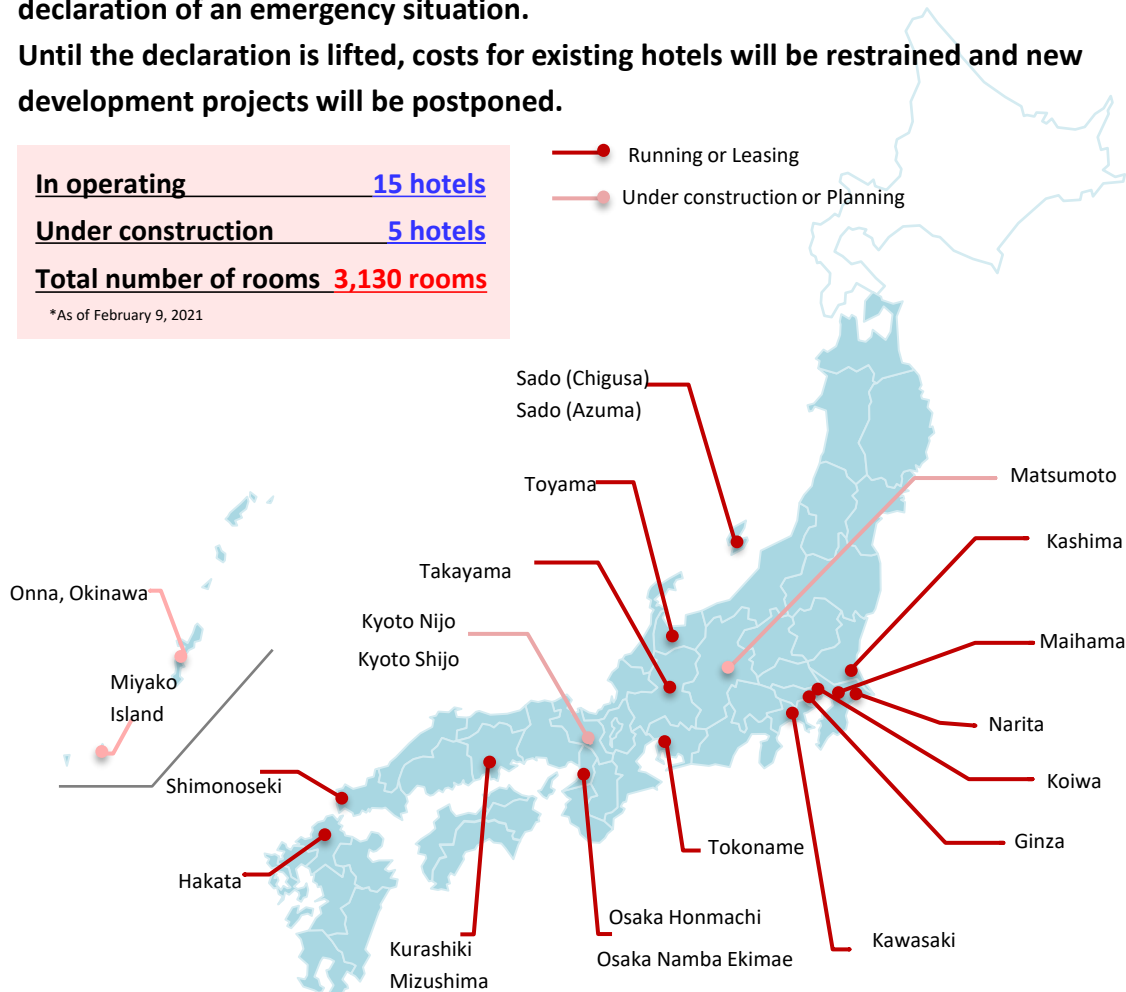
Showed signs of recovery starting from Autumn, but continues to be stagnant after the declaration of an emergency situation

Many hotels have been on a recovery track since autumn thanks to cost-cutting efforts and GoTo Travel campaign, but they have been stagnant since the January declaration of an emergency situation.

Until the declaration is lifted, costs for existing hotels will be restrained and new development projects will be postponed.

In operating 15 hotels
Under construction 5 hotels
Total number of rooms 3,130 rooms

*As of February 9, 2021.



*The schedule, hotel scale and others are based on the current plan, which may change in the future.

Status	Hotel Name Location	No. of Rooms
In operation	SSH Nagoya Tokoname	194
In operation	Hiyori Hotel Maihama	80
In operation	Hiyori Hotel Osaka Namba Station	224
In operation	Hiyori Hotel Tokyo Ginza EAST	135
In operation	Tabino Hotel Hida Takayama	80
In operation	Tabino Hotel Sado	111
In operation	Tabino Hotel Kurashiki Mizushima	155
In operation	Tabino Hotel Kashima	194
In operation	Sky Heart Hotel Kawasaki	200
In operation	Sky Heart Hotel Koiwa	105
In operation	Sky Heart Hotel Narita	100
In operation	Sky Heart Hotel Hakata	159
In operation	Sky Heart Hotel Shimonoseki	105
In operation	Courtyard by Marriott Osaka Honmachi	193
In operation	Sado Resort Hotel Azuma	57
Renting	Toyama	210
Completed	Onna, Okinawa	204
Under construction	Kyoto Nijo Kawaramachi	203
Under construction	Miyako-Island	111
Under construction	Kyoto Shijo Kawaramachi	134
Under construction	Matsumoto	176

We concentrate on the condominium business in Da Nang

<Philosophy of Overseas Business:

“Providing comfort to the people of Asia, together with our partners.” >

Providing high-quality housing, mainly in Southeast Asia, through high-quality and planning using Japan’s advanced construction technology, in which Asian people can experience Japanese quality. We will contribute to the economic development in the region by meeting the growing demand for housing there.



It was completed in December 2019, and all houses were delivered as of the end of September 2020.

Deliveries from January 2020 contributed to results for the year ending March 2021. In Da Nang, we will concentrate on the condominium business, and through development and building management services, we will nurture the HIYORI brand into a brand that is appreciated and loved by the citizens.

In Vietnam, COVID-19 infection was confirmed for the first time in 56 days in January, but the spread of the infection has been suppressed. Travel from Japan to Da Nang is restricted. Entry from abroad remains limited.

Expansion of Existing Businesses and Start-up Investments

We will welcome human resources, technologies, and platforms in our business to the Group to expand and optimize services in response to the changing environment and accelerate the growth of peripheral businesses.

<Achievements of M&A and Capital Alliances>

	Year	Company Name and Business Name	Business Overview
1	2010	Sonomanma Office!	Website Specializing in Set-up Offices
2	2012	Yubi (Currently SF Building Maintenance)	Building Maintenance
3	2016	Vision Center and Vision Office	Rental Conference Rooms and Rental Offices
4		Hotel AU Tokoname (Currently Spring Sunny Hotel Nagoya Tokoname Station)	Hotel
5		Sky Court Hotel (Currently Sky Heart Hotel)	Hotel
6	2018	Sado Resort Hotel Azuma	Japanese-style Inn with a long History (Sado Island)
7		VIP Nangoku (Currently Sky Heart Hotel Shimonoseki)	Hotel
8		Okesa Kanko Taxi	Taxi and Tourist Bus (Sado Island)
9	2019	Kouwa Corporation (Currently SF Engineering)	Interior Finishing Work for Offices, etc.
10		Sado Biyori	Sado Island Information Website
11		SKY ESTATE	Drone Business
12	2021	Nihon System Service New	Building Maintenance



Nihon System Service becomes a wholly owned subsidiary

Through SF Building Maintenance Inc. (a subsidiary of the Company, hereinafter called SF Bldg. Main.) Nihon System Service Co., Ltd., which operates a cleaning business for buildings, became a wholly owned subsidiary.

Since its establishment in 1979, Nihon System Service Co., Ltd. has a long track record of cleaning 442 buildings in central Tokyo, mainly in the 5 wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya).

In addition, Nihon System Service Co., Ltd. has a high affinity with SF Bldg. Main.'s business, has strengthened its base in the western area of central Tokyo (Minato Ward, Shibuya Ward, Shinjuku Ward) where SF Bldg. Main. is comparatively less entrusted with, and together with SF Bldg. Main. has undertaken the cleaning of approximately a total of 1,000 buildings.

We will expand our business base in the central Tokyo cleaning business and seek further synergies with other businesses.



Expansion of business base in 5 wards of central Tokyo



Corporate Profile

- Company name: Nihon System Service Co., Ltd.
- Address : 2-13-23 Akasaka, Minato-ku, Tokyo
- Main business : Cleaning business mainly for office buildings
- Share capital : 10,000,000 yen (100% investment by SF Building Maintenance Inc.)
- Establishment : June 1979

4) ESG Initiatives

Sun Frontier, a Company of Philosophy-oriented management

Company policy

Altruism

Management Philosophy

With a vision to secure all employees and to pursue both spiritual and material happiness, at the same time, we will contribute to the prosperity of humankind and society with a spirit of symbiosis.

Corporate Philosophy

We, the employees through our business improve our knowledge, technical skills and personalities with our strong enthusiasm and dedicate ourselves to utilization and distribution of real estate stock, thereby we reduce the waste of non-reproducible resources and contribute to permanent prosperities of mankind, flora and fauna on the earth.

Outlines of our ESG Initiatives

Through our initiatives heavily based on the viewpoints of ESG, we will achieve our sustainable growth and a long-term improvement in our corporate value.

Environment

- ❑ We revitalize buildings without destroying them. We develop the Real Estate Revitalization Business, which grows in harmony with the environment (revitalized buildings: 417 buildings.)
- ❑ We operate a circulation market of furnished offices with an aim to reduce waste materials generated by office relocation.
- ❑ We promote the reduction of energy consumption at the buildings we manage in Property Management Business, utilizing the Energy-saving Subsidy and others.
- ❑ We have introduced the renewable electric power service to 12 buildings we own.

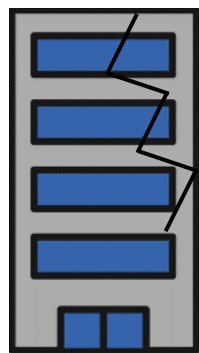
Social

- ❑ Promotion of management and development of human resources in accordance with social responsibility. Creation of a system in which diverse human resources can play active roles. (As of the end of November 2020: Female employees 35% and Foreign employees 7%)
- ❑ In our Real Estate Revitalization Business, we promote the revitalization of buildings to meet the social needs.
- ❑ Under the slogan, “Cheer up Japan!” we develop Regional Revitalization Business from the aspect of tourism.
- ❑ We go ahead with the introduction of the drone technology to accelerate the innovation in the real estate industry.

Governance

- ❑ When we acquire properties, we clarify their possible risks, improve their legal compliance and correct shoddy workmanship on them through the process of commercialization and then turn the properties into a real estate stock with high social values and sell them.
- ❑ We have improved our monitoring function for the corporate management by appointing 5 independent outside directors out of 12 directors.

Not Scrap & Build, but a Real Estate Revitalization Business that makes use of resources



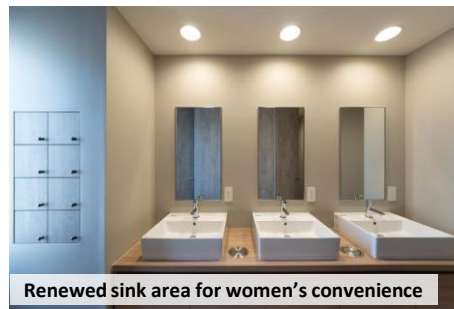
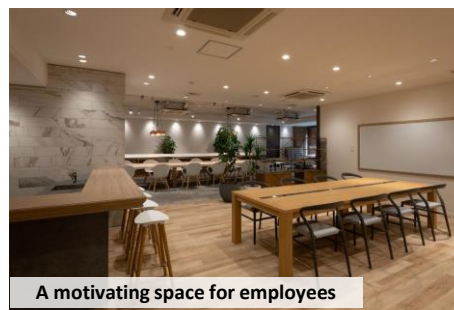
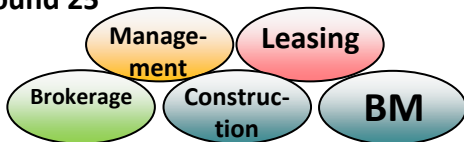
Purchase

E.g. a building around 25 years old

Create a high added value through cross-business collaboration and linkage



Sales



Equipment, interior, entrance, common space, exterior wall, greening, and such

Gross profit
0.3 billion yen
(profit margin 25%)

Construction fee
0.15 billion yen

Acquisition cost
0.05 billion yen

Purchase price
1 billion yen
occupancy rate 50%
rent income
40 million yen

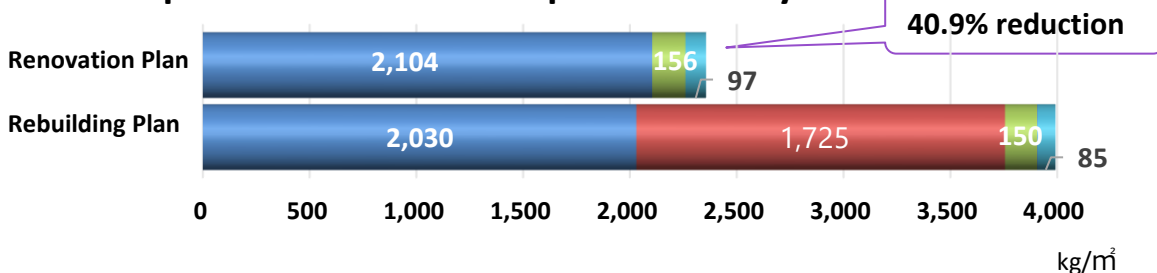
Purchase

Purchase price 1 billion yen
occupancy rate 100%
rent income
80 million yen

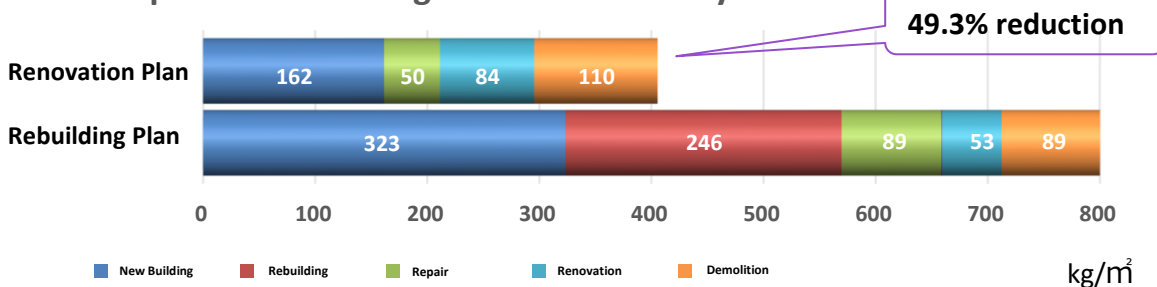
E.g. Sell for 1.5 billion yen

Real Estate Revitalization Business that conserves limited resources and coexists with the environment [E]

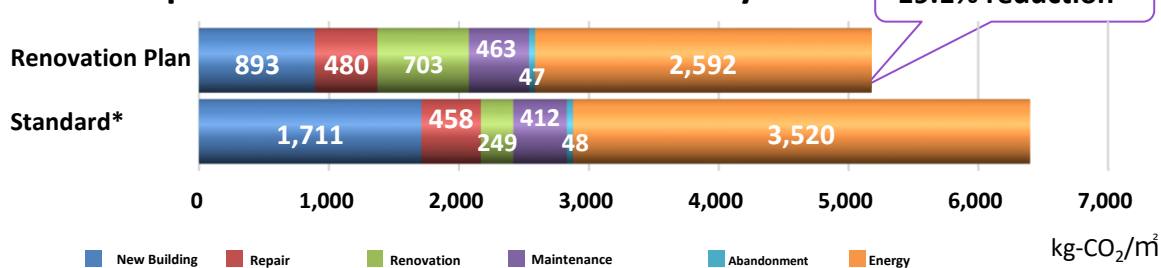
● Comparison of resource inputs over 50 year



● Comparison of waste generation over 50 year



● Comparison of CO₂ emissions over 50 years



<Prerequisites and Basis>
 Assuming a 30-year-old, approximately 3,000 square meter office building. Estimating environmental contribution over 50 years (the service life of an SRC building) based on the Architectural Institute of Japan LCA tool (*).
 Rebuilding: If the building is to be rebuilt every 35 years
 Renovation: Revitalization of aging buildings without demolishing them (long life buildings)
 Standard: Assuming a 30-year-old unrenovated building
 *Architectural Institute of Japan, "LCA Tool for Buildings Ver.5.0 - Assessment Tool for Measures against Global Warming, Resource Consumption and Waste" (Japanese only)
 Estimated with the help of ERC, Inc.

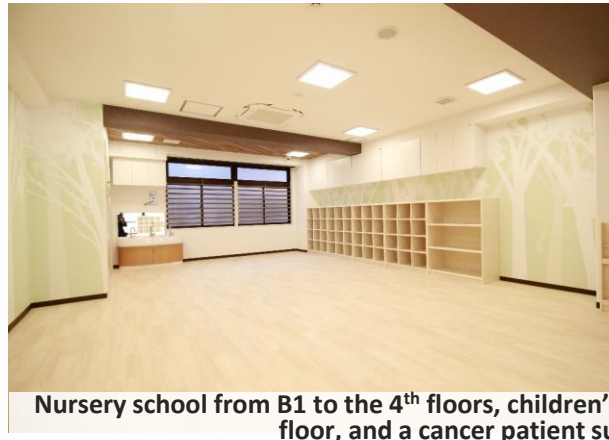
Compared to the proposed reconstruction and standard building

- Resource input: **4,899t reduction**
- Amount of waste generated: **1,182t reduction**
- CO₂ emissions: **3,660t-CO₂ reduction**

Contribute to the Revitalization of the Community and Society [S]

We promote revitalization for optimal applications that meet the needs of society.

Lend buildings to companies that support all stages of life. Revitalize buildings to meet the needs of the community.



Nursery school from B1 to the 4th floors, children's facility for elementary school students on the 5th floor, and a cancer patient support facility on the 6th floor

Industry, government, and academia work together to create a waterside space for local people to gather and relax.



The ground floor parking lot was converted to restaurants and connected to the canal side promenade. Creating an attractive waterfront and canal view.

Regional Revitalization Business ~Project in progress on Sado Island [S]

<We will energize Sado Island through tourism!>

When rural areas are energized, so Japan as a whole will be. As the number of visitors to Japan rapidly increases, spurred by fascination (culture, history, nature, food, hot spring, hospitality and others) that Japan is proud of, we will take on the challenge of regional revitalization projects that focus on the attractiveness and features unique to regions, in particular the regions that possess the “Wonderfulness of Japan.” **The first will be Sado, where we are familiar with. We have already created jobs for over 100 employees.**

Sun Frontier Sado Inc.

Hotel Business

Hotel AZUMA



Tabino Hotel Sado



Transportation Infrastructure Project

Okesa Kanko Taxi



Kigaruni Rent a Car



Highlight Finding Project

Anaguchi-tei (Café & Restaurant)



Tourism and Travel Business

Happy Sado Travel

DONDEN Highland Lodge



Web Advertising Business

Sado Biyori



Our Initiatives for Governance [G]

In our Company, we have an idea of “right humanity” as judgement criterion for all of our executives and employees to execute business assignments. We endeavor to strengthen our system of governance to ensure the execution.

Ratio of outside Officers 50.0% ratio of outside Directors 33.3%

Operate an equal Board of Directors where everyone can speak freely. Promote a sound Board of Directors with broad knowledge, experience, and variety. In addition, they will attend important meetings such as the Executive Committee to ensure the soundness of management.

We have established Nomination and Compensation Committee

We have established the Committee as a voluntary advisory body to the Board of Directors. The majority of the committee members are outside directors to ensure sound management of the Company.

We have ensured our risk management at the time of acquisition of properties and our compliance with laws and regulations at the time of their sale

We make a comprehensive business judgement, considering not only their profitability but also their risks, environmental impacts, compliance and others. We have also established a checking system to identify risks in a broad context not only by our departments in charge but in cooperation with legal and audit departments. As for sale of the pre-owned buildings which are disqualified, we first make them qualified enough to meet legal compliance requirements and market them.

We conduct a monthly training on compliance

We give all the employees training on compliance in order to establish an efficient system of legal compliance. The training has a broad range of themes, such as “prevention of insider trades,” “prevention of trades with antisocial forces,” “information management,” etc. to promote sound business operation.

Effective Corporate Governance System [G]

Outside Directors and Outside Audit & Supervisory Board Members are expected to return their wide-ranging knowledge and experience to the Board of Directors and play a role in improving corporate value. We promote a balanced corporate management and corporate governance system based on our expertise and experience in each field.

Job title	Name	Expertise and experience (skill matrix) * Up to 5 main items are listed.								
		Corporate management	Real estate	Accounting/ Finance	Legal/Compliance/Risk Management	HR/Labor/HR Development	IT/Digital	CSR/ ESG/ Sustainability	M&A	Overseas
Chairman representative director	Tomoaki Horiguchi	●	●			●			●	
President representative director	Seiichi Saito	●	●	●			●			●
Executive Vice President	Izumi Nakamura	●	●	●					●	
Senior Managing Director	Yasushi Yamada	●	●	●					●	●
Director	Mitsuhiro Ninomiya	●	●		●	●				
Director	Kenji Honda	●	●			●				●
(Outside) Director	<u>Toshio Takahara</u>	●	●						●	●
(Outside) Director	<u>Yukitoshi Kubo</u>			●	●	●	●			●
(Outside) Director	<u>Kazutaka Okubo</u>			●	●		●	●		●
Full-time Auditor	Kouichi Shinada	●		●	●	●			●	
(Outside) Auditor	<u>Koichi Moriya</u>	●	●		●	●			●	
(Outside) Auditor	<u>Hidetaka Tanaka</u>	●		●				●	●	●

4) Company Information and Reference Materials

Vision and Policy

Vision

We aim to be “the real estate company” of the world’s most loved, trusted and selected

Clients

Building owners, asset holders, wealthy individuals

Core Business

Real estate revitalization and utilization

Policy

▪ **-Not for profit, but for trust-**

Change ourselves, Solve difficulties from our clients’ point of view

▪ Focus on people rather than property

▪ One-stop solutions to any and all problems

Strategy

Central
Tokyo

Office

Strength

Tenant
mediation

Effective operation

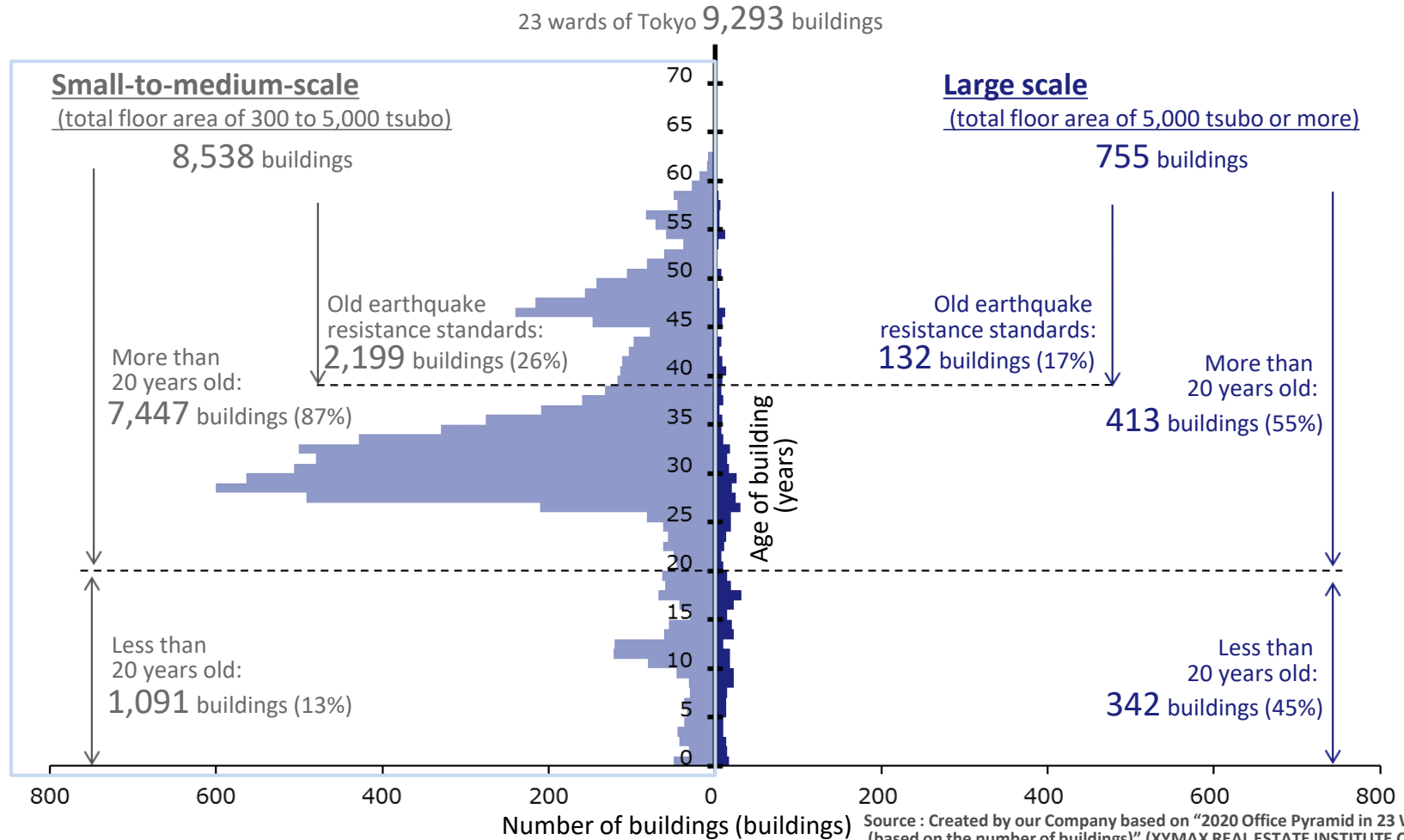
Real estate
revitalization

Creativity

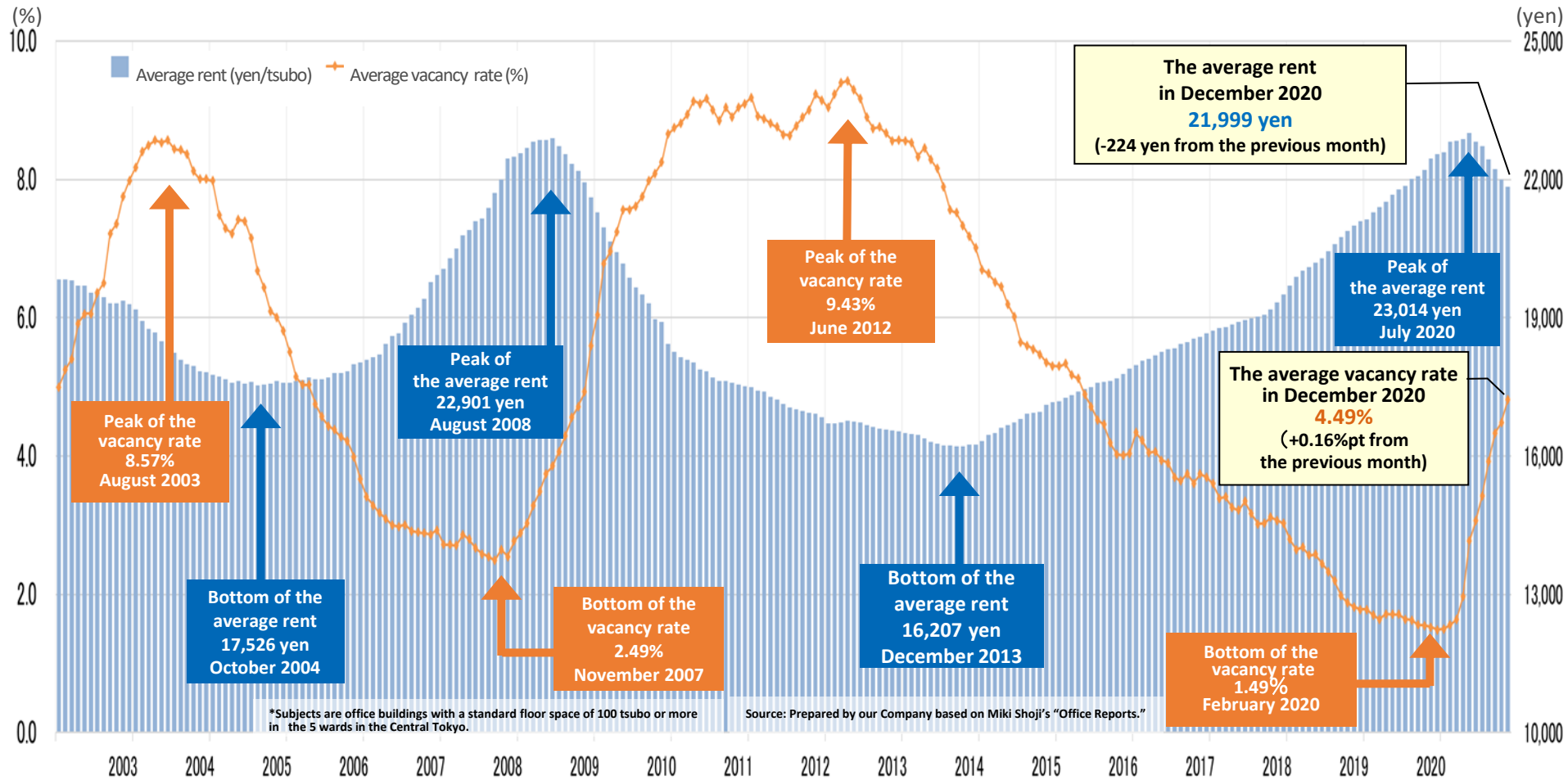
Focusing on the use and revitalization of small and medium-sized office buildings in central Tokyo

Most of the buildings in Office Building Business are between 350 tsubo and 2,000 tsubo.

The main target of our business is small and medium-sized buildings, which account for 90% of the total number of buildings in central Tokyo.



Trends in Vacancy Rate and Office Rents in 5 Wards of the Central Tokyo

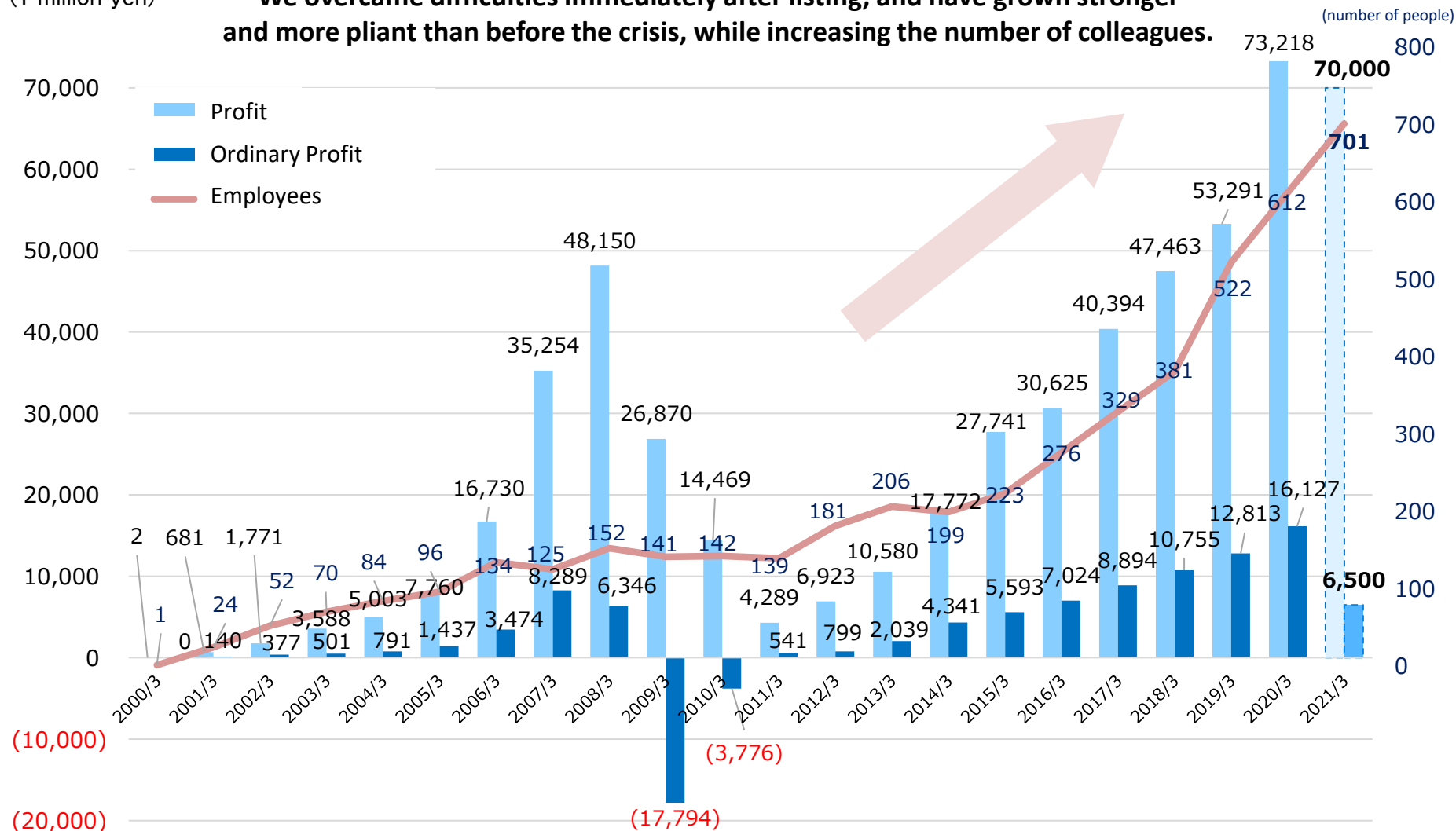


*Source: Prepared by our Company based on Miki Shoji's "Office Reports." Subjects are office buildings with a standard floor space of 100 tsubo or more in the 5 wards in the Central Tokyo.

Our human resources base that survived the 2008 global financial crisis is the cornerstone of growth

(1 million yen)

We overcame difficulties immediately after listing, and have grown stronger and more pliant than before the crisis, while increasing the number of colleagues.



Corporate Profile

Company Name	Sun Frontier Fudosan Co., Ltd.
Location of Head Quarters	2-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo
Date of Foundation	April 8, 1999
Date of Listing	February 26, 2007 (First Section of Tokyo Stock Exchange)
Capital Stock ※	11,965 million yen
Representative	Tomoaki Horiguchi, Chairman Seiichi Saito, President
Number of Consolidated Employees ※	701 full-time employees (1,045 including part-timers and temporary workers)
Average Age of Employees※	34.5 years old
Business Profile:	Real estate revitalization Real estate services } Real estate management, brokerage, construction planning, non-payment guarantee, operation of rental buildings, asset consulting Hotel development and management
Accounting Month	March
Listed Market	Tokyo Stock Exchange, First Section (Code number: 8934)



President
Saito

Chairman
Horiguchi

(※As of now, the end of December 2020)

We will appreciate your further supports.

- ◆ 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 cancellation without notice.

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