

# Consolidated Financial Statements for the First 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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August 6, 2020



**SUN FRONTIER**

Stock Code: 8934

# Performance Summary of 1Q of FY ending March 2021

Due to the impact of the new coronavirus (COVID-19) infection and the rebound from the previous year, sales and profits decreased sharply, but secured a profit.

(Unit: 1 million yen)

	Results	Profit Margin	Year-on-Year	Growth Rate	Full-year Forecast	Progression Rate
Net Sales	13,672	-	-18,980	-58.1%	70,000	19.5%
Operating Income	2,095	15.3%	-7,771	-78.8%	6,930	30.2%
Ordinary Income	1,952	14.3%	-7,806	-80.0%	6,500	30.0%
Net Income *	1,238	9.1%	-5,458	-81.5%	4,100	30.2%
					Dividend per share	42.0 yen

\*“Net Income” represents net income attributable to shareholders of the parent company.

## Topics

### 1) The sale of 5 properties completed as planned in RP Business

- The number of sales in RP Business was 5 (14 fewer than those in the same period of the previous year), but **the segment income ratio remained high (27.7%, -7.1% year-on-year) and remained solid even in the COVID-19 outbreak**. However, there was a reactionary decline due to the concentration of property sales including large-scale projects in the same period of the previous year, and both sales and profits decreased significantly compared to the same period of the previous year.
- In such circumstances, we will raise the sensitivity to client's voices in the field more than ever, firmly grasp changes in offices, towns and work styles, and promote the creation of offices that will be selected even in the new normal.

### 2) Announced full-year earnings forecast and dividend forecast that had been undecided due to the COVID-19 outbreak

**The full-year forecast is expected to decline significantly, but dividend is expected to be the same as in the previous year.**

- We forecast sales to fall 4% and ordinary income to fall about 60% compared to the previous fiscal year. In the Hotel Business, a sale of a large-scale condominium project, “Hiyori Ocean Resort Okinawa” is expected, but a decrease in the number of buildings sold and a decline in the profit margin are expected in RP Business, which accounts for a large portion of the overall performance (See pages 12 to 13 for details).
- Dividend per share will be maintained at 42 yen, the same amount as in the previous fiscal year (See page 14 for details).

# Consolidated Income Statement



(Unit: 1 million yen)

	FY ended March 2020 April to June	FY ending March 2021 April to June	Increase/ Decrease
<b>Net Sales</b>	<b>32,652</b>	<b>13,672</b>	<b>-58.1%</b>
Real Estate Revitalization Business	30,447	10,354	-66.0%
Replanning Business (including Hotel Development)	29,594	9,438	-68.1%
Rental Building and Sublease	852	915	7.4%
Real Estate Service Business	844	820	-2.8%
Operation Business	1,277	589	-53.9%
Other Business	335	2,206	558.5%
Adjustment	-251	-297	—
<b>Gross Profit</b>	<b>11,897</b>	<b>3,875</b>	<b>-67.4%</b>
Real Estate Revitalization Business	11,186	3,119	-72.1%
Replanning Business (including Hotel Development)	10,827	2,918	-73.0%
Rental buildings and Sublease	359	201	-44.0%
Real Estate Service Business	544	552	1.5%
Operation Business	124	-343	—
Other Business	62	651	950.0%
Adjustment	-19	-106	—
Selling and general administrative expenses	2,030	1,779	-12.4%
<b>Operating Income</b>	<b>9,867</b>	<b>2,095</b>	<b>-78.8%</b>
Non-operating Income	28	33	17.9%
Non-operating Expenses	137	176	28.5%
<b>Ordinary Income</b>	<b>9,758</b>	<b>1,952</b>	<b>-80.0%</b>
Extraordinary Gains (losses)	—	-6	—
Corporate Income Taxes	-3,062	-711	-76.8%
Non-controlling gain or loss	-1	3	—
<b>Net Income</b>	<b>6,697</b>	<b>1,238</b>	<b>-81.5%</b>

## Income Statement Points

- The number of sales for RP Business was 5 buildings in the current period. Since sales of properties including large-scale projects were concentrated in the 1Q previous year, both sales and profits decreased sharply compared with the same period of the previous year.
- In Other Businesses, the delivery of condominiums in Da Nang City, Vietnam proceeded smoothly, contributing significantly to the business results. For the current period, the delivery amount from January 2020 to the end of March 2020 was recorded.

## Major impacts of COVID-19 on performance

### <Hotel Operation Business>

- Up to 7 hotels have been temporarily closed since April. Although they have gradually been reopened since late June, the average occupancy rate remains sluggish. Under such circumstances, "Tabino Hotel Kashima," which opened in April, was able to capture business demand, and was fully occupied for 10 days in June.

### <Conference Room Rental Business>

- Following the declaration of the state of emergency, cancellations occurred one after another from April to May, and the business performance dropped significantly, but we started thorough measures to prevent COVID-19 infection and new services. In June, demand for events which were postponed in April and May recovered, and the results for the month of June recovered to the same level as in the same period of the previous year.

# Consolidated Balance Sheet - Assets -



- Inventory assets increased by ¥1.8 billion in total due to purchases of RP properties and others. Among them ¥3 billion increased in RP business projects and ¥1.2 billion decreased in overseas projects due to sales of development sites.
- Cash and deposits decreased by ¥4.2 billion due to income taxes, dividend payments in the previous period, and purchases of properties for the next period and beyond.
- Other current assets decreased by ¥1.6 billion due to decreases in accrued consumption tax and advance payment.

(Unit: 1 million yen)	FY ended March 2019	FY ended March 2020	FY ending March 2021 As of End of June 2020	Increase/Decrease (Compared to end of March 2020)
<b>Current Assets</b>	97,149	113,842	109,811	-4,030
Cash and deposits	20,257	18,627	14,388	-4,239
Inventory Assets	74,329	91,766	93,602	+1,836
Breakdown) RP	62,143	71,353	74,356	+3,003
Hotel	7,552	17,019	17,086	+67
Overseas, etc.	4,634	3,395	2,160	-1,235
Other Current Assets	2,562	3,448	1,821	-1,627
<b>Noncurrent Assets</b>	13,749	16,450	16,468	+17
Property, Plant and Equipment	9,339	10,413	10,593	+179
Intangible Assets	863	712	669	-43
Investments and other Assets	3,546	5,324	5,205	-118
<b>Total Assets</b>	110,898	130,293	126,280	-4,012

# Consolidated Balance Sheet - Liabilities/Equity - SUN FRONTIER

- As purchases of RP properties progressed, borrowings increased by approximately ¥1.5 billion from the end of the previous fiscal year, and the balance of interest-bearing debt was ¥50.8 billion.
- Retained Earnings included in shareholder's equity decreased by approximately ¥0.8 billion due to net income (+¥1.23 billion) and year-end dividend payment (-¥2.0 billion).

Changes in Equity Ratio		
End of March 2019	End of March 2020	End of June 2020
50.3%	49.6%	<b>50.4%</b>

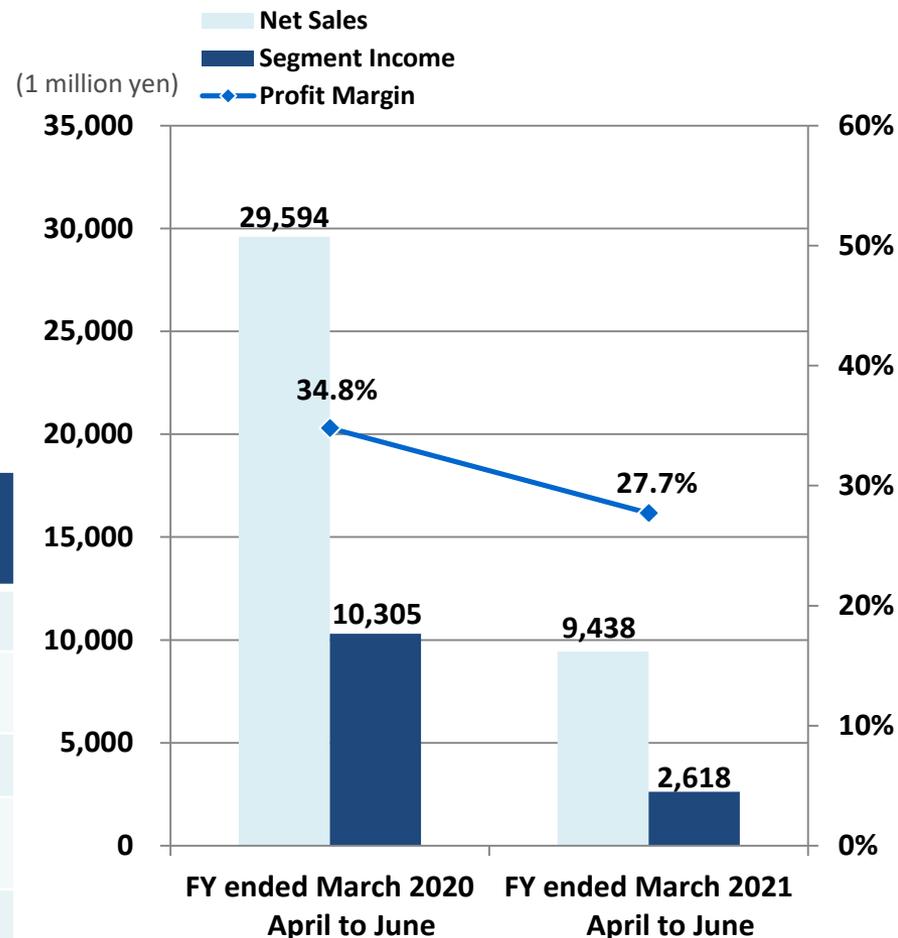
(Unit: 1 million yen)	FY ended March 2019	FY ended March 2020	FY ending March 2021 As of End of June 2020	Increase/Decrease (Compared to end of March 2020)
<b>Current Liabilities</b>	<b>12,859</b>	<b>18,052</b>	<b>17,240</b>	<b>-811</b>
Short-term Loans Payable, etc.	2,248	4,463	7,864	+3,400
Income Taxes Payable, etc.	2,661	3,566	583	-2,982
Other Current Liabilities	7,949	10,022	8,792	-1,229
<b>Noncurrent Liabilities</b>	<b>42,179</b>	<b>47,431</b>	<b>45,222</b>	<b>-2,209</b>
Long-term Loans Bonds Payable	39,751	44,906	43,023	-1,883
Other Noncurrent Liabilities	2,428	2,525	2,199	-325
<b>Total Liabilities</b>	<b>55,038</b>	<b>65,483</b>	<b>62,463</b>	<b>-3,020</b>
Shareholders' Equity	55,900	64,690	63,880	-809
Others	-40	119	-63	-182
<b>Total Net Assets</b>	<b>55,860</b>	<b>64,809</b>	<b>63,817</b>	<b>-991</b>
<b>Total Liabilities and Capital</b>	<b>110,898</b>	<b>130,293</b>	<b>126,280</b>	<b>-4,012</b>

# Replanning Business (Replanning (RP)/ Hotel Development)

- The number of buildings sold decreased significantly from the previous year (19 cases) to 5 cases due to the facts that economic activity was restrained by the state of emergency declaration in the current period and that the sale of properties including large-scale projects was concentrated in the same period of the previous year.
- The average RP Business period was 484 days (+75 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.
- Purchases of projects contracted before February were settled as planned. The number of properties in year-end inventory was 74 (62 RP Business-related properties and 12 Hotel Business-related properties). Inventory asset was ¥91.4 billion (¥74.3 billion for RP Business-related and ¥17 billion for Hotel Business-related).

\*Excluding those related to Overseas Business.

(Unit: 1 million yen)	FY ended March 2020 April to June	FY ending March 2021 April to June	Increase/Decrease
Net sales	29,594	9,438	-68.1%
Segment Income (Note 1)	10,305	2,618	-74.6%
Profit Margin	34.8%	27.7%	-7.1%pt
Number of Items Purchased	14 cases	8 cases	-6 cases
Number of Properties Sold	19 cases	5 cases <small>*Including 1 case of primary composition</small>	-14 cases
Number of Stocks at the End of Fiscal Year	64 cases (Note2)	74 cases (Note 2)	+10 cases



(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.

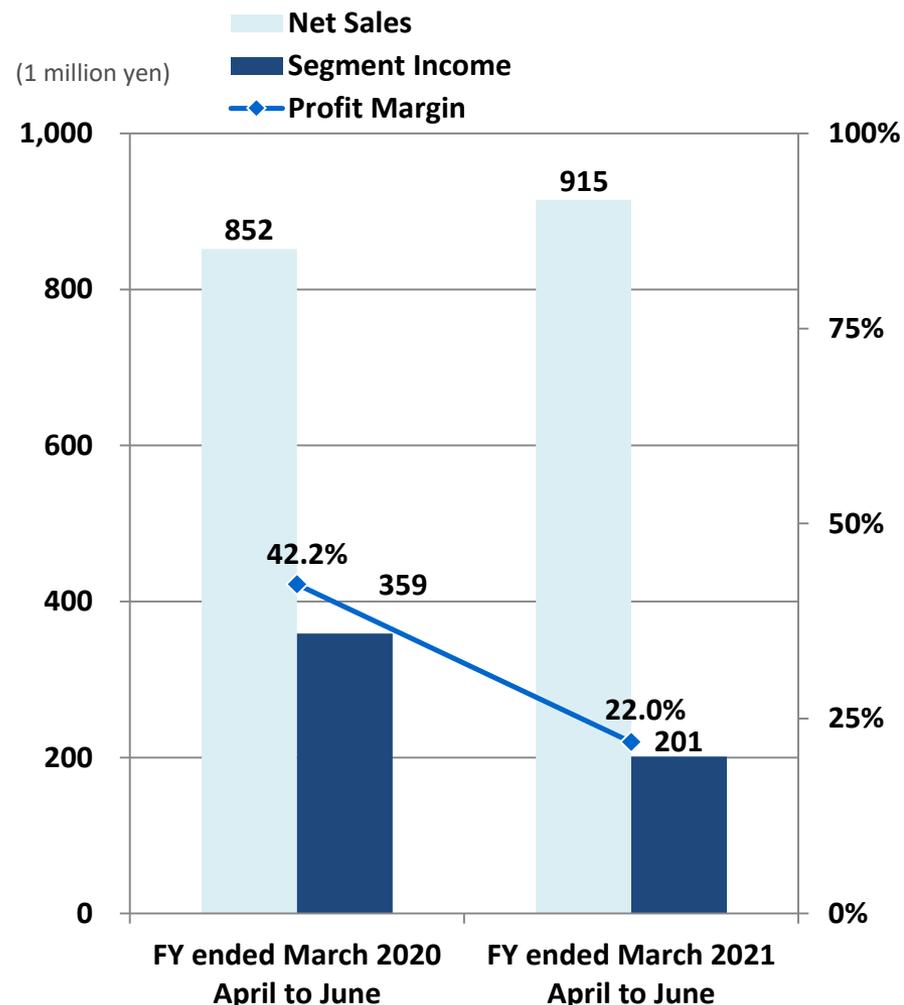
(Note 2) Projects of land purchase and development are included in RP inventory.

# Rental Building Business (Rental Buildings/ Sub-leases)



- Net sales increased due to a steady progress in attracting tenants to RP inventory properties and Sublease Business, but segment income decreased due to rent exemption due to temporary closure of some hotels and decline in occupancy rate.
- We aim to focus on purchasing properties for medium to long-term RP projects to increase rent revenue.

(Unit: 1 million yen)	FY ended March 2020 April to June	FY ending March 2021 April to June	Increase/ Decrease
Net Sales	852	915	+7.4%
Segment Income	359	201	-44.2%
Profit Margin	42.2%	22.0%	-20.3%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 gained from sales of RP properties.

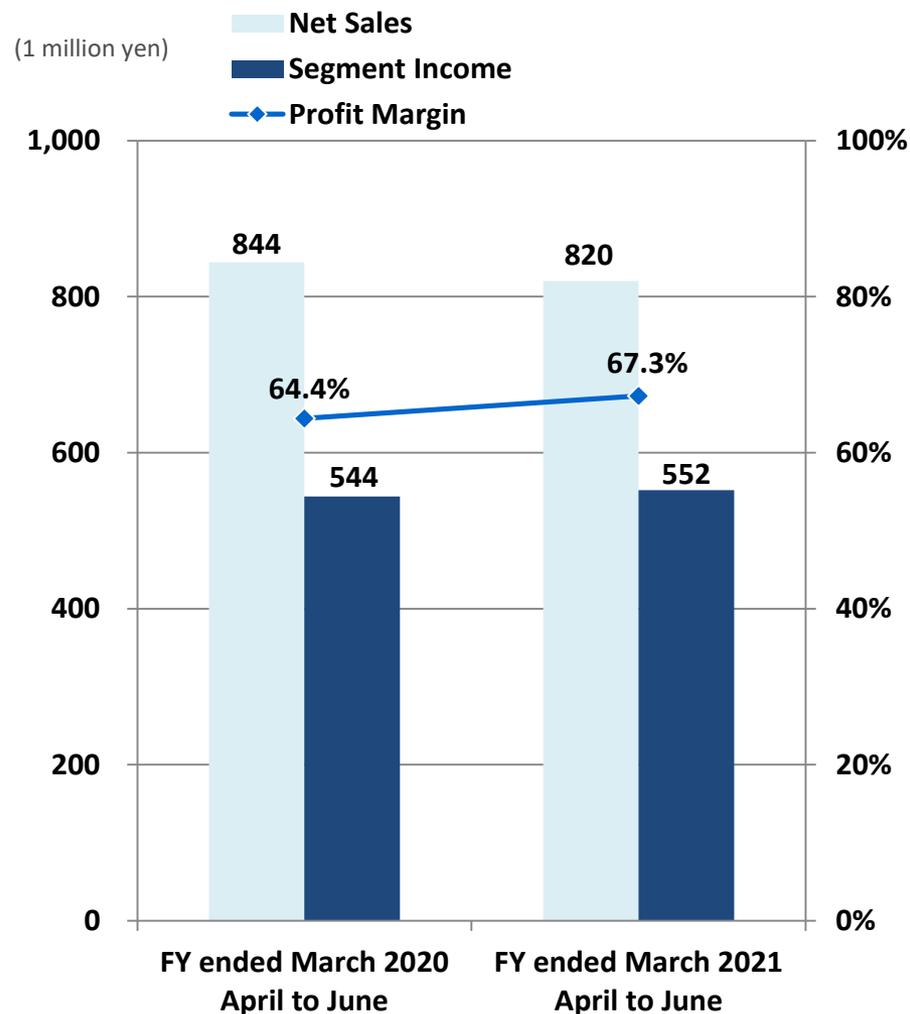
[Number of PM Managing Buildings and Occupancy Rate]

	[Number of Managing Buildings]	[Occupancy Rate]
End of March 2018	381 buildings	95.9%
End of March 2019	374 buildings	97.6%
<b>End of March 2020</b>	<b>397 buildings</b>	<b>97.9%</b>

<Brokerage and Leasing>

- Sales and profits of Brokerage increased significantly due to sales to overseas investors. Although Leasing contributed to the commercialization of RP properties, sales and profits of Leasing decreased due to a decrease in contracts for managed properties and general properties in external revenue due to the impact of the COVID-19 outbreak.

(Unit: 1 million yen)	FY ended March 2020 April to June	FY ending March 2021 April to June	Increase/ Decrease
Net Sales	844	820	-2.8%
Segment Income	544	552	+1.6%
Profit Margin	64.4%	67.3%	+2.9%pt



# Operation Business (Hotel Management and Conference Room Rental Business)

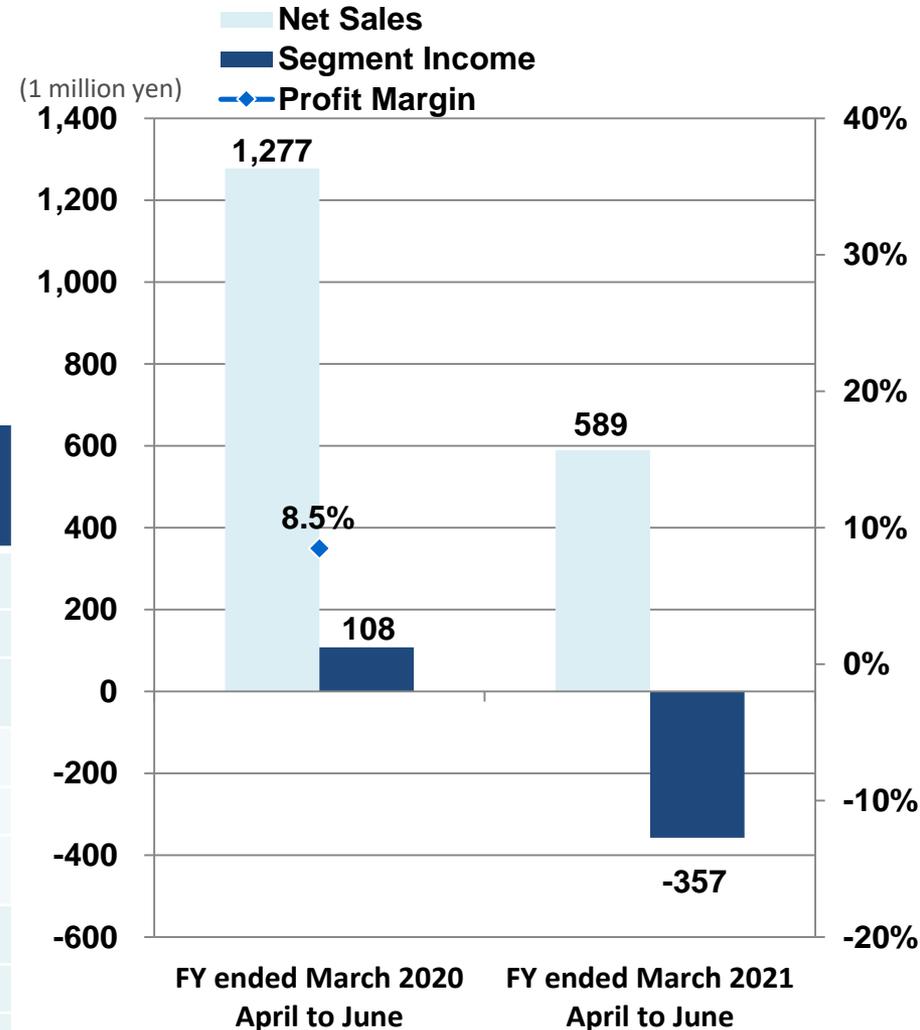
<Hotel Operation Business>

- Up to 7 hotels were temporarily closed, mainly under the state of emergency declaration following the spread of COVID-19 infection. Despite the favorable performance of “Tabino Hotel Kashima,” which opened in April and recorded full occupancy for successive days in June, the average occupancy rate of operating hotels declined significantly, resulting in a significant decrease in revenue and a loss was recorded.

<Conference Room Rental Business>

- There were a series of cancellations due to the spread of COVID-19 infection, but after the state of emergency declaration was lifted, the demand for events that had been postponed recovered, and we launched thorough countermeasures against infections and new services. As a result, our performance in June recovered to the same level as in the same period in the previous year.

(Unit: 1 million yen)	FY ended March 2020 April to June	FY ending March 2021 April to June	Increase/ Decrease
<b>Net Sales</b>	<b>1,277</b>	<b>589</b>	<b>-53.9%</b>
Hotel Operation Business	928	259	-72.0%
Conference Room Rental Business	349	329	-5.8%
<b>Segment Income</b>	<b>108</b>	<b>-357</b>	—
Hotel Operation Business	15	-429	—
Conference Room Rental Business	92	72	-22.3%
<b>Profit Margin</b>	<b>8.5%</b>	—	—
Hotel Operation Business	1.7%	—	—
Conference Room Rental Business	26.5%	21.9%	-4.6%pt



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

## <Rent Guarantee Business>

- Although sales activities stagnated due to the spread of COVID-19 infections, the number of new and renewed guarantees handled remained steady and net sales increased. However, profit decreased due to increased provision for guarantee performance.

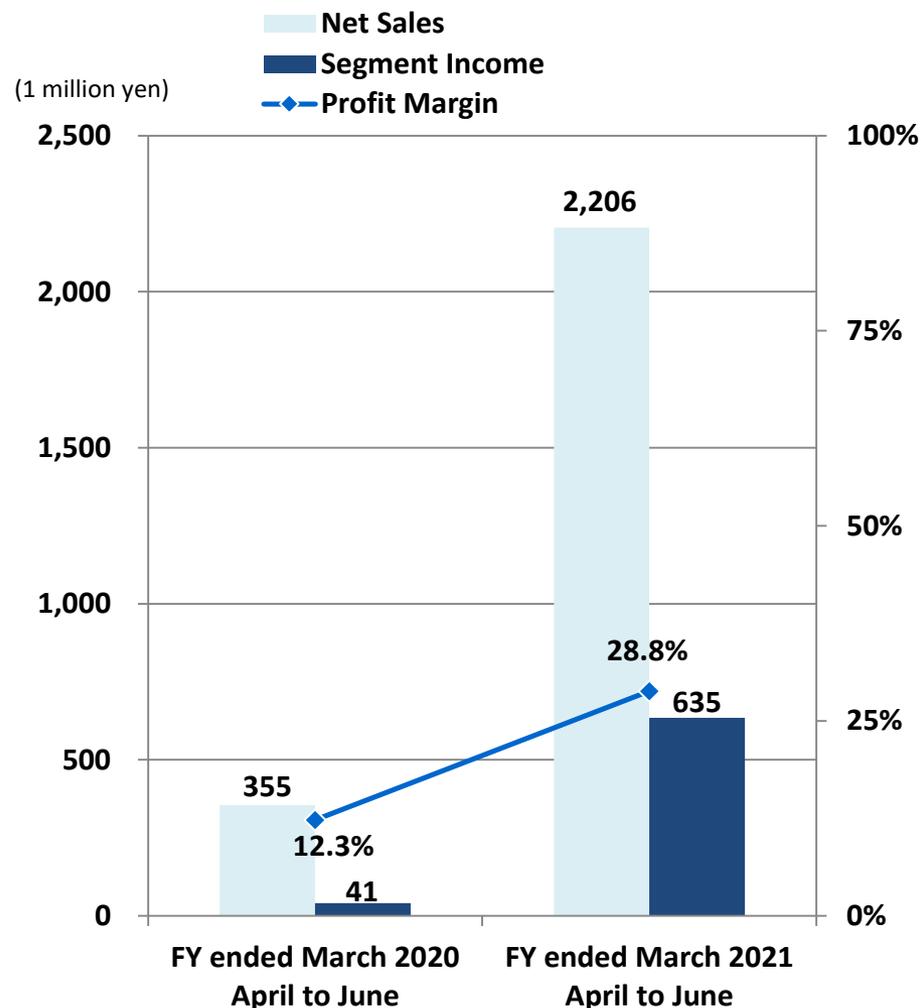
## <Construction Business>

- Although sales of SF Engineering contributed, sales and profits decreased due to a decrease in large-scale construction orders for managed properties.

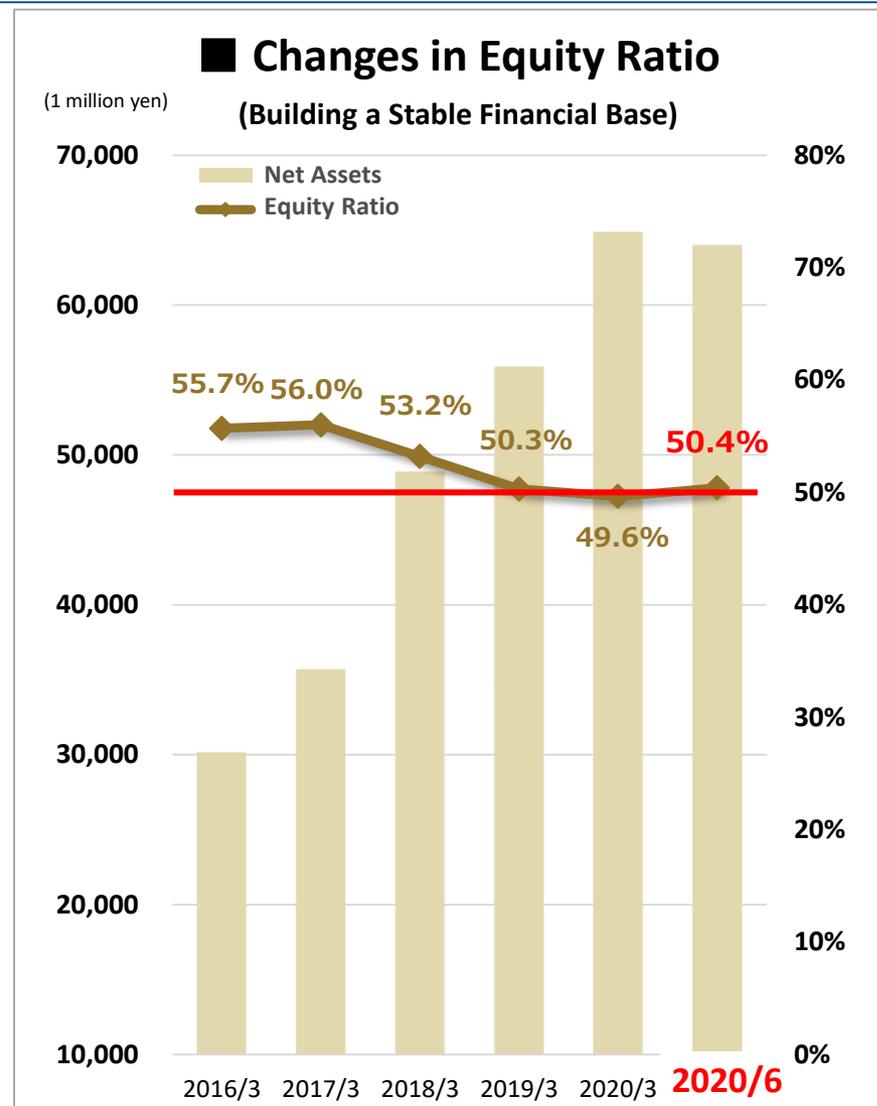
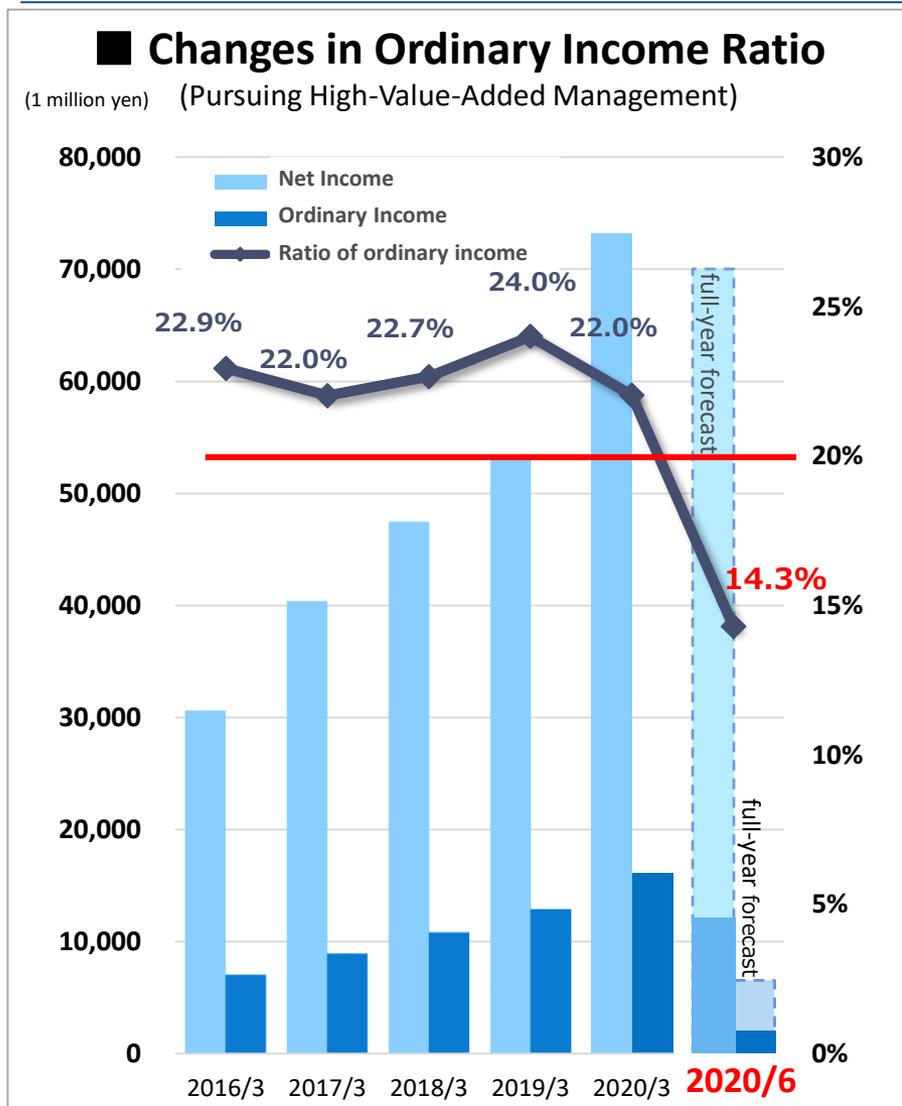
## <Overseas Business>

- Delivery of the condominium "HIYORI Garden Tower" in Da Nang proceeded steady, and as of the end of March, delivery was completed in four-fifths of the lots. The delivery between January and March has contributed to the business performance in the current period.

(Unit: 1 million yen)	FY ended March 2020 April to June	FY ending March 2021 April to June	Increase/ Decrease
Net Sales	335	2,206	+558.5%
Segment Income	41	635	+1440.7%
Profit Margin	12.3%	28.8%	+16.5%pt



# Trends in Key Management Indicator



# **2) The Forecast of Consolidated Operating Performance and Dividend for FY ending March 2021**

# Forecast for FY ending March 2021

**The consolidated financial results and dividend forecast for the FY ending March 31, 2021 were previously undecided because it was difficult to estimate them appropriately and reasonably due to the COVID-19 outbreak. However, in light of the situation in which economic activity is gradually resuming due to the lifting of the state of emergency in Japan and the relaxation of lockdown and movement restrictions abroad, we have decided to announce the consolidated earnings forecast based on the information available at this time.**

**Regarding the future outlook, although the prospects of the COVID-19 outbreak is still uncertain, it is planned on the assumption that the pandemic will be contained with no major changes toward the end of the fiscal year.**

# Forecast for FY ending March 2021

	FY ended March 2020	FY ending March 2021 (Forecast)	Increase/Decrease
<b>Net Sales</b>	73,218	<b>70,000</b>	-4.4%
(1) Real Estate Revitalization Business	60,061	59,220	-1.4%
Replanning Business (including Hotel Development)	56,127	55,610	-1.0%
Rental Building and Sublease	3,933	3,610	-8.2%
(2) Real Estate Service Business	3,476	3,020	-13.1%
(3) Operation Business	5,405	4,380	-19.0%
(4) Other Business	5,659	4,380	-22.6%
Adjustment	-1,384	-1,000	—
<b>Gross Profit</b>	24,028	<b>13,930</b>	-42.0%
(1) Real Estate Revitalization Business	20,314	11,340	-44.2%
Replanning Business (including Hotel Development)	18,830	10,740	-43.0%
Rental Building and Sublease	1,484	600	-59.6%
(2) Real Estate Service Business	2,253	1,790	-20.6%
(3) Operation Business	-41	-370	—
(4) Other Business	1,615	1,260	-22.0%
Adjustment	-115	-90	—
Selling and general administrative expenses	7,456	7,000	-6.1%
<b>Operating Income</b>	16,571	<b>6,930</b>	-58.2%
<b>Ordinary Income</b>	16,127	<b>6,500</b>	-59.7%
<b>Net Income</b>	10,666	<b>4,100</b>	-61.6%
<b>Cash Dividend per share (yen)</b>	42.00	<b>42.00</b>	+0.0%

Office Building Business in central Tokyo is the core business.

- Stable sales will be recorded in the Revitalization Business that brings together the strengths of the entire company.
- For hotel development, the development PJ proceeding in Onna, Okinawa will be booked in this fiscal year.

- In Other Business, we expect a 23% year-on-year decrease as a result of recording a large-scale project in the overseas business in the previous fiscal year.

- The RP gross margin is set based on the current market environment. Rent levels are expected to fall, and profits are steadily generated while reducing profit margins.

FY ended March 2019 : 34.6%  
 FY ended March 2020 : 33.5%  
 ⇒ FY ending March 2021: 19.3%

- Hotel Operation Business expects a loss due to the impact of the new coronavirus.

- SG&A expenses are expected to decrease year-on-year by reducing personnel expenses and cutting expenses.

- The dividend is expected to remain unchanged at 42.0 yen.

# The Forecast of Dividend for FY ending March 2021



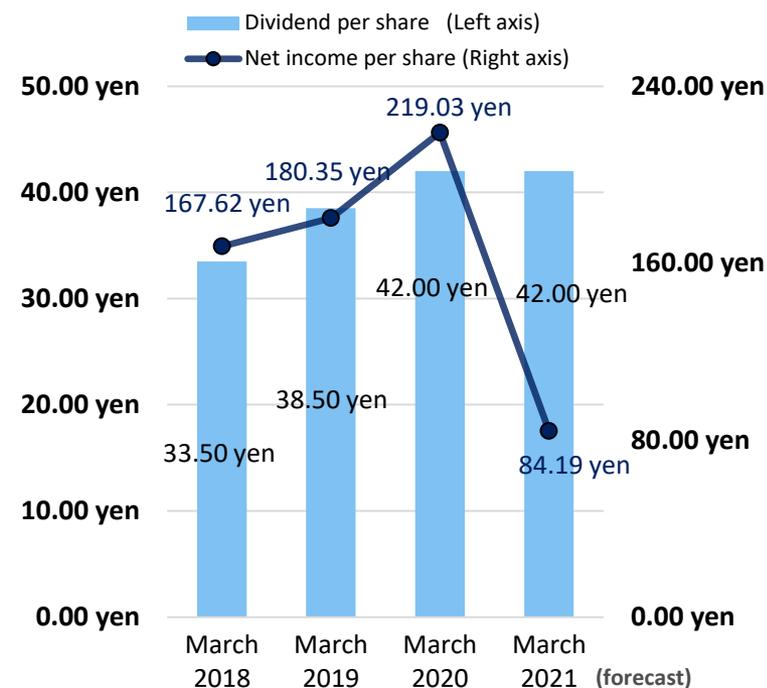
Our profit distribution is based on the following basic policy, and we are working on the premise that it will contribute comprehensively to the interests of shareholders. In the current fiscal year, the outlook is still difficult to predict due to the impact of COVID-19. In order to respond to the expectations of our shareholders who continue to support us even under the current circumstance, we would like to set the dividend forecast for this fiscal year to 42 yen per share, which is the same amount as in the previous year.

## Basic policy of profit distribution

- ① strive to provide long-term and stable profit returns to shareholders,
- ② secure investment funds for future growth, and at the same time
- ③ contribute comprehensively to shareholders' interests by taking into account the stability of financial resources.

	FY ended March 2018	FY ended March 2019	FY ended March 2020	FY ending March 2021 (Forecast)
Net Income per share	167.62 yen	180.35 yen	219.03 yen	84.19 yen
Cash Dividend per share	33.50 yen	38.50 yen	42.00 yen	42.00 yen
Dividend Payout Ratio	20.0%	21.3%	19.2%	49.9%

Changes in Net Income per Share and Dividends



# **3) 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"> <li>• Leasing Business</li> <li>• Property Management Business</li> <li>• Building Maintenance Business</li> </ul>	<ul style="list-style-type: none"> <li>➤ About 20% of tenants in the managed properties requested rent reduction or cancellation. There were many such requests from tenants, such as restaurants and gyms, which had closed due to the COVID-19 outbreak, and we worked closely with building owners to respond to them.</li> <li>➤ The spread of remote work has led to a reduction in the size of offices, especially in large companies. The need for relocation to small and medium-sized buildings, which we are good at, is increasing. There is a growing interest in setup offices to which relocation can be made at low initial costs.</li> <li>➤ Due to the COVID-19 outbreak, there have been increasing opportunities to receive orders for disinfection of buildings and others in SF Building Maintenance business.</li> <li>➤ Office rents have been steady, partly due to the government’s rent support and others.</li> </ul>
<ul style="list-style-type: none"> <li>• Replanning Business</li> </ul>	<ul style="list-style-type: none"> <li>➤ Although the real estate sales market is currently in the wait-and-see mood, the sale of 5 properties in the real estate revitalization business was completed in June as planned. (Including the first composition of the second case of Act on Specified Joint Real Estate Ventures)</li> <li>➤ We continue the commercialization of renewal work and others by encouraging creativity on site, while making every effort to prevent infection.</li> </ul>

# Impact on Main Businesses and Recent Movements SUN FRONTIER

Business	Impacts
<ul style="list-style-type: none"> <li>• Conference Room Rental Business</li> </ul>	<ul style="list-style-type: none"> <li>➤ Since March, reservation cancellations have occurred one after another, and the occupancy rate has declined. However, the impact on the results was limited as demand for events which were previously postponed recovered after June, we have captured new needs for satellite offices and others, and the new service that flexibly responds to the needs of clients has produced certain effects.</li> </ul>
<ul style="list-style-type: none"> <li>• Hotel Business</li> </ul>	<ul style="list-style-type: none"> <li>➤ Temporarily closed 7 hotels (Maihama, Tokoname, Osaka (2 hotels), Sado, Takayama and Hakata).</li> <li>➤ The occupancy rate of operating hotels from April to May has fallen to approximately 20%. Meanwhile the occupancy rate of hotels that are capturing business demand has been steady. Tabino Hotel Kashima has recorded high occupancy rates, having been fully occupied for 10 days in June.</li> <li>➤ Since June, 6 hotels reopened (Hakata, Sado, Osaka (2 hotels), Maihama, Takayama). However, due to the effects of the spread of COVID-19 infection in urban areas and the fact that Tokyo was excluded from the government's tourism support measures, the hotels in Osaka (Namba) and Ginza were closed again, and the situation remains unstable.</li> </ul>

# Business Environment Awareness

- 1. The Japanese economy has been severely affected by the spread of COVID-19 infection, and it will take some time to recover.**

  - ◆ Despite the largest-scale economic measures in history, some companies have fallen into bankruptcy, unemployment rate has also risen, and there is a risk of a further economic downturn.
  - ◆ Remaining alert to the possibility of a second wave of infection, the situation remains unforeseeable. The economic stagnation seems likely to be prolonged.
  - ◆ Until a safe vaccine is produced, economic activities will continue to be unstable under the new lifestyle with COVID-19.
  - ◆ Foreign visitors to Japan have virtually disappeared, with only 2,600 visitors recorded in June (decreased by 99.9% from the same month in the previous year). The aviation and tourism industries are facing a predicament.
- 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 a worst recession since Great Depression, significantly downgrading its growth forecast to -4.9% (the previous forecast was -3%).
  - ◆ The COVID-19 outbreak is causing compressed changes in the digital transformation of society.
  - ◆ 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 was booming for a long time, but it has peaked out due to COVID-19 infection and is in a gradual downward phase.**

  - ◆ Demand for offices is expected to decline due to the forecast of a 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.

## Three Policies

**① Prevent the Spread of COVID-19 Infection**

**② Maintain and Continue Business**

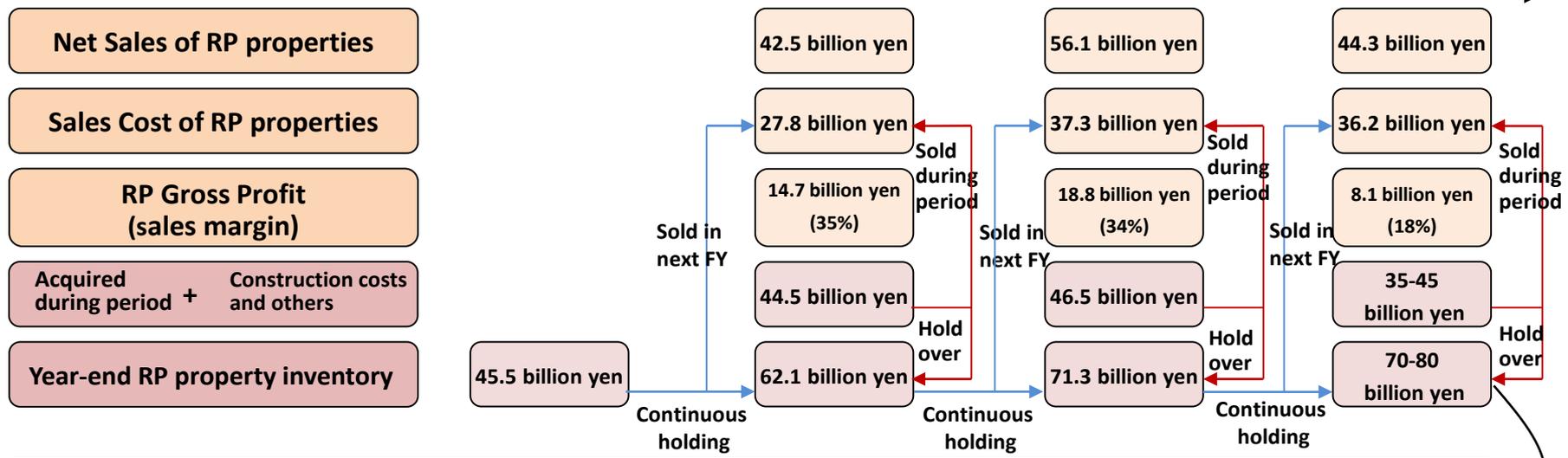
**③ Concentrate Resources on our Main Business "Regeneration and Utilization of Real Estate"**

# We improve real estate profitability and generate solid profits



Unlike the financial crisis in 2008 when real estate needs disappeared, **there is a strong need in the trading market for investment in real estate with stable profitability.** We will use our knowledge to continue to improve our profitability in the real estate service business to transform our properties into real estate that generates stable rents, and even if the profit margin declines sharply, we expect to generate solid profits.

FY ended March 2018    FY ended March 2019    FY ended March 2020    FY ending March 2021 (Forecast)



[Unrealized gains on year-end RP inventory]

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

Sales Margin: 15% as a premise → 13-14 billion yen

→ We create value that is expected to generate solid profit, even if the sales margin declines by about 20% from the previous fiscal year.

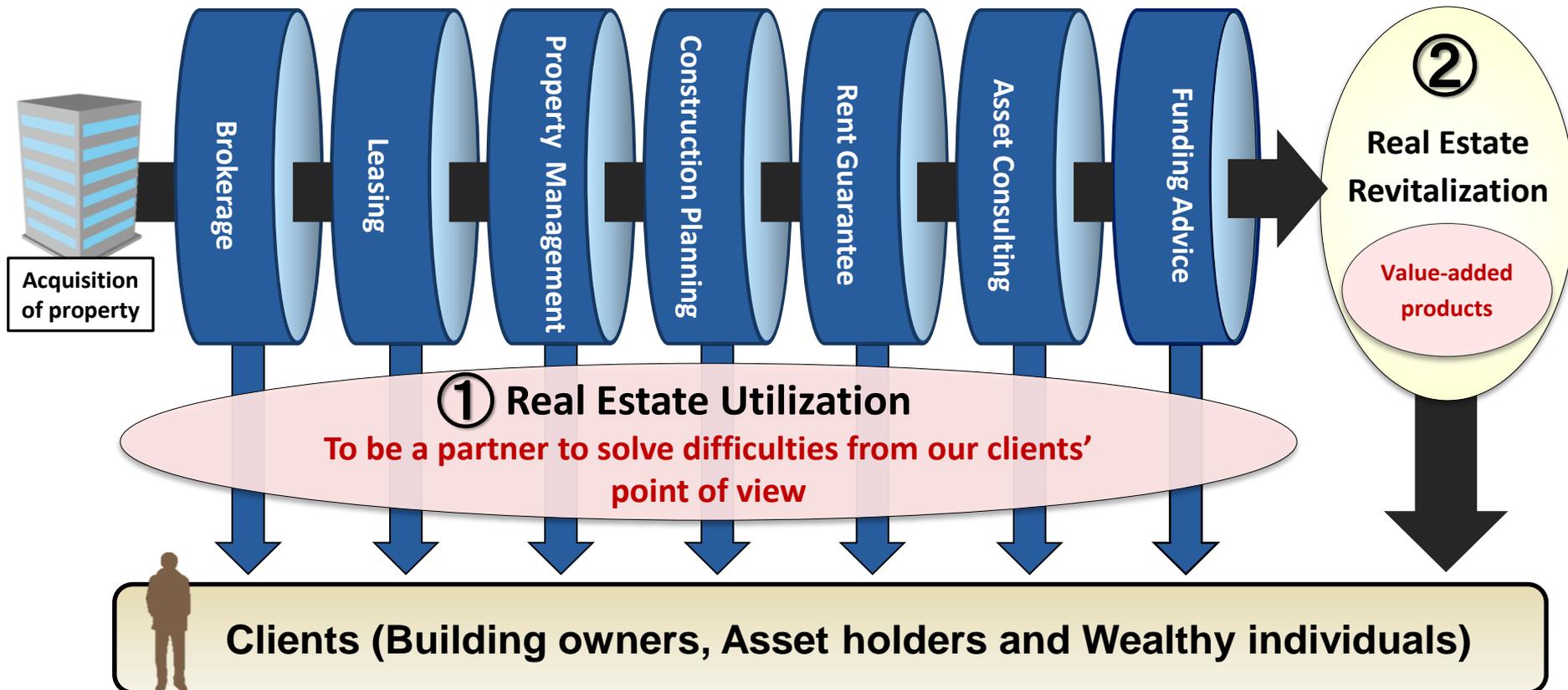
# 4) Specific Initiatives in Growth Strategies

To create differentiated added values

# We create added value in a business chain and deepen the business model that maximizes the attractiveness of buildings



- 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 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.



# Real estate revitalization based on our accumulated experience and wisdom

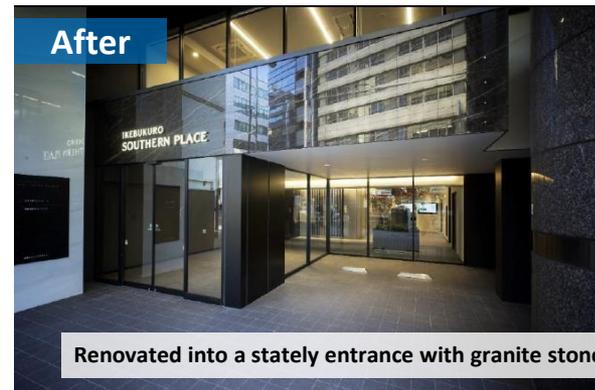
This building was originally built as a tutoring school, with a parking lot on the basement 1st and 1st floor, and an entrance on the 2nd floor, creating an inconvenient traffic line. Furthermore, the building had many problems, such as an illegal expansion on the top floor and the use of the parking lot for another purpose. We addressed these problems and commercialized the property, drawing on the knowledge, accumulated through 400 revitalization projects; an excess calculation of the floor area ratio, transfer verification, conformance to various laws and regulations associated with the relocation of the entrance to the first floor and the removal of stairs have been carefully carried out. Fully renovated to create a safe, stable and hassle-free property for the medium to long term use.



▲ Entrance



▼ Office Space



Renovated into a stately entrance with granite stone



Created an open space with a view of the city center and natural light



- Example of Replanning Business -

# The setup office that is selected even during the recession period exerts its power

Costs for move-in can be reduced, and interior equipment which are the lender's asset can reduce the financial burden of the borrower. The office of choice during this recession.



Before



Before

## 6 values creates by a setup office

- ① Design, functionality, comfort, luxury
- ② Easy to control relocation costs
- ③ Reducing the burden on the manager (by developing the interior and others)
- ④ Shortening the time to complete the move
- ⑤ Improvement of motivation and productivity of employees
- ⑥ Effective in recruiting and retaining employees



After

Reception space & meeting room

In pursuit of design and functionality, a reception and a glass partition meeting room were set up.



After

Office space

An open office with a maximum ceiling height of 2,900 mm creates a stylish and creative space.



After

Refresh room

A rental room with an inconvenient shape was transformed to bring out the potential of the building

## 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 extended our network of branches to 12 locations.

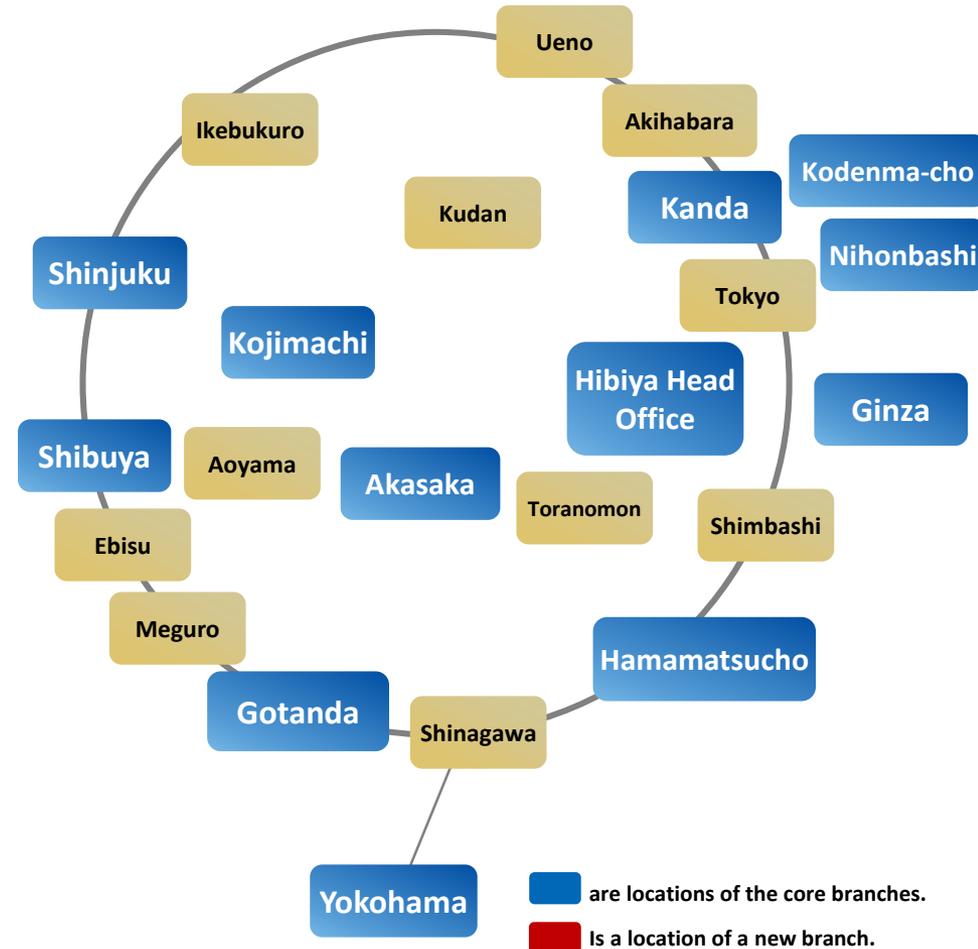
We are good at careful tenant placement by having close ties with the local communities and utilizing our local knowledge.

2. We extend to our clients unfailing courtesy and become "a real estate company closest to clients."

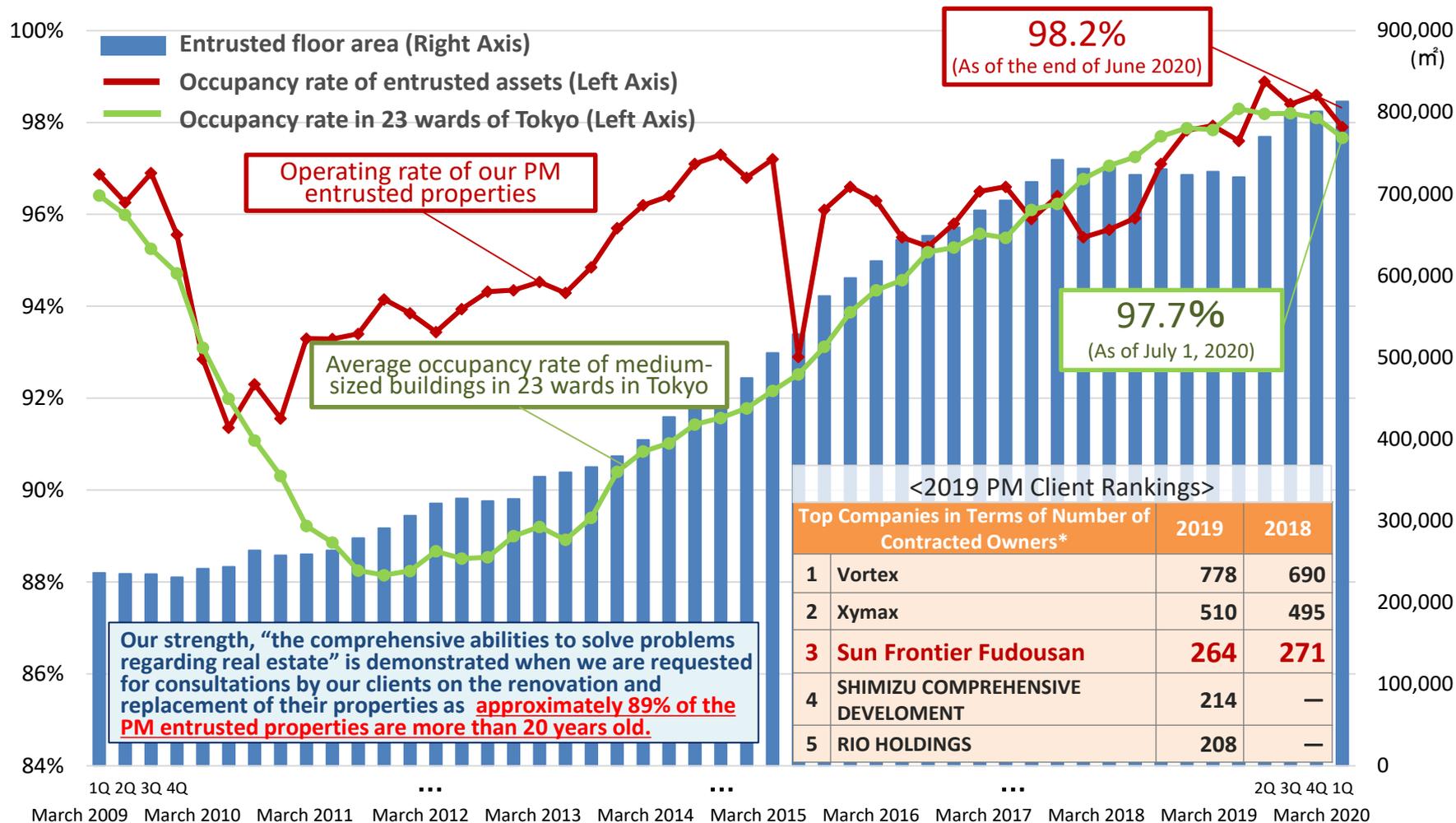
We are their trustworthy point of contact to consult and solve any of their problems.

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

4. The network finds big hints for our Real Estate Revitalization Business, which is the base for us to capture our clients' changing needs and improve the value of real estate.



# 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).

# While the rental guarantee market is expected to be disrupted due to the COVID-19 outbreak, we will utilize our experience and knowledge to provide secure and stable building management

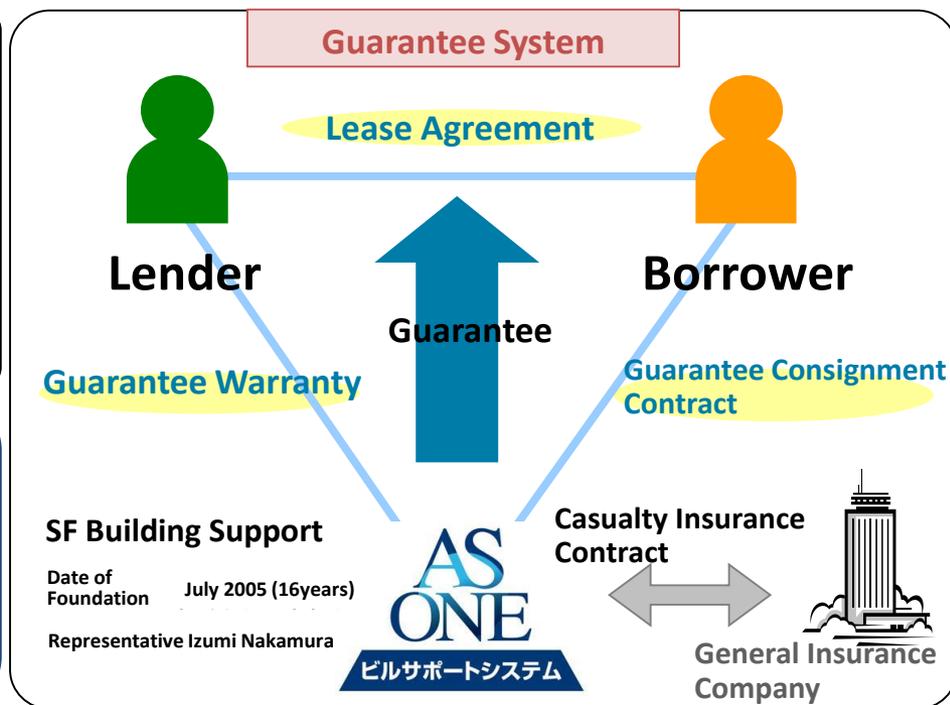
As a pioneer in Rent Guarantee Business, SF Building Support, which develops Rent Guarantee Business, aims to contribute to the realization of a fair and equitable leasing market by converting rent guarantee for business into a social infrastructure. We will continue to support building owners with reliable and stable building management by leveraging our wealth of experience and accumulated knowledge in the COVID-19 outbreak.

## [Competitive Differentiation]

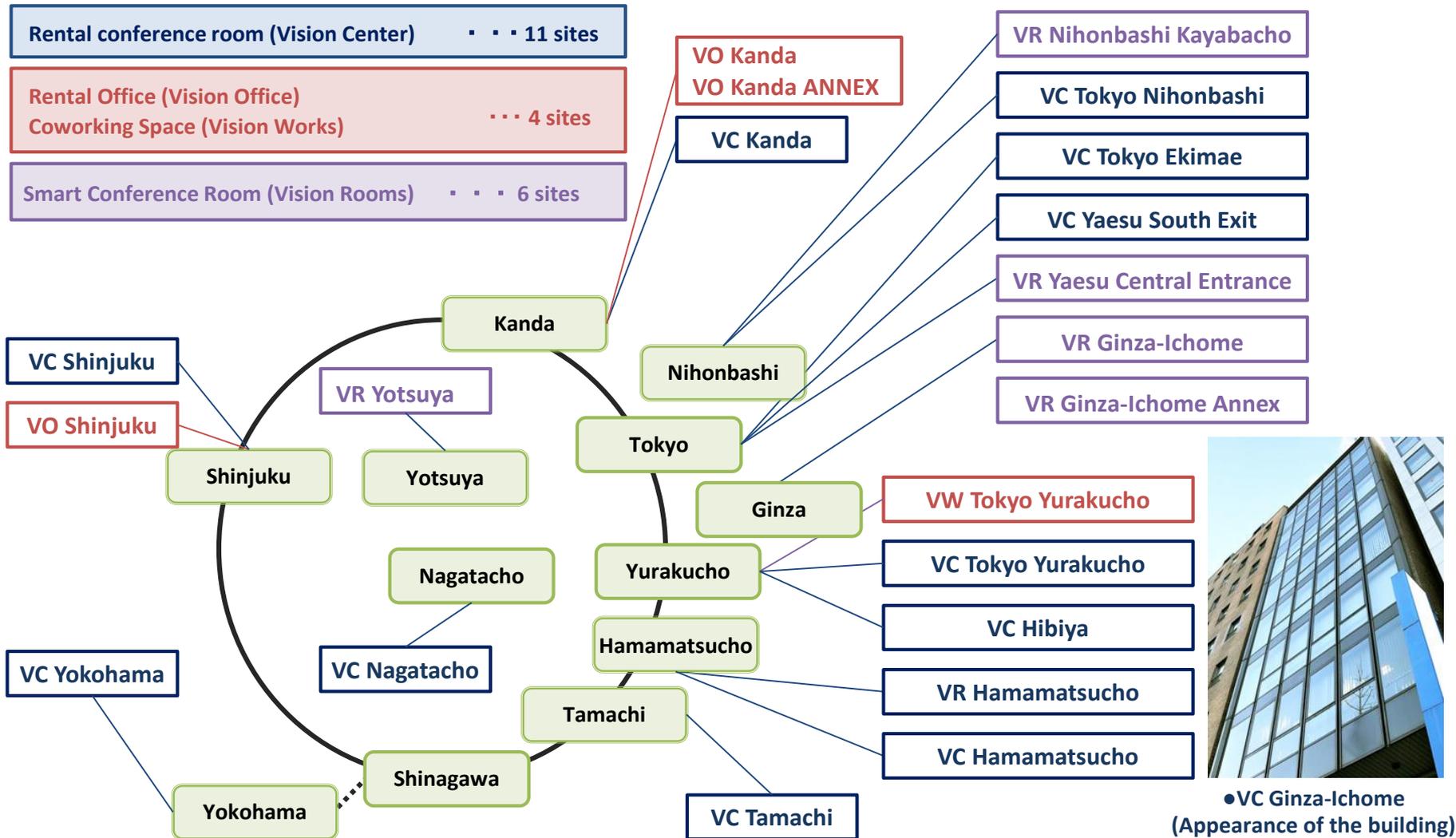
- Extensive survey record of over 30,000 companies and precise and strict examination.
- A guarantee system that takes responsibility for subrogation and surrender in case of delinquency.
- Improving ability to attract clients by reducing rental and security deposits.

## [Guarantee Business Results]

◆ Total guarantee warranties	5,185 cases
◆ Incident rate of building vacating litigation	2.8%
(Compulsory execution rate)	(0.6%)



# We research and explore services that are accepted and chosen by clients in a new era



# List of Hotels under Operation and Development



We strive to stabilize operations and improve profitability (by reducing operating expenses).

We focus on operations with due consideration given to health and safety as currently required.

New development has been suspended. The Onna project in Okinawa completed the framework in July and is in progress toward completion.

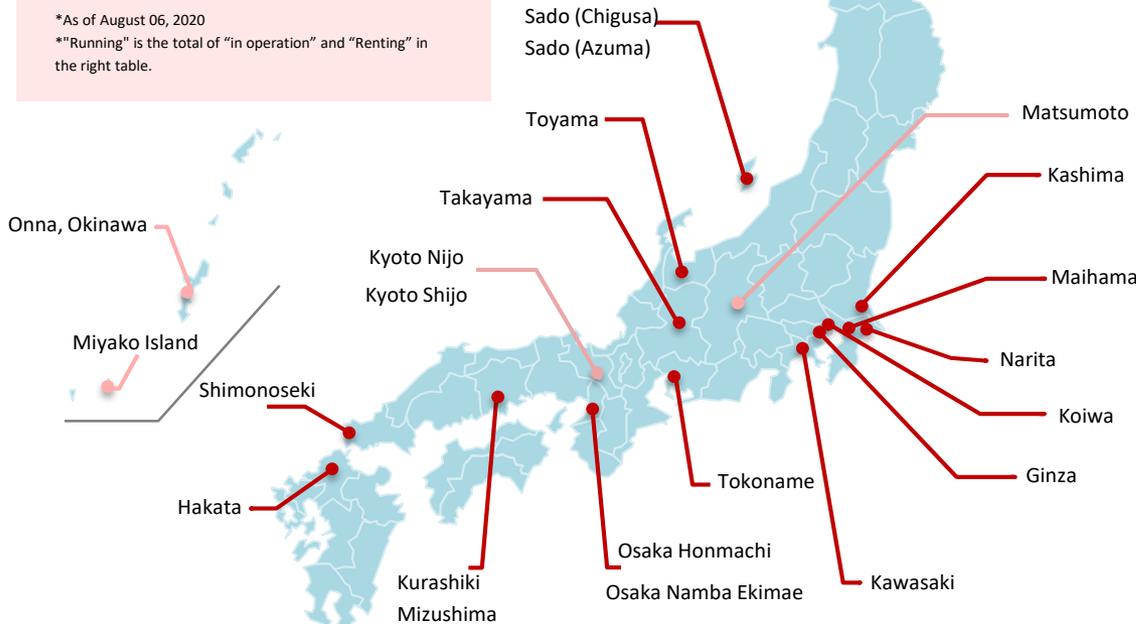
<Domestic hotels>

Running	2,302 rooms
Under construction	830 rooms
<b>Total</b>	<b>3,132 rooms</b>

\*As of August 06, 2020

\*"Running" is the total of "in operation" and "Renting" in the right table.

● Running or Renting  
● Under construction



\*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
Under construction	Onna, Okinawa	204
Under construction	Kyoto Nijo Kawaramachi	205
Under construction	Miyako-Island	111
Under construction	Kyoto Shijo Kawaramachi	134
Under construction	Matsumoto	176

- Hotel Business – (Onna, Okinawa)

# “HIYORI OCEAN RESORT OKINAWA” IN PROGRESS TOWARDS COMPLETION IN NOVEMBER



First to fourth sales  
140 plots sold out  
(all 204 plots)



# “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.



Local signboard



A View overlooking the city

The delivery of “HIYORI Garden Tower” has almost completed by this time (98%). The delivery after January will contribute to the business results for FY ending March 2021. In Danang, we will concentrate on the condominium business and develop the “HIYORI” brand into a brand that is appreciated and loved by citizens through development and building management services.

Currently, there are restrictions on travel from Japan to Da Nang, Vietnam. Although it has been announced that domestic flights in Vietnam have resumed operations, restrictions on entry from overseas continue. Before the COVID-19 outbreak, there were 247 direct flights from South Korea and 24 direct flights from China per week, but the impact of COVID-19 has continued.

**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**

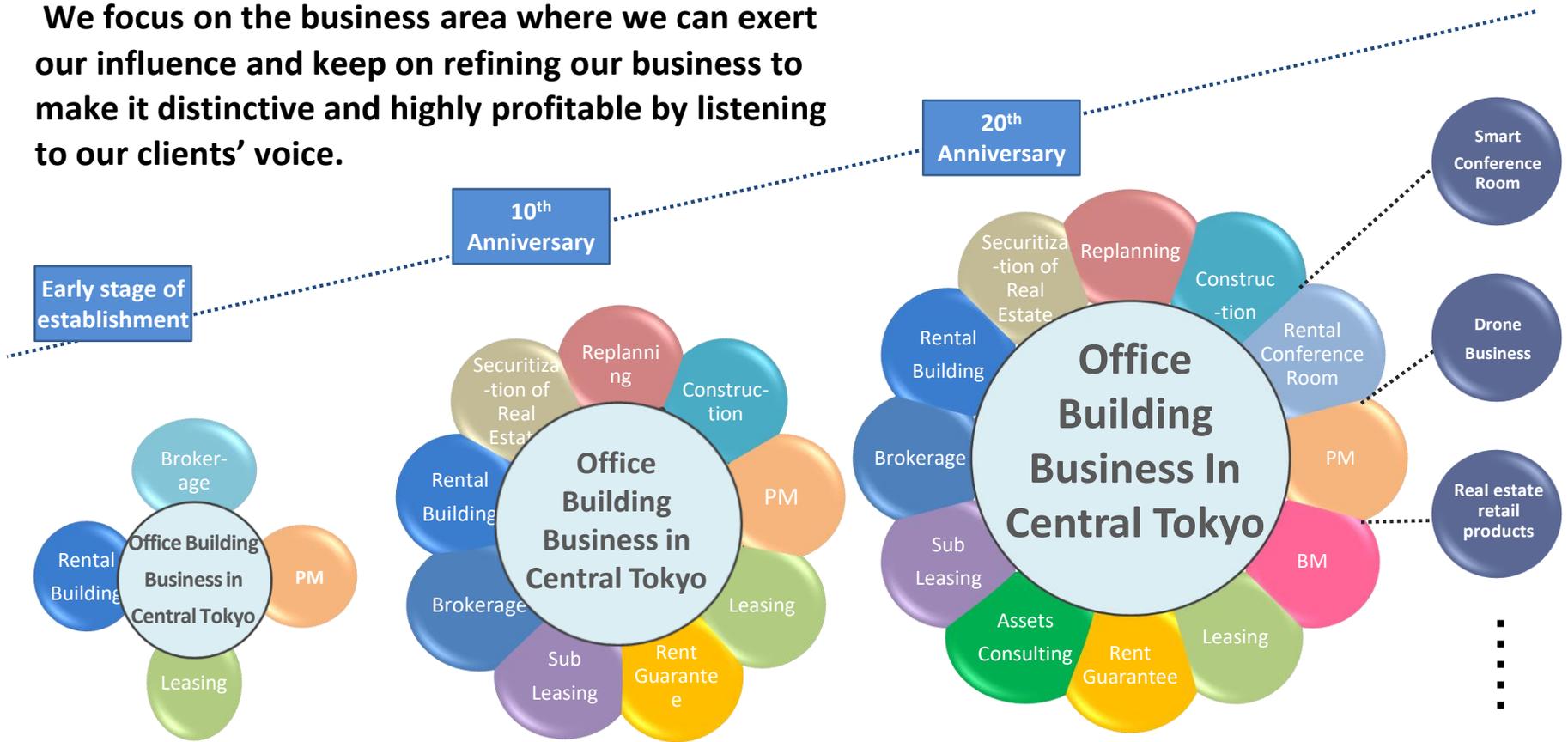
Net Sales	100 billion yen
Ordinary Income	20 billion yen
Net Income	14 billion yen
Equity Ratio	50% or more
Ratio of Ordinary Income	20% or more



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 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.

## **5) 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

# Sun Frontier, a Company of Philosophy-oriented management

## 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. (405 buildings were revitalized as of the end of June 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 6 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 12 directors.

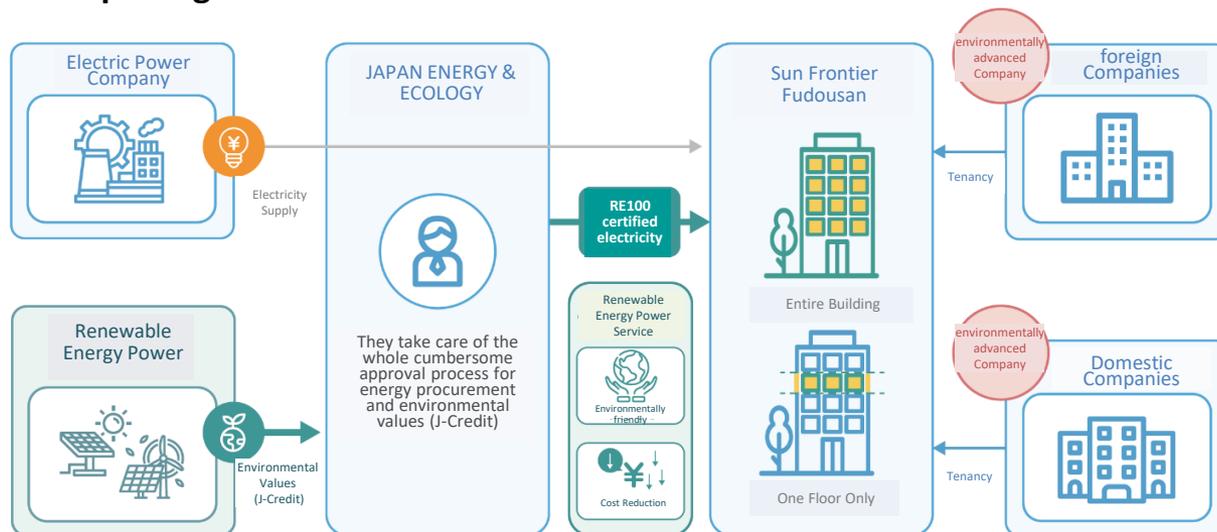
# Launch of Renewable Energy Power Services [E]

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. Currently the service has been installed in 6 buildings we own.

## 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



# 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 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.



# 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.**

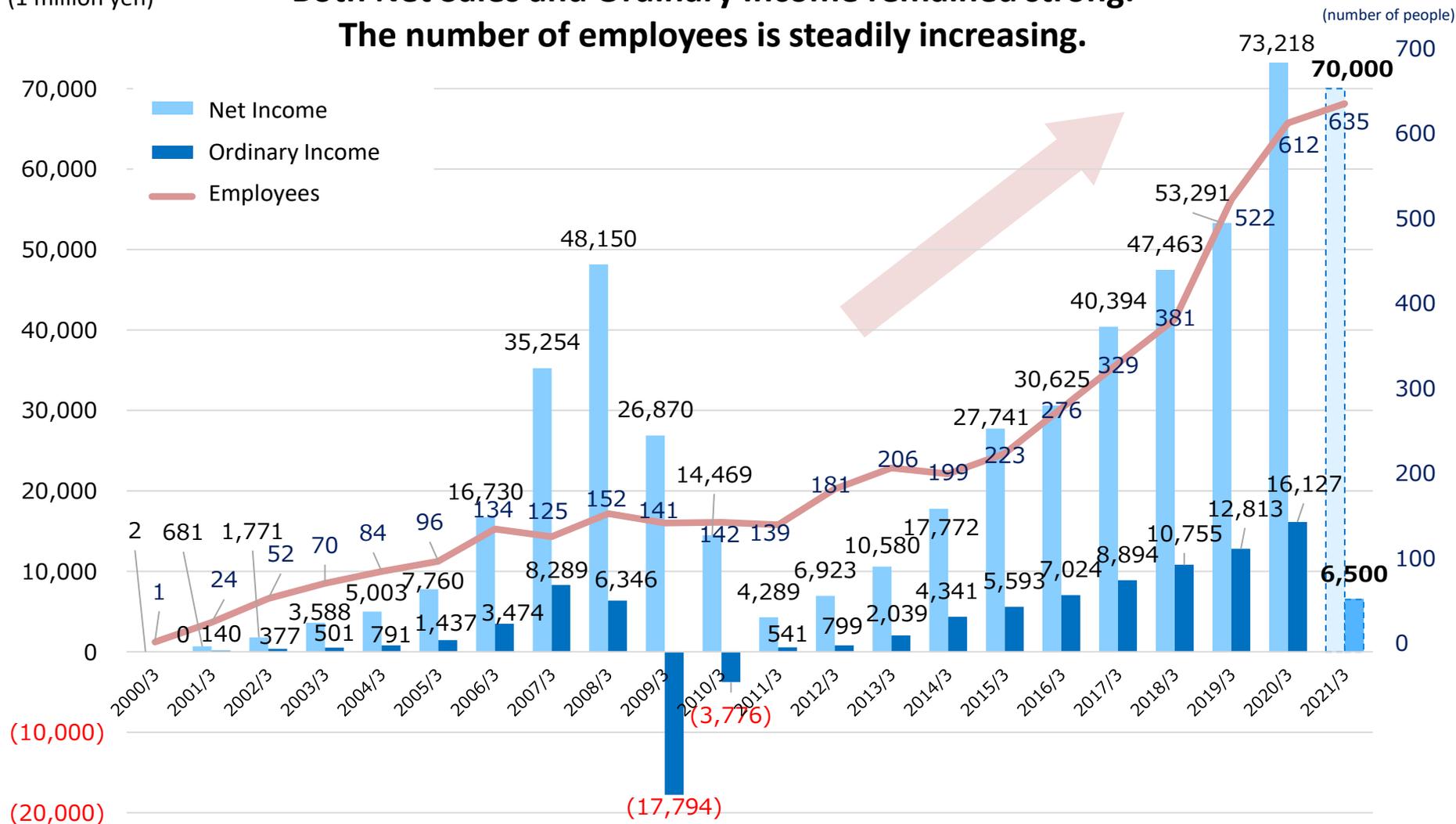
We give all the employees a monthly training on compliance in order to establish an efficient system of legal compliance. The training has a broad range of themes, such as “prevention of insider trades,” “prevention of trades with antisocial forces,” “information management,” etc. We will devote ourselves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

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

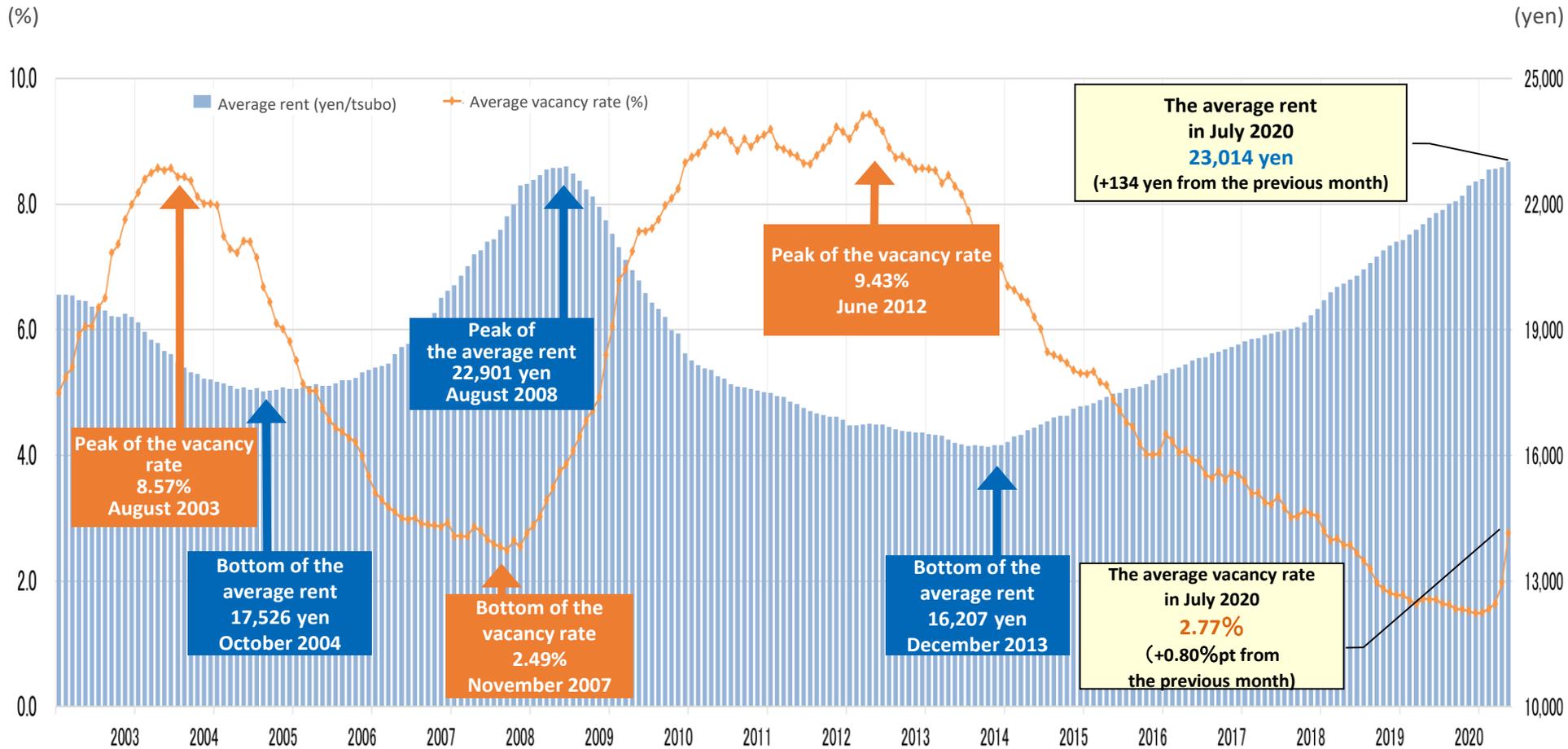


(1 million yen)

**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.

# 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

# Corporate Profile

<b>Company Name</b>	Sun Frontier Fudosan Co., Ltd.
<b>Location of Head Quarters</b>	2-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo
<b>Date of Foundation</b>	April 8, 1999
<b>Date of Lsting</b>	November 19, 2004 (Jasdaq Stock Exchange) February 26, 2007 (First Section of Tokyo Stock Exchange)
<b>Capital Stock ※</b>	11,965 million yen
<b>Representative</b>	Tomoaki Horiguchi, Chairman Seiichi Saito, President
<b>Number of Consolidated Employees ※</b>	657 full-time employees (1,040 including part-timers and temporary workers)
<b>Average Age of Employees ※</b>	34.5 years old (※ As of end of June 2020)
<b>Business Profile:</b>	<p>Real estate revitalization</p> <p>Real estate services <span style="font-size: 2em; vertical-align: middle;">{</span> Real estate management, brokerage, construction planning, non-payment guarantee, operation of rental buildings, asset consulting <span style="font-size: 2em; vertical-align: middle;">}</span></p> <p>Hotel development and management</p>
<b>Accounting Month</b>	March
<b>Listed Market</b>	Tokyo Stock Exchange, First Section (Code number: 8934)



From the left: Saito and Horiguchi

# We will appreciate your further supports.

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- ◆ 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.
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- ◆ 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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