

Consolidated Financial Statements for the Fiscal Year ended March 2020

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

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May 11, 2020



SUN FRONTIER

Stock Code: 8934

Financial Summary for the Year Ended March 2020



**Sales and incomes increased for 9 consecutive fiscal years.
Record-breaking profits and dividends.**

(Unit: 1 million yen)

	Results	Profit Margin	Year-on-Year	Growth Rate	Full-year Forecast (Announced on May 9, 2019)	Full-year Forecast (Revised on Feb 6, 2020)	Progression Rate	
Net Sales	73,218	-	+19,926	+37.4%	70,000	72,500	101.0%	
Operating Income	16,571	22.6%	+3,266	+24.6%	14,500	15,900	104.2%	
Ordinary Income	16,127	22.0%	+3,313	+25.9%	14,000	15,500	104.0%	
Net Income *	10,666	14.6%	+1,883	+21.4%	9,500	10,200	104.6%	
					Dividend per share	39.5 yen	42.0 yen	-

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

Performance Highlights

1) Significant increase of Net Sales and Incomes of RP Business

- In RP Business, sales of buildings **significantly increased** to 43 buildings (12 more than those in the same period of the previous year), and **the segment income ratio remained high (31%)**. Net sales and incomes renewed the all-time high.
- Our Company's unique departmental collaboration business model** to maximize the attractiveness of buildings is deepened by bringing together the expertise of each division of the Company through all processes, including purchase, commercialization and sales, and by reflecting the knowledge and experience cultivated on-site in the commercialization.

2) Steady growth in Operation Business

- In Hotel Operation Business, newly opened hotels contributed to earnings and net sales rose as much as 38% year-on-year. "Tabino Hotel Kurashiki Mizushima" officially opened in February and "Tabino Hotel Kashima" opened in April. On the other hand, in terms of profits, the segment income decreased due to the expenses for opening 5 hotels.
- In Conference Room Rental Business, 8 sights opened in the current fiscal year and the number of sites has increased to **21 (with 7,300 seats in total)** as of the end of March 2020. Since March, cancellations have occurred one after another due to the outbreak of the new coronavirus (COVID-19), but the impact on business performance is limited due to new demand for satellite offices for BCP measures and others.

Changes in Consolidated Results



Operating income and ordinary income **marked record highs for 4 consecutive fiscal years** and net income also **marked record highs for 2 consecutive fiscal years**.

Dividends **increased for 8 consecutive fiscal years**, ordinary income margin remained high at **over 20% for 7 consecutive fiscal years**.

(Unit: 1 million yen)

	FY ended March 2016	FY ended March 2017	FY ended March 2018	FY ended March 2019	FY ended March 2020	Profit Margin of Net Sales
Net Sales	30,625	40,394	47,463	53,291	73,218	-
Operating Income	7,387	9,380	11,239	13,305	16,571	22.6%
Ordinary Income (Ratio of ordinary income)	7,024 (22.9%)	8,894 (22.0%)	10,755 (22.7%)	12,813 (24.0%)	16,127	22.0%
Net Income*	8,157	6,452	7,420	8,783	10,666	14.6%
Net Income per Share	190.78 yen	150.92 yen	167.62 yen	180.35 yen	219.03 yen	-
Dividends per Share	25.00 yen	30.00 yen	33.50 yen	38.50 yen	42.00 yen (Schedule)	

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

Consolidated Income Statement



(Unit: 1 million yen)

	FY ended March 2019	FY ended March 2020	Composition Ratio
Net Sales	53,291	73,218	100%
Real Estate Revitalization Business	45,490	60,061	82%
Replanning Business (including Hotel Development)	42,507	56,127	76%
Rental Building and Sublease	2,983	3,933	5%
Real Estate Service Business	3,179	3,476	5%
Operation Business	3,898	5,405	7%
Other Business	1,508	5,659	8%
Adjustment	-784	-1,384	—
Gross Profit	19,192	24,028	100%
Real Estate Revitalization Business	16,048	20,314	85%
Replanning Business (including Hotel Development)	14,712	18,830	78%
Rental buildings and Sublease	1,336	1,484	6%
Real Estate Service Business	1,898	2,253	9%
Operation Business	476	-41	—
Other Business	829	1,615	7%
Adjustment	-60	-115	—
Selling and general administrative expenses	5,886	7,456	
Operating Income	13,305	16,571	
Non-operating Income	63	260	
Non-operating Expenses	555	704	
Ordinary Income	12,813	16,127	
Extraordinary Gains (losses)	0	-40	
Corporate Income Taxes	-4,029	-5,503	
Non-controlling gain or loss	-1	83	
Net Income	8,783	10,666	

Income Statement Points

- Replanning Business performance improved significantly and led the Companywide performance.
Net sales increased by 32% from ¥42.5 billion in the previous fiscal year to ¥56.1 billion.
Gross profit increased by 28% from ¥14.7 billion in the previous fiscal year to ¥18.8 billion.
- Performance of Other Businesses (Rent guarantee, Construction and Overseas Business) expanded.
Total sales increased 275% from ¥1.5 billion in the previous fiscal year to ¥5.6 billion.
Gross profit increased by 95% from ¥0.8 billion in the previous fiscal year to ¥1.6 billion.

Major impacts of COVID-19 on performance

<Hotel Operation Business>

- Although the hotels in the industrial areas have captured business demand, the profits of the Hotel Operation Business have dropped significantly.
7 hotels have been temporarily closed since April, and sales is expected to fall sharply year on year. However, since its sales ratio is about 5%, the effect on the companywide performance is limited.

<Conference Room Rental Business>

- Since March, cancellations have occurred one after another and the operating rate has dropped to around 20%. Despite catching new demand for satellite offices, remote work, and others generated by BCP measures, sales is expected to fall sharply from April onwards. However, since its sales ratio is less than 2%, the effect on companywide performance is limited.

Consolidated Balance Sheet – Assets -

(Unit: 1 million yen)

	FY ended March 2018	FY ended March 2019	FY ended March 2020	Increase/Decrease (Compared to End of March 2019)
Current Assets	80,174	97,149	113,842	+16,693
Cash and deposits	23,892	20,257	18,627	-1,629
Inventory Assets	54,593	74,329	91,766	+17,436
Breakdown) RP	45,525	62,143	71,353	+9,210
Hotel	5,291	7,552	17,019	+9,467
Overseas, etc.	3,775	4,634	3,395	-1,239
Other Current Assets	1,687	2,562	3,448	+885
Noncurrent Assets	11,587	13,749	16,450	+2,701
Property, Plant and Equipment	8,565	9,339	10,413	+1,074
Intangible Assets	474	863	712	-150
Investments and other Assets	2,546	3,546	5,324	+1,777
Total Assets	91,761	110,898	130,293	+19,394

Inventory assets increased by ¥17.4 billion in total due to the purchase of RP properties and others.

Among them ¥9.2 billion increased in RP Business projects while ¥9.4 billion increased in Hotel Business projects (¥5.81 billion due to progress in construction work, transfer from noncurrent assets and other was ¥2.5 billion, purchase was ¥1.14 billion).

Property, plant and equipment increased about ¥1 billion due to progress in construction work related to hotel development.

Cash and deposits decreased by ¥1.6 billion, reflecting steady purchase in RP Business projects for the next fiscal year and hotel development.

Consolidated Balance Sheet – Liabilities/Equity -

(Unit: 1 million yen)

	FY ended March 2018	FY ended March 2019	FY ended March 2019	Increase/Decrease (Compared to end of March 2019)
Current Liabilities	10,155	12,859	18,052	+15,192
Short-term Loans Payable, etc.	2,716	2,248	4,463	+2,214
Income Taxes Payable, etc.	3,178	2,661	3,566	+904
Other Current Liabilities	4,260	7,949	10,022	+2,073
Noncurrent Liabilities	32,756	42,179	47,431	+5,252
Long-term Loans Bonds Payable	30,865	39,751	44,906	+5,155
Other Noncurrent Liabilities	1,890	2,428	2,525	+97
Total Liabilities	42,912	55,038	65,483	+10,445
Shareholders' Equity	48,750	55,900	64,690	+8,789
Others	99	-40	119	+159
Total Net Assets	48,849	55,860	64,809	+8,949
Total Liabilities and Capital	91,761	110,898	130,293	+19,394

Transition of Equity Ratio

End of March 2018	End of March 2019	End of March 2020
53.2%	50.3%	49.6%

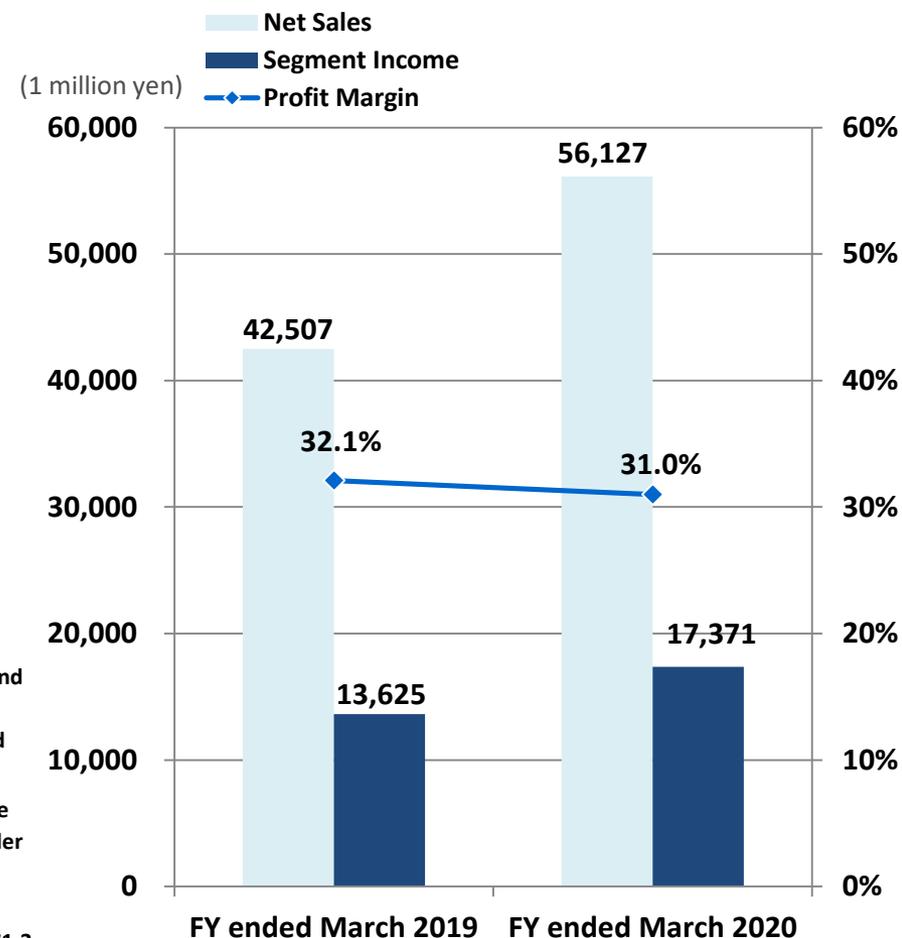
As purchases of RP properties progressed, borrowings increased by approximately ¥7.3 billion from the end of the previous fiscal year, and the balance of interest-bearing debt was ¥49.3 billion.

Retained Earnings increased by ¥8.8 billion as a difference between current net income (+¥10.66 billion) and year-end dividend payment (-¥1.87 billion).

Replanning Business (Replanning (RP)/ Hotel Development)



(Unit: 1 million yen)	FY ended March 2019	FY ended March 2020	Increase/ Decrease
Net sales	42,507	56,127	+32.0%
Segment Income (Note 1)	13,625	17,371	+27.5%
Profit Margin	32.1%	31.0%	-1.1%pt
Number of items purchased	47	42	-5
Number of properties sold	31	43	+12
Number of stocks at the end of fiscal year	69	70 (Note 2)	+1



- Both net sales and income surged. The attractiveness of buildings was maximized by identifying sources for added values through each process of purchase, commercialization and sales, and by repeatedly using our ingenuity to increase them. The segment income ratio remained at a high standard of 31%, although an valuation loss of ¥0.75 billion was recorded for RP Business projects overseas (NY).
- The average RP Business period was 409 days (+58 days from the previous year). The average business period was prolonged because we extended the period of commercialization in order to create higher added values in some cases. 387 days excluding those cases.
- Purchase progressed favorably, with 70 properties in year-end inventory (57 RP Business-related properties and 13 Hotel Business-related properties). **¥88.3 billion in inventories** (¥71.3 billion for RP Business-related and ¥17 billion for Hotel Business-related).

*Excluding those related to Overseas Business

*In addition to the above, there are **7 RP properties of ¥5.3 billion** which were contracted before February and purchased, settled and contracted by the end of April.

(Note 1) "Segment Income" is calculated by deducting specific costs of each segment, including interest expenses, sales commission and goodwill depreciation expense from gross profit.

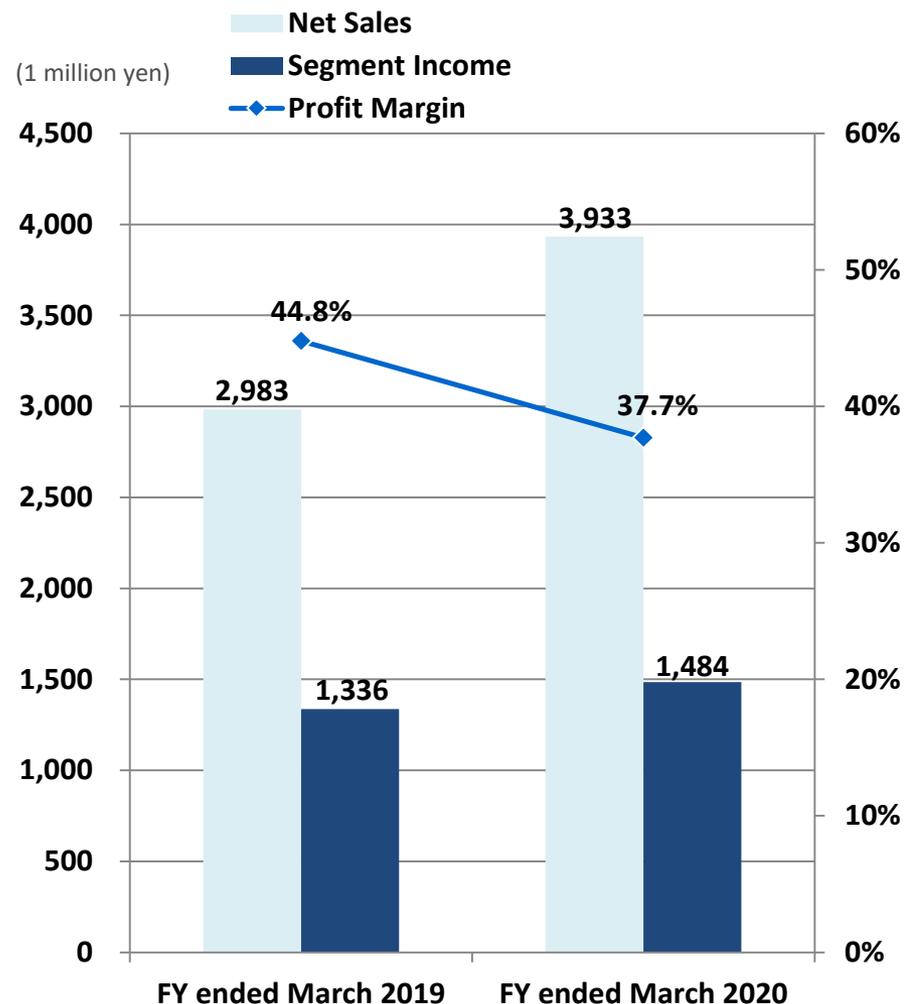
(Note 2) Including 2 properties transferred from noncurrent assets.

Rental Building Business (Rental Buildings/ Sub-leases)



(Unit: 1 million yen)	FY ended March 2019	FY ended March 2020	Increase/Decrease
Net Sales	2,983	3,933	+31.9%
Segment Income	1,336	1,484	+11.0%
Profit Margin	44.8%	37.7%	-7.1%pt

- Net sales increased by 31.9% from the same period of the previous year since inventory increased due to the increased purchasing of RP properties and also sub-leases rent increased due to newly opened hotels.
- On the other hand, segment income increased by 11% and profit margin decreased by 7%pt from the same period of the previous year affected by the period of vacancy for replacement of tenants during the process of commercialization of RP properties and also by the increased proportion of sub-leases.
- We aim to focus on purchasing properties for the medium and long-term RP projects to increase rent revenue.



Real Estate Service Business

(Property Management/ Building Maintenance/ Brokerage/ Leasing)



(Unit: 1 million yen)	FY ended March 2019	FY ended March 2020	Increase/ Decrease
Net Sales	3,179	3,476	+9.3%
Segment Income	1,898	2,253	+18.7%
Profit Margin	59.7%	64.8%	+5.1%pt

<PM and BM Businesses>

- In the PM Business, we provided highly profitable and highly occupied building management by working to improve profitability by revising conditions to achieve appropriate rents and reviewing electricity supply and demand contracts. Both the number of PM managing buildings and occupancy rate increased.

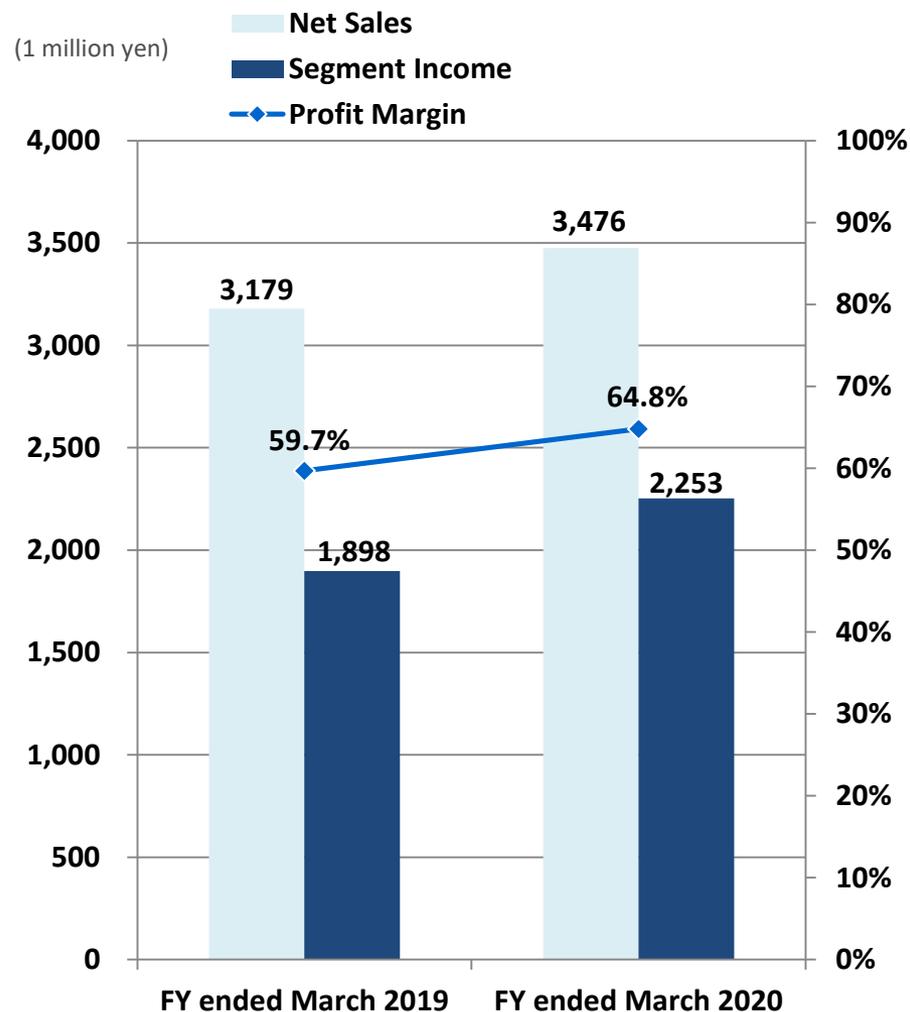
[Number of PM Managing Buildings and Occupancy Rate]

	[Number of Managing Buildings]	[Occupancy Rate]
End of March 2018	372 buildings	95.7%
End of March 2019	373 buildings	97.6%
End of March 2020	392 buildings	98.6%

In the BM Business, waterproofing work and exterior wall repair work increased. We also received orders for disinfection work for office buildings and others. Net sales were flat but profits increased.

<Brokerage and Leasing>

- Net sales and income in both businesses increased by more than 10%. Conscious day-to-day communication with clients serves as the driving force to create high added values from the client's point of view, contributing to the profits of the Group.



Operation Business (Hotel Management and Conference Room Rental Business)



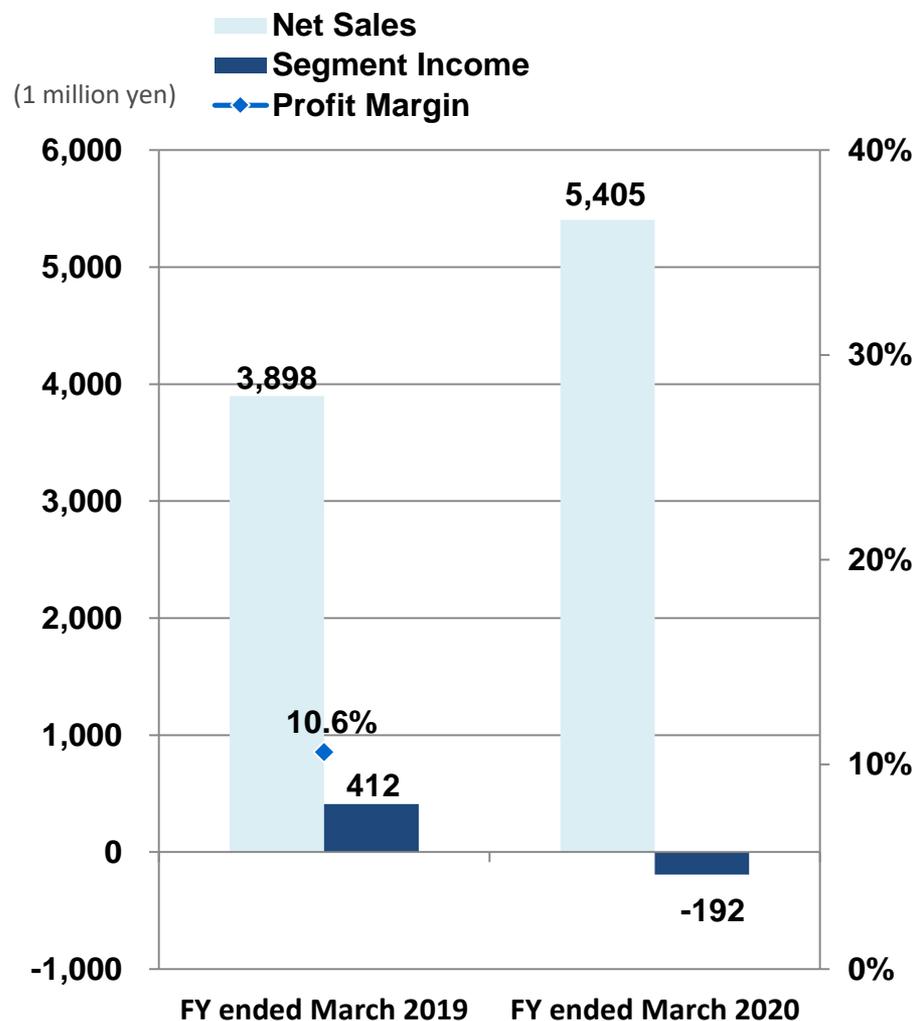
(Unit: 1 million yen)	FY ended March 2019	FY ended March 2020	Increase/Decrease
Net Sales	3,898	5,405	+38.7%
Hotel operation business	2,981	4,126	+38.4%
Conference room rental business	916	1,279	+39.5%
Segment Income	412	-192	—
Hotel operation business	259	-370	—
Conference room rental business	153	178	+16.5%
Profit Margin	10.6%	—	—
Hotel operation business	8.72%	—	—
Conference room rental business	16.7%	13.9%	-2.8%pt

<Hotel Operation Business>

- Net sales saw a 39% increase. Sales of “Tabino Hotel Sado” which opened 2018 contributed to the whole-year sales while the sales of 4 new hotels which opened in the current fiscal year were also added. On the other hand, segment income decreased due to the start-up expenses for 5 new hotels (including Tabino Hotel Kashima, which opened in April) and the spread of COVID-19 infection after the end of February which caused some hotels to be closed and the occupancy rate to decline, resulting in a negative segment profit.

<Conference Room Rental Business>

- Vision Center Ginza 1-chome Annex and Vision Center Yotsuya newly opened. The number of sites has expanded to 21 (+8 from the previous fiscal year) in total as of end of March. Both net sales and income steadily increased. From February, cancellations have occurred one after another due to the outbreak of COVID-19, but the effects were limited as we captured new needs for satellite offices and others generated by BCP measures.



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

(Unit: 1 million yen)	FY ended March 2019	FY ended March 2020	Increase/ Decrease
Net Sales	1,508	5,659	+275.2%
Segment Income	784	1,419	+80.9%
Profit Margin	52.0%	25.1%	-27.0%pt

The whole net sales and income increased significantly, profit margin decreased by 27%pt due to the increased ratios of sales of Overseas Business and Construction Business.

<Rent Guarantee Business>

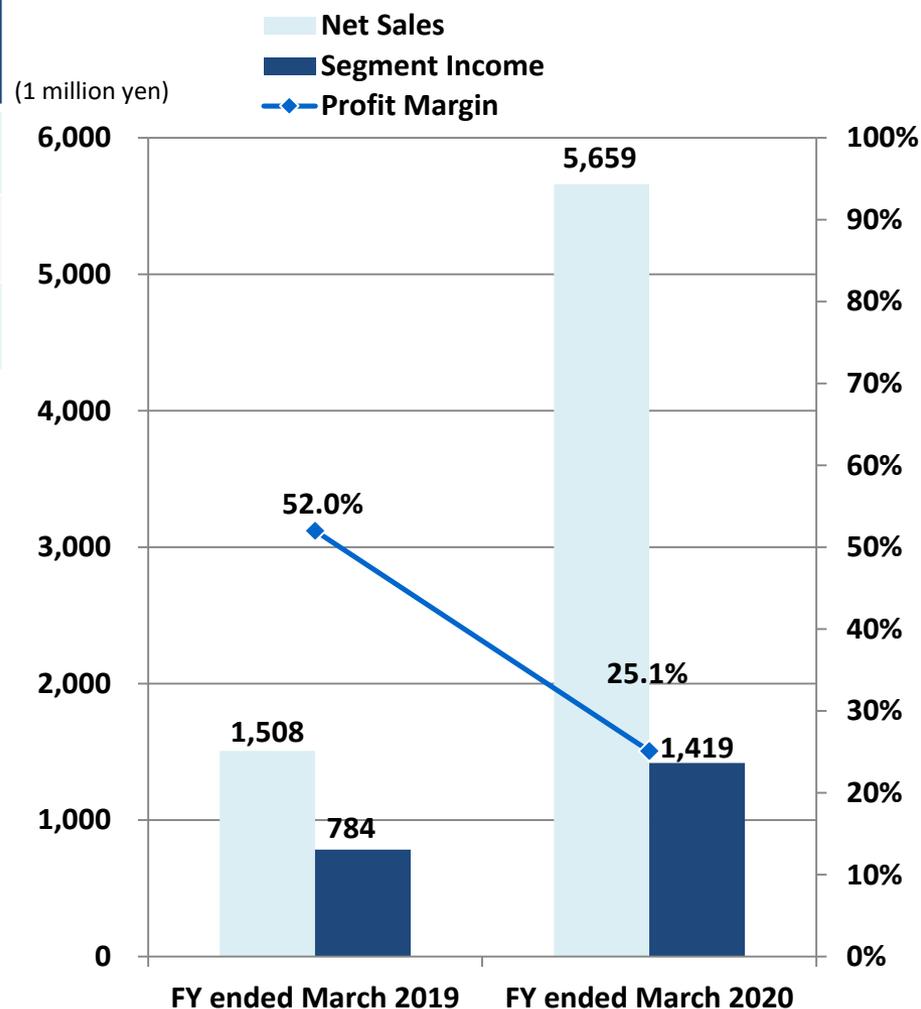
- The number of new and renewed guarantees handled remained steady, which has led to higher net sales and income. As demand for institutional guarantees increased, with the major revision of debt-related provisions (enforced in April,2020) by the Civil Code, we actively organized seminars and other events for building owners and business partners.

<Construction Business>

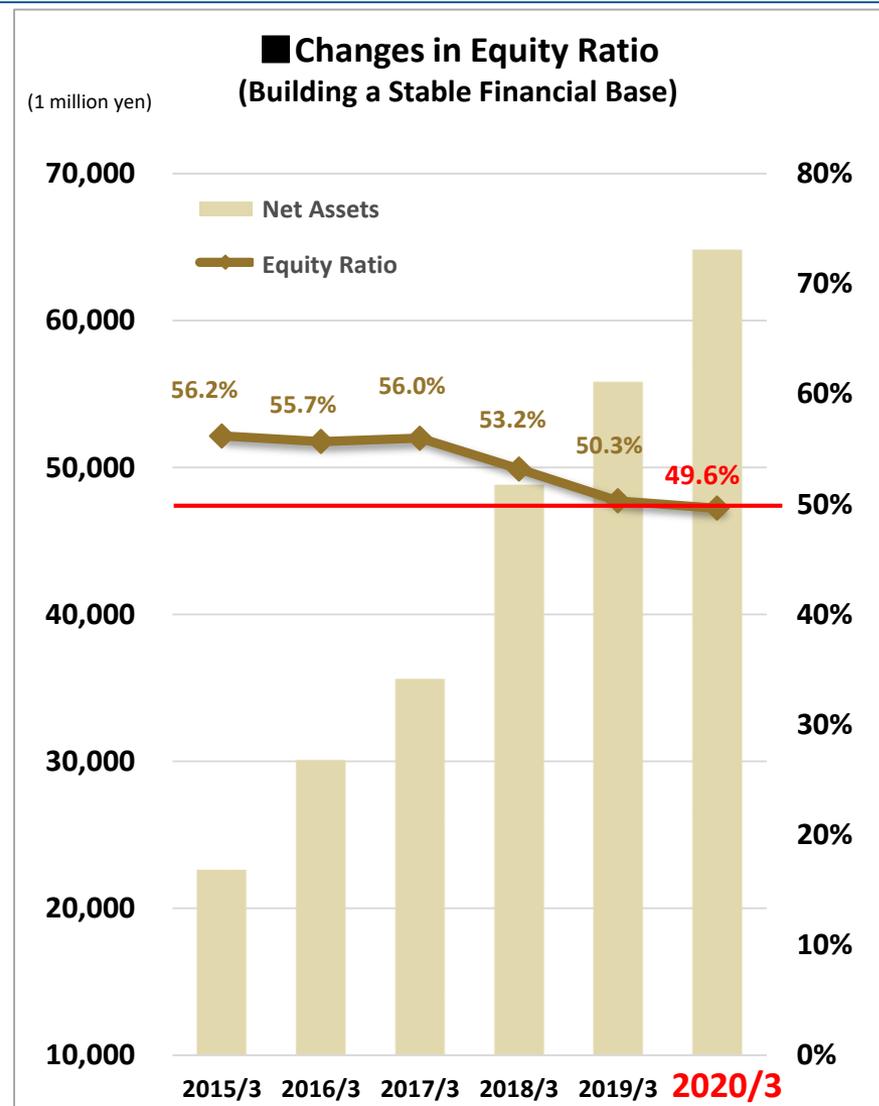
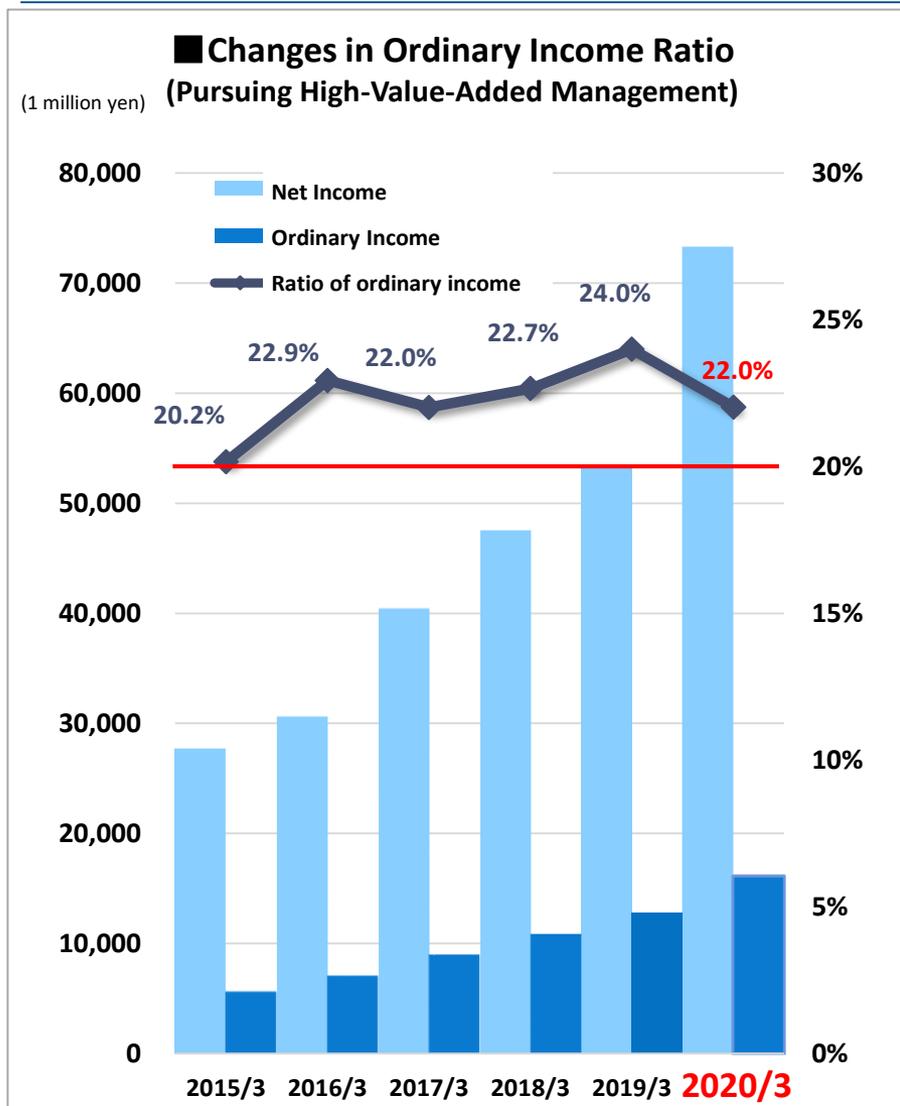
- Both net sales and income increased as the positive results of Kouwa Corporation (currently SF Engineering), which became a consolidated subsidiary in January, 2019 were added.

<Overseas Business>

- The land for development in Da Nang was sold after we obtained all approvals and licenses and its profit on sale was recognized.
- A condominium project in Da Nang, "HIYORI Garden Tower" was completed in December. Its rooms are now being delivered one after another and one fifth of the rooms were already delivered as of the end of December, which contributed to the results of 4Q.



Trends in Key Management Indicator



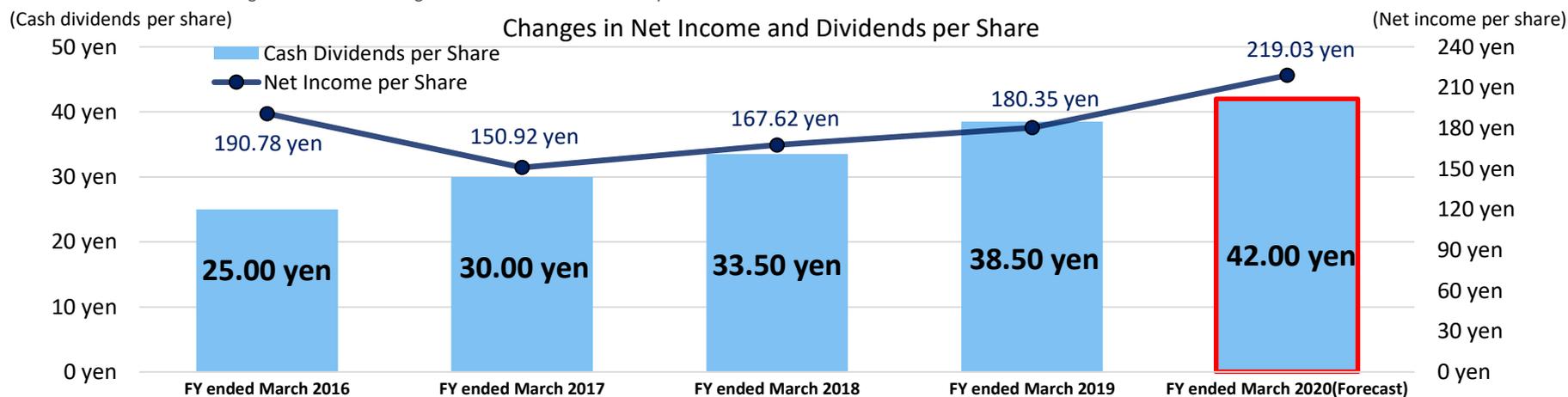
Basic Policy on Profit Sharing

Our Group's basic policy is : (1) strive to provide long-term and stable profit returns to shareholders, (2) secure investment funds to proactively develop the hotel business and overseas business for future growth, and at the same time (3) contribute comprehensively to shareholders' interests by taking into account the stability of financial resources.

Although the outlook is difficult to forecast due to the impact of COVID-19, our financial stability is maintained and **the dividends per share for the fiscal year ended March 2020 are 42.00 yen**, increasing for 8 consecutive fiscal years, as planned.

	FY ended March 2016	FY ended March 2017	FY ended March 2018	FY ended March 2019	FY ended March 2020 (Forecast)
Net Income per Share	190.78 yen	150.92 yen	167.62 yen	180.35 yen	219.03 yen
Cash Dividends per Share	25.00 yen	30.00 yen	33.50 yen	38.50 yen (including Commemorative dividends of 2 yen)	42.00 yen
Dividend Payout Ratio	13.1% (*19.3%)	19.9% (*20.9%)	20.0%	21.3%	19.2%

*From FY ended March 2016 to FY ended March 2017, estimated calculation assuming that the effective tax rate for each business year was taxed, excluding the effect of reducing tax burden due to tax loss carryforwards



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

Impact on Main Businesses and Recent Movements



Business	Impacts
<ul style="list-style-type: none"> ▪ Leasing Business ▪ Property Management Business ▪ Building Maintenance Business 	<ul style="list-style-type: none"> ➤ Requests for rent reduction and cancellations mainly from store-type tenants such as restaurants, Japanese-style bars and others increased in April for managed properties and properties for external subscription (approximately 14% of the total tenants requested for rent reductions in properties managed by the Company). ➤ With the shift to remote work, companies are scaling down in office space (approximately 40% of the total number of cancellation applications). On the other hand, some companies have decided to relocate and expand their offices as planned because the transition to remote work did not go smoothly. Some companies are making a successful transition, while others are not. ➤ Due to the outbreak of COVID-19, there have been increasing opportunities to receive orders for disinfection of buildings and others in SF Building Maintenance Inc.
<ul style="list-style-type: none"> ▪ Replanning Business 	<ul style="list-style-type: none"> ➤ Although the real estate sales market is currently in the wait-and-see mood, the sale of 4 properties in the real estate revitalization business was completed in April as planned. (Including the first composition of the second case of Act on Specified Joint Real Estate Ventures) ➤ We continue the commercialization of renewal work and others by encouraging creativity on site, while making every effort to prevent infection.

Impact on Main Businesses and Recent Movements SUN FRONTIER

Business	Impacts
<p>▪ Conference Room Rental Business</p>	<ul style="list-style-type: none"> ➤ Since March, reservation cancellations have occurred one after another, and the occupancy rate has declined. However, the impact on results for the current fiscal year was limited as we have captured new needs for remote offices, BCP satellite offices and others. ➤ The occupancy rate in April dropped from 80% to 20%. Although further cancellations are expected after June due to the extension of the state of emergency declaration, we will strengthen our response to changes in demand through with/after COVID-19.
<p>▪ Hotel Business</p>	<ul style="list-style-type: none"> ➤ Temporarily closed 7 hotels (Maihama, Tokoname, Osaka (2 hotels), Sado (1 hotel), Takayama and Hakata). ➤ While the occupancy rate of operating hotels has fallen to approximately 35%, the occupancy rates of hotels (Sky Heart Hotel Kawasaki, Tabino Hotel Kurashiki Mizushima, Tabino Hotel Kashima) that are capturing business demand has been steady.

1. The Japanese economy has been severely affected by the spread of COVID-19 infection, and the future outlook remains uncertain.

- ◆ Despite the largest-scale economic measures in history, some companies have fallen into bankruptcy, and the economic downturn seems to be prolonged.
- ◆ The state of emergency was declared in April and was extended until the end of May, and there is still no end in sight for the COVID-19 outbreak.
- ◆ Even after the state of emergency is ended, it is expected that the “new normal” will start without returning to how things used to be for a while.
- ◆ The number of foreign visitors to Japan in March decreased by 90% from the previous fiscal year. It is expected that the restrictions on overseas travel will continue in many countries for a prolonged period of time.

2. The world economy is decelerating rapidly. Each country was severely affected by the spread of COVID-19 infection and is facing a serious recession.

- ◆ IMF predicts worst recession since great depression, downgrading its expectations for global growth to -3%.
- ◆ The timing of vaccine development by each country is difficult to predict, and the medium- to long-term response to the spread of COVID-19 infection is necessary.
- ◆ Attention will be paid to trends in East Asian countries, such as China and Taiwan, where the spread of COVID-19 infection has been gradually ending.

3. The office building market in central Tokyo has been booming for a long time, but there are signs of peak out due to COVID-19 infection

- ◆ Demand for offices is expected to decline due to the forecast of economic recession and the scaling down of office space by the spread of remote work.
- ◆ We are wary of the rising vacancy rate and falling average rents due to the business contraction and deterioration of employment caused by the recession.

Immediate Management Policy

Four Policy Initiatives

(1) Prevent the Spread of COVID-19 Infection

(2) Maintain and Continue Business

(3) Keep financial stability

(4) Main Business is “Regeneration and Utilization of Real Estate”

Preventing the Spread of COVID-19 Infection and Maintaining and Continuing Business

Thorough prevention measure of COVID-19 both inside and outside the Company

- In order to ensure the safety of our clients and employees and to prevent COVID-19 infection, we have introduced various work styles such as telework and staggered working hours depending on the situation of each business site.
- Under the state of emergency, we have gradually reduced the number of employees coming to the office to around 10%, following the request from the Japanese government and Tokyo Metropolitan Government
- Avoiding the “Three Cs,” internal meetings have been thoroughly web conferences. We maintain quick and accurate communication between members.

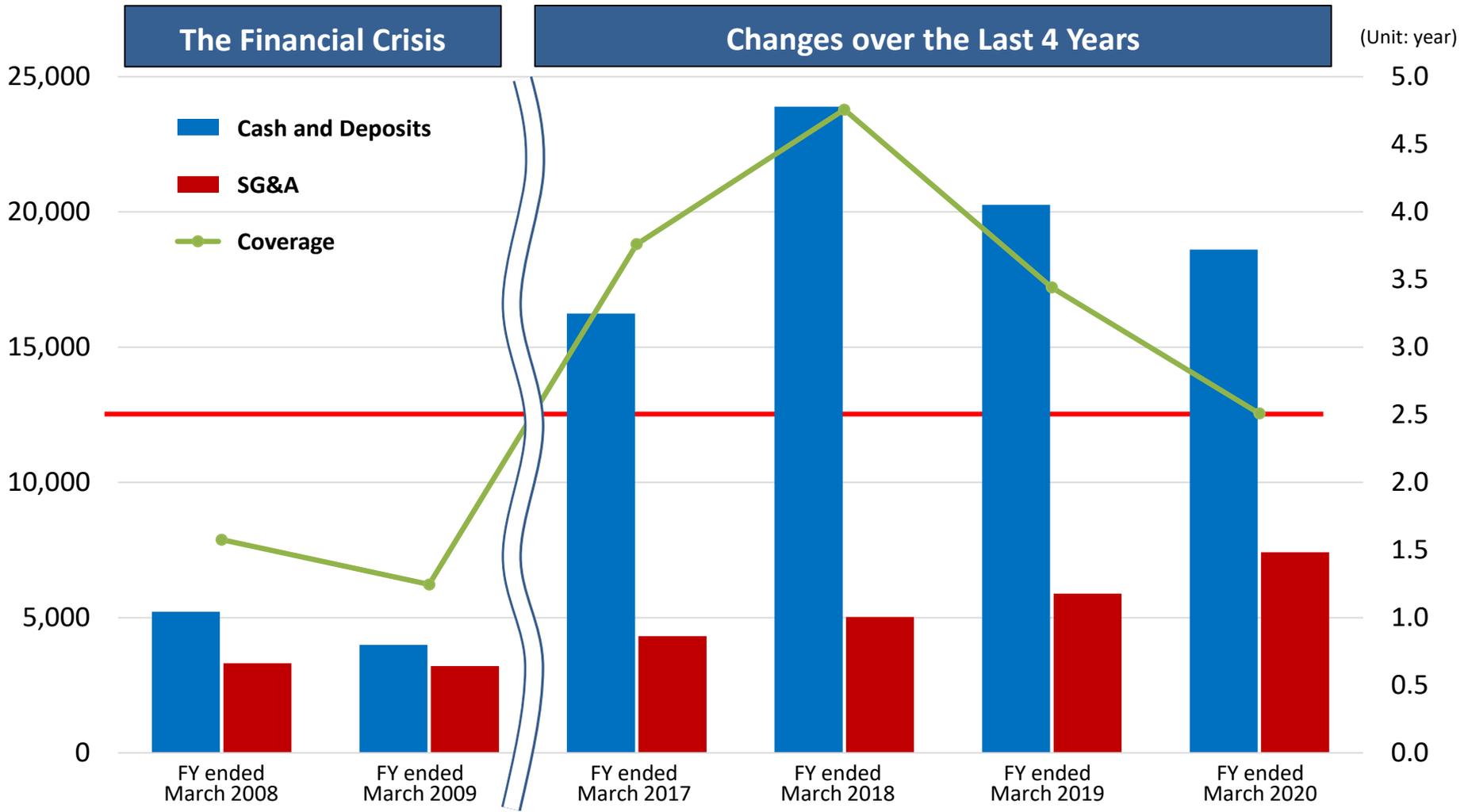


Ensuring business continuity through preventive and predictive management

- The office floor has been divided and a two-team system has been promoted in each organization to secure a system that allows the business to continue even if employees are infected with COVID-19.
- We prepare to proceed with the projects immediately after COVID-19, while limiting contact between people, through such measures as video streaming using 360-degree cameras and online viewing.
- We thoroughly control spending and aim for a leaner management. We also thorough checks of cost and SG&A.
- We maintain close communication with teleworkers and perform work through tele-teamwork.

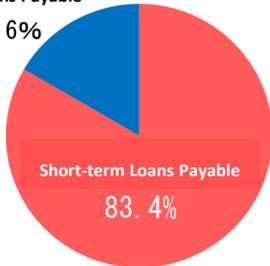
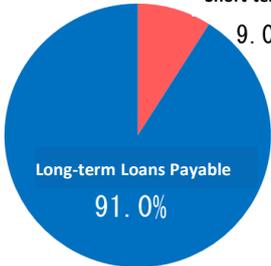


SG&A Coverage of Cash and Deposits



→We maintain cash and deposit balance that covers 2.5 to 4 years worth of SG&A (around 20 billion yen)

Comparison of financial constitution

	FY ended March 2008 (before the 2008 financial crisis)	FY ended March 2020	Increase/Decrease
Ratio of short-term debt to interest-bearing debt*	 <p>83.4%</p>	 <p>9.0%</p>	-74.4%pt
Weighted average borrowing period	1.9 years	5.1 years	+3.2 years
Weighted average borrowing rate	1.7%	1.0%	-0.7%pt
Capital adequacy ratio	45.5%	49.6%	+4.1%pt

→The ratio of short-term loans payable to interest-bearing debt has dropped significantly.
Borrowing period was extended.

*Short-term loans payable includes long-term loans payables repayable within one year.

(4) Main Business is “Regeneration and Utilization of Real Estate”

Comparison with Revitalization Business Structure during the 2008 Financial Crisis

	The 2008 Financial Crisis		Changes over the Last 3 Years		
	FY ended March 2008	FY ended March 2009	FY ended March 2018	FY ended March 2019	FY ended March 2020
Number of properties sold	47	30	35	31	43
Concentration in 5 central Tokyo wards (Chiyoda-ku, Minato-ku, Chuo-ku, Shibuya-ku and Shinjyuku-ku)	42.6%	46.7%	90.9%	96.6%	85.4%
Percentage of office buildings	72.3%	73.3%	97.0%	100%	100%
Gross Profit (Consolidated)	14.0%	-1.3%	31.9%	34.6%	33.5%
Profit Margin (5 central Tokyo wards & Office buildings)	22.4%	2.6%	33.0%	34.7%	35.8%
Feature	Properties were scattered outside 5 central Tokyo wards. Asset types were diversified.		Properties concentrated in central Tokyo. All asset types are office buildings		

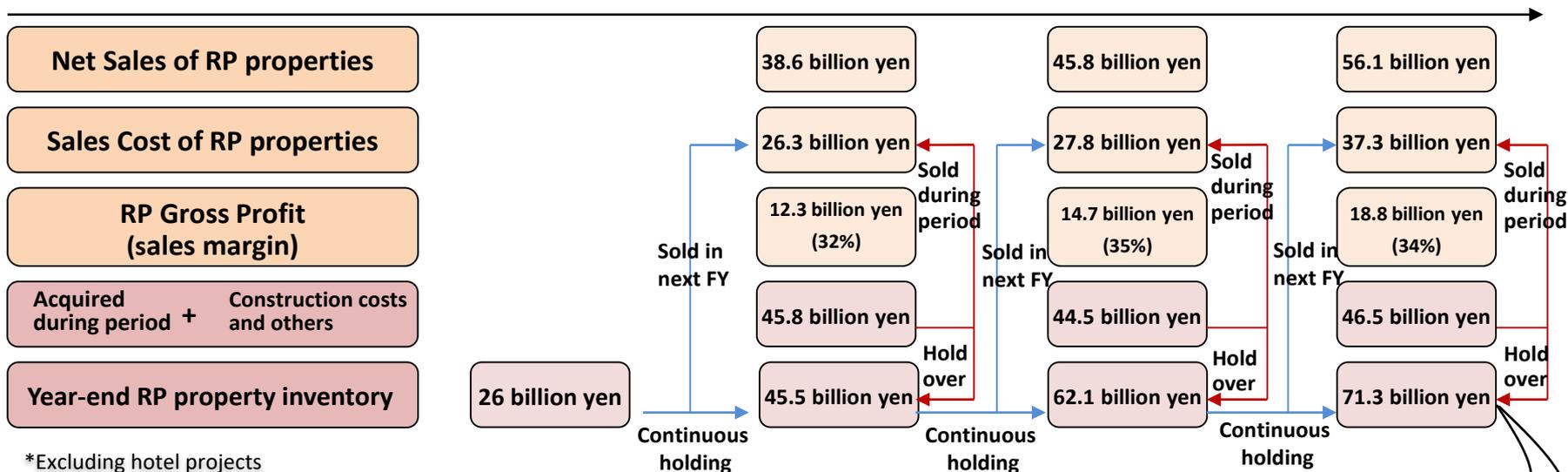
→ We specialized in “office buildings in 5 central Tokyo wards,” for which there was strong demand even after the 2008 financial crisis. In addition, we changed to a structure that is resilient to recession by focusing on profitability rather than sales.

(4) Main Business is “Regeneration and Utilization of Real Estate”

We create unrealized gains by increasing the profitability of inventories

Utilizing the expertise cultivated in the real estate service business, we have made our own properties more profitable than ever. Since **our real estate can generate a high standard of stable rent income**, we can expect unrealized gains when it is difficult to forecast the future, and even if the profit margin declines sharply.

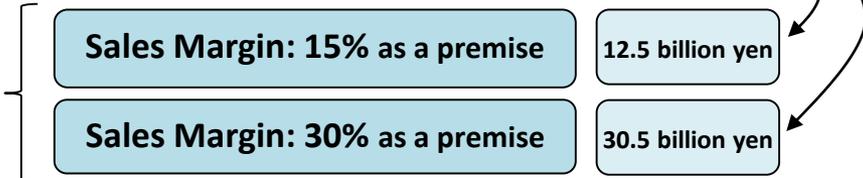
FY ended March 2017 FY ended March 2018 FY ended March 2019 FY ended March 2020



*Excluding hotel projects

[Unrealized gains on year-end RP inventory]

*Reference: Profit margin results for the current fiscal year is approximately 34%

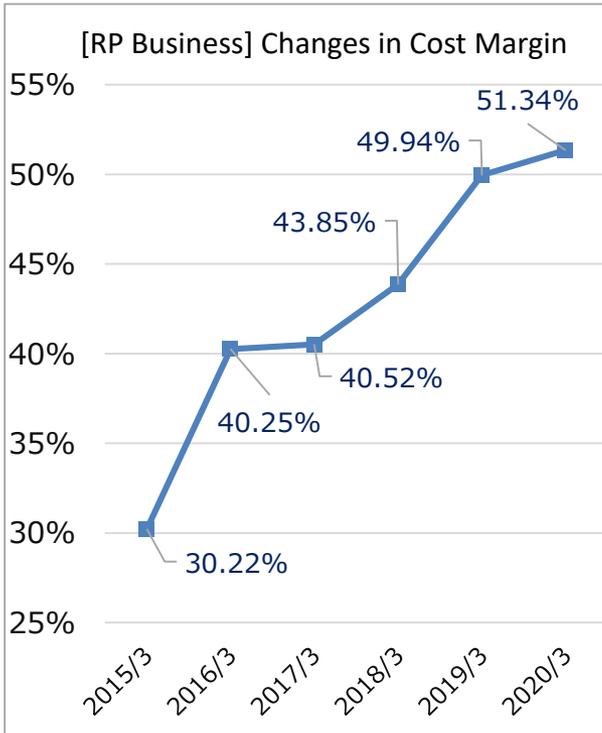


→ We create value that allows for unrealized gains, even if the sales margin declines by about 20% from the current fiscal year.

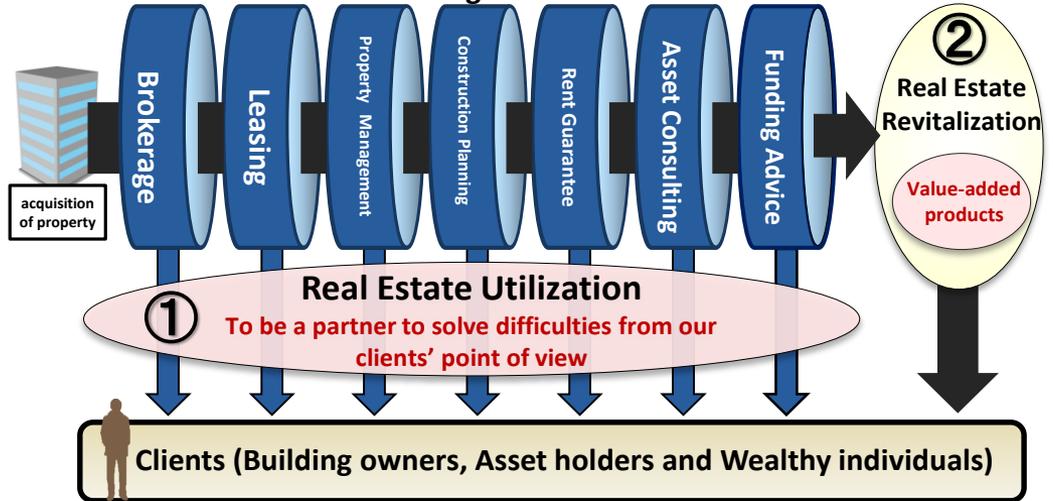
3) Specific Initiatives in Growth Strategies

We aim for solid growth while maintaining a high profitability structure

In RP Business, sales of buildings significantly increased, and the segment income ratio remained at a high standard. As a result, net sales and incomes increased significantly and renewed the all-time high.



A business model that maximizes the attractiveness of buildings by creating added value through the business chain



- ① **Real Estate Utilization Business:** We solve difficulties on site.
- ② **Real Estate Revitalization Business:** We bring together the expertise of each division of the Company and reflect the knowledge and experience cultivated on-site in the commercialization. Revitalize and sell buildings through our value chain.

By pursuing improvement in intrinsic real estate value rather than short-term growth, we aim to raise the management objective of achieving “both growth and stability” in the long-term.

Creating a Office where Companies with Future Growth Potential Dream and Create the Future

The property is a dignified building whose original design is “the granite upholstery.” In the revitalization process, we **inherited the history and taste of Kanda-Konyacho**, which was a town with numerous dyeing shops dealing with indigo dyeing, as a concept, and **renovated it into a luxurious space where you can have a quality feeling of “the Japanese-Style”**. Targeting primarily IT companies, we revitalized the property into spaces and offices where tenants can envision growth and live vividly.



Before



Before



After

Interior that encourages interaction between employees

▲ Open Space



After

The plasterer decoration on the wall has an elegant design with “indigo dyeing” as the motif.

▲ Entrance Hall



After

Interior with richness and high quality feeling

▲ Meeting Room



After

Welcoming guests with sophisticated design

▲ Elevator Hall

[Outline of Property]

- Address: Kanda-Kon'yacho, Chiyoda-ku, Tokyo
- Structure: Steel-framed reinforced concrete
- Structure: a 10-story building with a deck roof and a basement
- Original completion: 1993 (27 years old)
- Usage: Office spaces
- Site area: about 496 m²
- Total floor area: about 3,950 m²

We expanded our network of branches which focuses on local communities to solve our clients' problems



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

We opened a new branch at Hamamatsucho to extend our network of branches to 12 locations.

We are good at careful tenant placement by having close ties with the local communities and utilizing our local knowledge.

2. **Courtesy extended to our clients** have come to trust and we have become **“the partner for their real estate management.”**

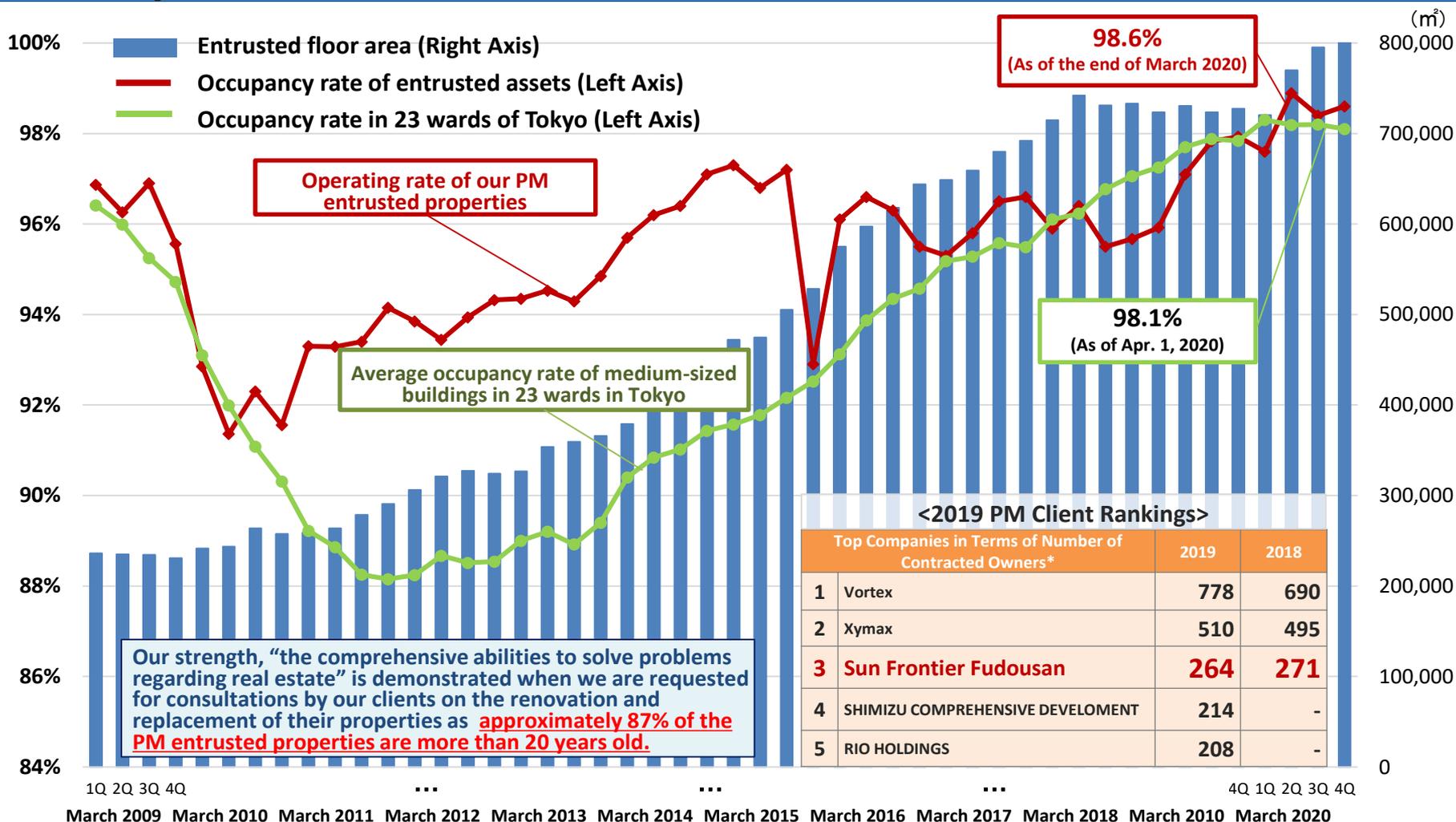
We are their trustworthy point of contact to consult and solve any of their problems.

3. **We meet tenants' needs by understanding them and constantly changing our Company according to the tenants' voice.**

4. **The network finds big hints for our Real Estate Revitalization Business,** which is the base for us to improve the value of real estate further day by day.

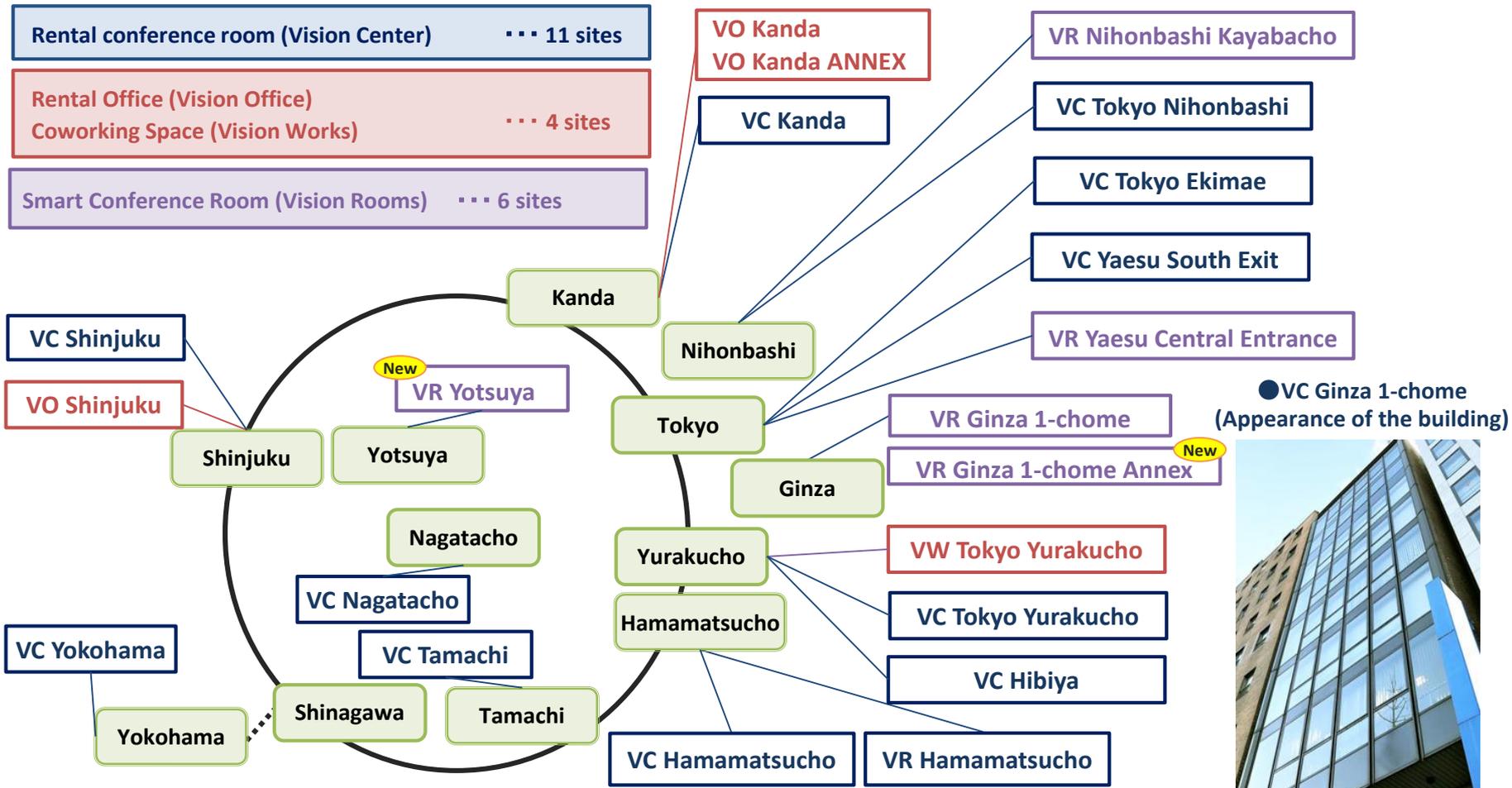


We achieved stable and highly profitable building management and expanded entrusted business



*Source: Our research based on "Monthly Office Market Research Report" by Sanko Estate Co., Ltd., for the average occupancy rates of medium-sized buildings in 23 wards in Tokyo.
 *Source: As for PM Client Ranking, our research based on the November 2019 issue, "Monthly Property Management."
 *Operating rate: (Total operating area)/(Total lent available area).

We will expand our business sites to achieve 45 sites in FY ending March 2023



The total number of sites is 21 sites with 7,300 seats as of today. **We are strengthening our internal system for the further expansion of sites.**

*The seat number of rental conference rooms is calculated, using the school format (three-seat per desk.)
Seats allocated in a square shape are calculated for the rooms to which the school format cannot be applied.

Strengthening Rent Guarantee Business, Taking the Opportunity of the Revision of the Civil Code

The requirements of personal guarantees were tightened due to major revisions of the Civil Code (Law of Obligations) which became effective from April 2020. **It will burden lessors (building owners) much and their needs for institutional guarantees are expected to increase** and so we will strengthen seminars on the major revisions of the Civil Code for them.

[Major Changes]

- Tightening confirmation of intention of individual third parties' guarantees concerning the business (confirmation with notarial deeds).
- Limit of maximum amount of personal guarantees.
- Clarification of the scope of personal guarantees.
- Addition of accountability of lessees to personal guarantors.
- Addition of accountability of lessors to personal guarantors.

→ **Lessors will have to bare a greater burden due to a trend to protect individual guarantors.**

Strengthening Seminars for Lessors

[Number of seminars held]

- ◆ Number of seminars held 108 seminars
- ◆ Cumulative number of participants Approx. 1,600 participants



We relieve concerns of building owners by throwing ourselves into a role of their building management advisor. As the most selected institutional guarantee company, we will contribute to the realization of a fair and impartial leasing market.

“Warm-Hearted Hotel” that Grows with the Community

GRAND OPENING OF “TABINO HOTEL KASHIMA” ON APRIL 2020

Tabino Hotel Kashima in Kamisu City, Ibaraki Prefecture opened as the forth hotel of “the Tabino Hotel Brand.” The hotel specialized in in accommodating guests who can use it casually as a foothold for sightseeing or business. The hotel is located near the Kashima Coastal Industrial Zone, with good access from central Tokyo. The guest rooms were designed with a focus on “comfort” so that our guests can feel like at home even when they stay for a long time as a business base. In addition, the hotel has many attractions such as a large Yakuseki hot spring bath with an open-air bath, a large flat parking lot, and a breakfast with local dishes.



Large 15m² room with Simmons bed, large table and sofa to relax



Open-air bath for men only



Yakuseki Hot Spring, “Hamanasuno-YU”



Dedicated washing machine and microwave oven for a long stay
Pursuing “Comfort”



Warm-hearted staff welcomes our guests with a bright smile



Large flat parking lot (4t truck parking available)

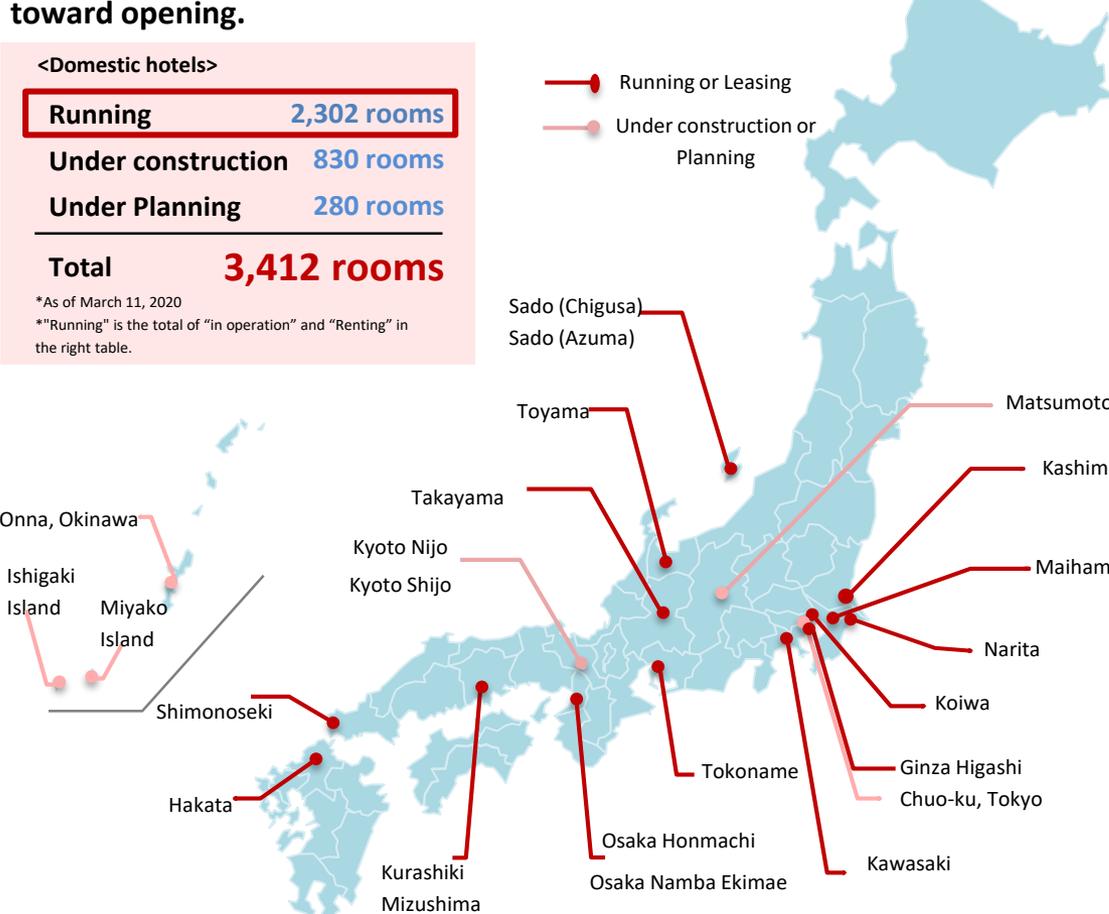
List of Hotels under Operation and Development

At the operating hotels, we strive to improve profitability (review operating expenses) and improve hygiene and safety, and focus on improving the occupancy rate and establishing a system in preparation for resumption of business after temporary closing. Ongoing projects proceed as planned toward opening.

<Domestic hotels>

Running	2,302 rooms
Under construction	830 rooms
Under Planning	280 rooms
Total	3,412 rooms

*As of March 11, 2020
 **"Running" is the total of "in operation" and "Renting" in the right table.



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

Status	Open (Plan)	Hotel Name Location	No. of Rooms
In operation	April 2016	SSH Nagoya Tokoname	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	April 2017	Hiyori Hotel Maihama	80
Renting	-	Toyama	210
In operation	-	Azuma Sado	57
In operation	May 2018	Tabino Hotel Takayama	80
In operation	-	Sky Heart Hotel Shimonoseki	105
In operation	July 2018	Tabino Hotel Sado	111
In operation	May 2019	Hiyori Hotel Osaka Namba Station	224
In operation	October 2019	Courtyard by Marriott Osaka Honmachi	193
In operation	December 2019	Hiyori Hotel Tokyo Ginza EAST	135
In operation	February 2020	Tabino Hotel Kurashiki Mizushima	155
In operation	April 2020	Tabino Hotel Kashima	194
Under construction	February 2021	Onna, Okinawa	204
Under construction	February 2021	Kyoto Nijo Kawaramachi	205
Under construction	August 2021	Miyako-Island	111
Under construction	April 2022	Kyoto Shijo Kawaramachi	134
Under construction	August 2021	Matsumoto	176
Under Planning	April 2022	Ishigaki Island	132
Under Planning	July 2022	Chuo-ku, Tokyo	148

“HIYORI Garden Tower” Completed in December 2019



High-rise condominium PJ

“HIYORI Garden Tower”

<Philosophy of Overseas Business:

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

Providing high-quality housing with sophisticated quality and planning in accordance with the Japanese standards, we will contribute to the economic development in the region by meeting the growing demand for housing there.



Completed
In December 2019

Delivery in progress



Local signboard



Entrance hall



A View overlooking the city

Currently, there are restrictions on travel from Japan to Da Nang, Vietnam.

Although it has been announced that the operation of domestic flights will be resumed gradually, restrictions on entry from overseas are continuing. Before the outbreak of COVID-19, there were 247 direct flights from Korea and 24 direct flights from China per week, but the impact of COVID-19 is expected to remain for prolonged period of time.

88% of “HIYORI Garden Tower” has been delivered at this moment.

The delivery after January will contribute to the business results for the fiscal year ending March 2021.

Additional Acquisition of SKY ESTATE's Shares

By increasing shareholding ratio in SKY ESTATE, we further strengthen inspection services by accurately assessing the state of aging of buildings through surveys of their exterior walls to propose the best repair work to our clients.

Advantages of Exterior Wall Survey with a Drone

1. It is possible to detect even 0.2 mm cracks and floating tiles by using infrared rays.
2. High-rise buildings can be surveyed without scaffolding.
3. Operation can be conducted from the ground, thus ensuring **excellent safety**.
4. **With no scaffolding, gondola or rope inspection required, operation can be done faster with lower cost.**
(costs can be reduced to about 1/3.)
5. Applicable to periodic reporting for specified buildings that require regular exterior wall surveys

SKY ESTATE has the market-leading track record in the industry

- About 140 drone surveys a year which is **the market leading track record**.
- By collaborating with SKY ESTATE, we aim to receive 200 orders for exterior wall surveys annually, including surveys of office buildings, and others.



Specialized drones are used for exterior wall and infrastructure surveys



Infrared rays can identify floating tiles

[Outline of the Investee]

- Name : SKY ESTATE Inc.
- Location : 1-5-4, Higashiyama, Meguro-ku, Tokyo
- Major Services : Drone school management, exterior wall survey
- Capital Stock : 4.47 million yen
- Established : September 28, 2016
- Number of Shares Acquired : **33.5% of Issued shares**

Sun Frontier Fudousan, which manages approximately 392 office buildings in central Tokyo will cooperate with SKY ESTATE which has cutting-edge drone piloting technology to **create new values that differ from the conventional building management by introducing new technologies and innovative services for building management.**

We aim for steady achievements and sustainable growth SUN FRONTIER

Although the business environment will change significantly due to the spread of COVID-19 infection, we aim to achieve our goals for the final year, the fiscal year ending March 2023 without revisions.

<Basic Strategy>

Without changing the basic strategy, we will actively utilize M&A and others to expand existing businesses and develop peripheral services while **further refining the Office Building Business model in central Tokyo** and strengthening the financial base.

<Policy towards the post-COVID-19 era>

With a view to “the new normal” with COVID-19 that will start after the resumption of economic activities, **we will research changes in the systems of products and services and needs on-site from the client’s point of view.** With the power of change as our greatest strength, **we will adopt and change flexibly and speedily in each business.**

<Quantitative Target>

FY ending March 2023

Net Sales	100 billion yen
Ordinary Income	20 billion yen
Net Income	14 billion yen
Equity Ratio	50% or more
Ratio of Ordinary Income	20% or more



Deepen and Expand the Highly Influential “Office Building Business in Central Tokyo”

Focusing on the central Tokyo area and small and medium-sized office buildings, we continuously keep refining our Company's unique strengths

We focus on the business area where we can exert our influence and keep on refining our business to make it distinctive and highly profitable by listening to our clients’ voice.



=> We will expand our existing business further and at the same time, we will challenge new and various fields of business by utilizing M&A, the IT and others. We will improve our strengths in the business field of medium and small office buildings in central Tokyo.

Change of Representative Director (President)



Sun Frontier Fudousan Co., Ltd. made the decision to change the Representative Director (President) as of April 1, 2020.

1) Specifics of the change

Name	New title	Current title
Tomoaki Horiguchi	Chairman	President
Seiichi Saito	President	Executive Vice President and Vice President Executive Officer

2) Reason for the change

- We have devoted ourselves and worked as one to deliver our clients solutions concerned with real estate under our consistent motto, “Altruism” since our foundation on April 1999. Thanks to all of you, we celebrated the 20th anniversary last April, and now we are steadily making progress to achieve the goals of the Medium-Term Management Plan which sets the final year in the FY ending March 2023.
- Under these circumstances, we have worked on the development of the human resource for the next generation and the further strengthening of our management base, and made this decision in order to improve the long-term and sustainable corporate value of our Company.
- Tomoaki Horiguchi, the current President will keep the right of representation and continue to commit himself to help the Sun Frontier Fudousan Group achieve further development as the Chairman.

3) Biography of the new president

Name Seiichi Saito

Biography 2005: Joined Sun Frontier Fudousan
 2006: Director, General Manager of Administration Division
 2008: Senior Managing Director
 2012: Vice President and Vice President Executive Officer
 2014: Executive Vice President
 and Vice President Executive Officer
 2015: General Manager of Asset Management Division

4) Company Information and Reference Materials

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-**
Business is about competing to be more helpful for more clients.
- To 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

Company policy

Altruism

**Philosophy is a source of
our ESG initiatives**

Management Philosophy

With a vision to protect 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 dilapidated buildings without destroying them. We develop the Real Estate Revitalization Business, which grows in harmony with the environment. (400 buildings were revitalized as of the end of March 2020.)
- ❑ 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 5 buildings we own.

Social

- ❑ 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 have supported the Japanese language courses at Da Nang University in Vietnam since 2016. Also, we have started to employ 6 technical intern trainees from Vietnam in the aim of “human resources development” which is the base of mutual development of Japan and Vietnam.
- ❑ 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 supply them to the market. We turn the properties into a real estate stock with high social values and sell them.
- ❑ We have established “Nomination and Compensation Committee” as a voluntary advisory body to the Board of Directors in order to improve objectivity and transparency of the procedures regarding appointment and dismissal of the directors and their compensations.
- ❑ We have improved our monitoring function for the corporate management by appointing 5 independent outside directors out of 10 directors.

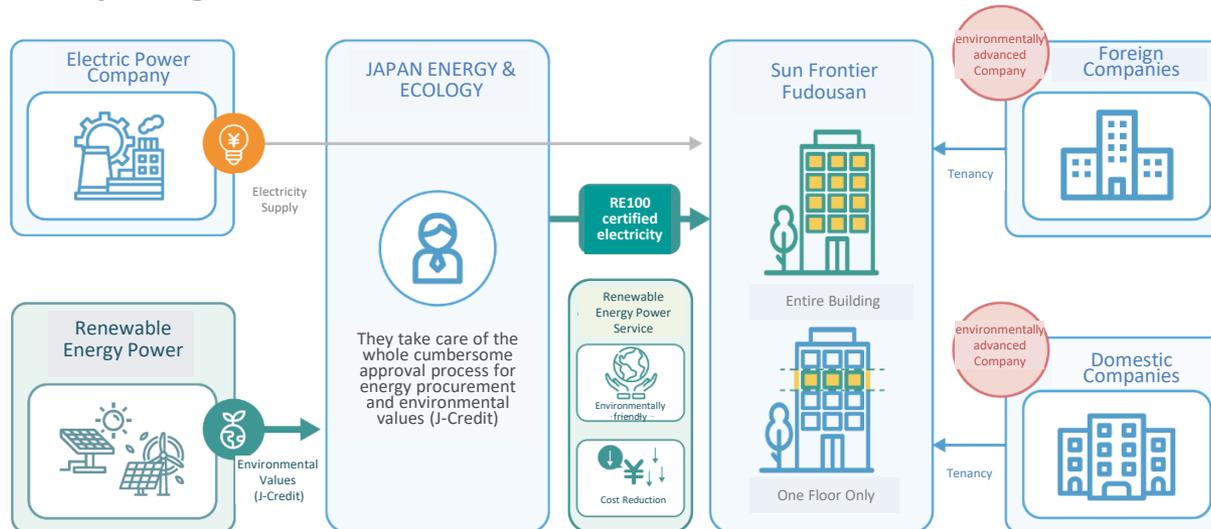
Launch of Renewable Energy Power Services [E]

We started the first renewable electricity service for office building tenants in Japan, working with JAPAN ENERGY & ECOLOGY which supports energy procurement for corporate clients.

Main Features of the Service

- This is the first service in Japan that supports even building tenants to meet the requirements of environment initiatives, such as “RE 100” and “RE Action” if they occupy more than one floor of the building.
- By purchasing electricity cheaply, building owners can reduce costs in line with their environmental measures.
- On behalf of the building owners, we take care of the whole cumbersome approval process for environmental values (J-Credit).

Concept Diagram



Building introduced the service



<We will energize Sado Island through tourism!>

When rural areas are energized, so Japan as a whole will be. As the number of foreign 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

Transportation Infrastructure Project

Highlight Finding Project

Tourism and Travel Business

Web Advertising Business

Hotel AZUMA

Okesa Kanko Taxi

Kanko Oyasumidokoro

Travel Agency

Sado Biyori



Rental Car Business



Tabino Hotel Sado



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.

□ We have established Nomination and Compensation Committee

We have established “Nomination and Compensation Committee” as a voluntary advisory body to the Board of Directors in order to improve objectivity and transparency of the procedures regarding appointment and dismissal of the directors and their compensations.

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.

When we acquire properties, we make a comprehensive business judgement, considering not only their profitability but also their key risks, environmental impacts, compliance and others. We have also established our three-step 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.

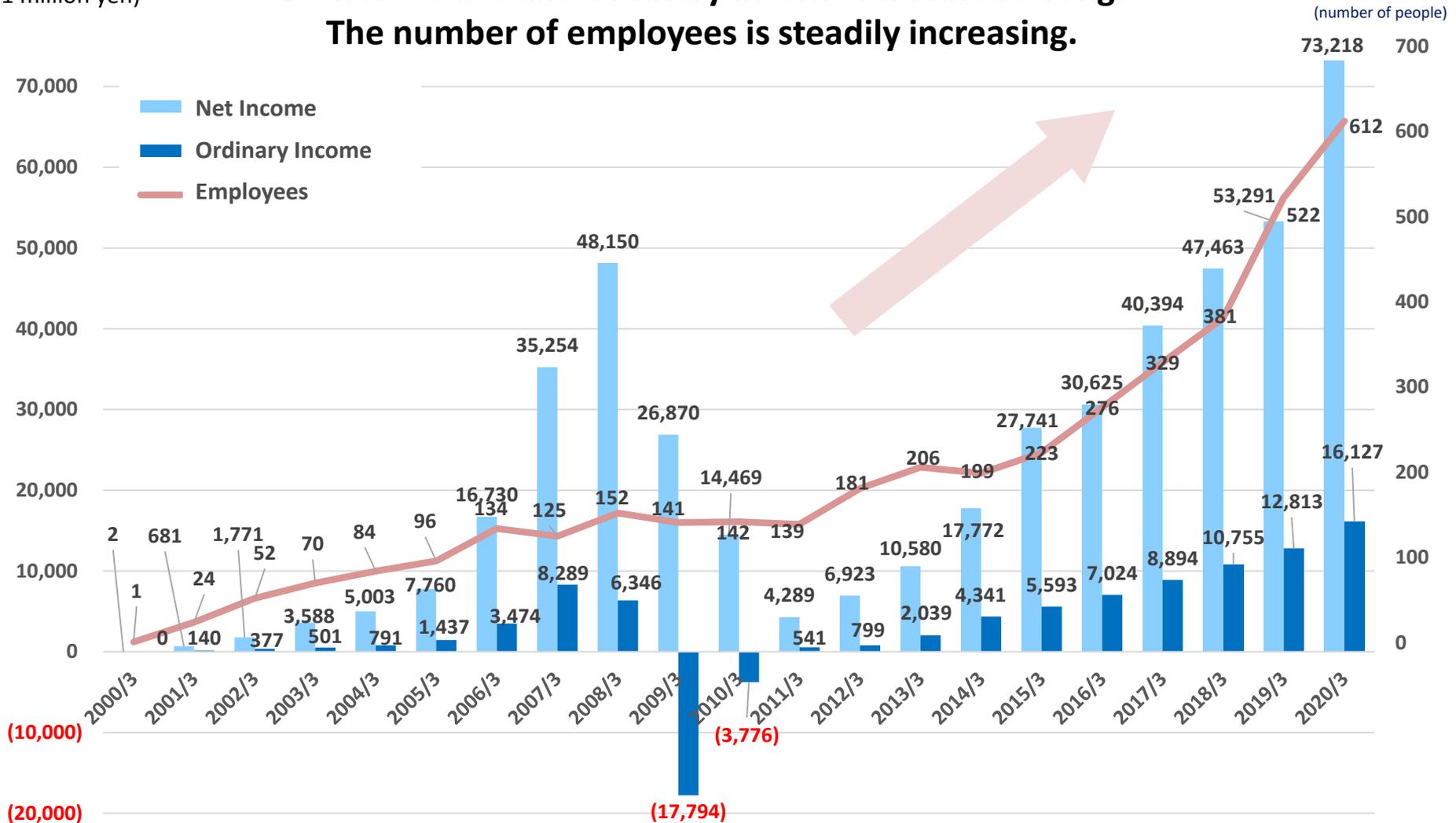
We give all the employees a monthly training on compliance in order to establish an efficient system of legal compliance. The training has a broad range of themes, such as “prevention of insider trades,” “prevention of trades with antisocial forces,” “information management,” etc. We will devote ourselves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

Changes in Net Sales, Ordinary Income, and Number of Employees

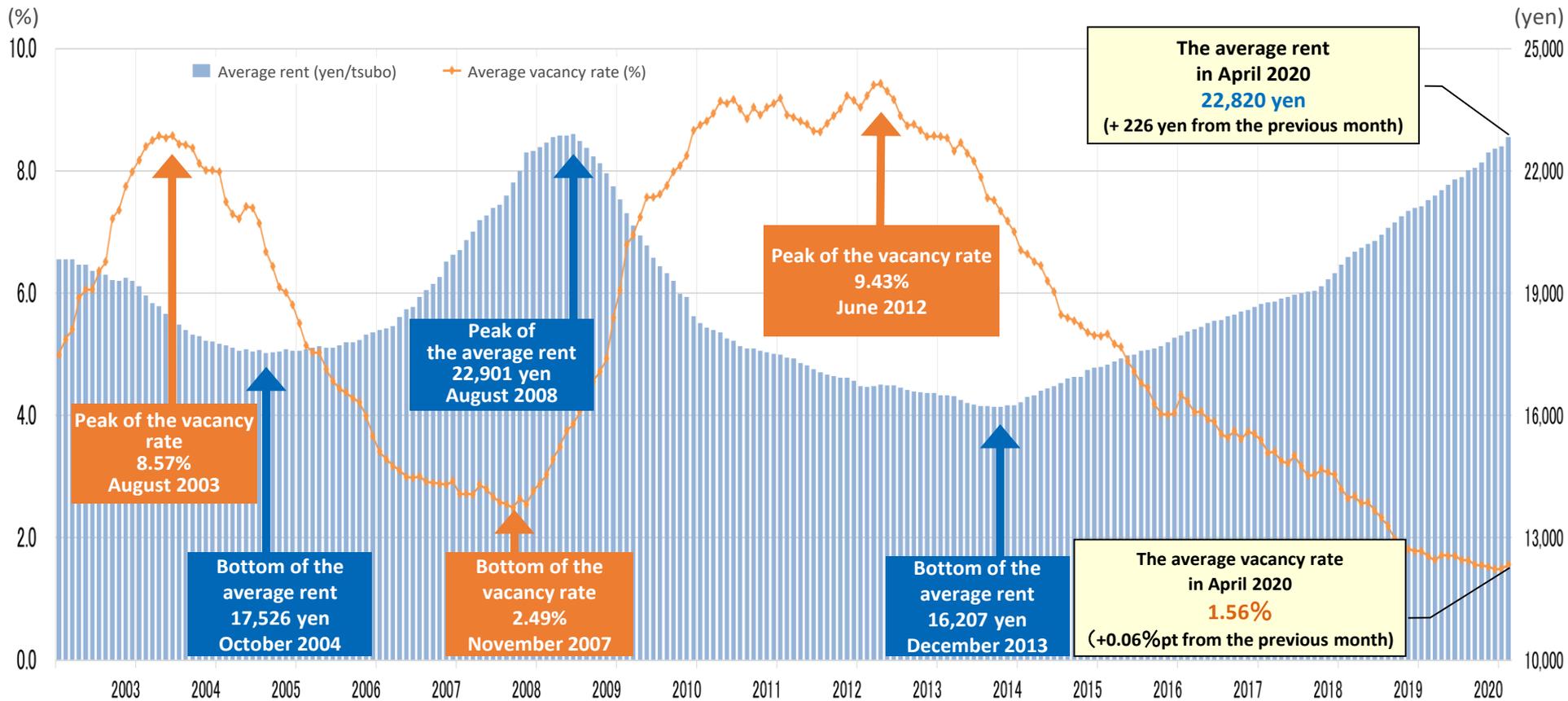


(1 million yen)

**Both Net Sales and Ordinary Income remained strong.
The number of employees is steadily increasing.**



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.

Corporate Profile

Company Name	Sun Frontier Fudousan Co., Ltd.
Location of Head Quarters	1-2-2, Yurakucho, Chiyoda-ku, Tokyo
Date of Foundation	April 8, 1999
Date of Listing	November 19, 2004 (Jasdaq Stock Exchange) 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 ※	612 full-time employees (1,037 including part-timers and temporary workers)
Average Age of Employees※	34.5 years old (※ As of March 31, 2020)
Business Profile:	<p>Real estate revitalization</p> <p>Real estate services { Real estate management, brokerage, construction planning, non-payment guarantee, operation of rental buildings, asset consulting }</p> <p>Hotel development and management</p>
Accounting Month	March
Listed Market	Tokyo Stock Exchange, First Section (Code number: 8934)



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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SUN FRONTIER