

Consolidated Financial Statements for the Second 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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November 11, 2020



SUN FRONTIER

Stock Code: 8934

Performance Summary of 2Q of FY ending March 2021



Sales and profits fell sharply due to the impact of new coronavirus (COVID-19) and a reactionary fall from the previous fiscal year, but progressed ahead of the full-year forecast. (Unit: 1 million yen)

	Results	Profit Margin	Year-on-Year	Growth Rate	Full-year Forecast	Progression Rate
Net Sales	32,164	—	-8,471	-20.9%	70,000	46.0%
Operating Profit	5,667	17.6%	-5,524	-49.4%	6,930	81.8%
Ordinary Profit	5,384	16.7%	-5,657	-51.2%	6,500	82.8%
Profit*	3,459	10.8%	-4,082	-54.1%	4,100	84.4%

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

Dividend per share **42.0 yen**

Topics

1) Solid performance in RP Business drove companywide results

- The number of sales in RP Business was 15, and **the segment profit ratio remained high (27.4%, -6.9% year on year). The solid performance drove the companywide performance even in the COVID-19 outbreak.** However, sales and profits fell sharply year on year, partly due to a reactionary fall from the previous fiscal year.
- In such circumstances, we will continue to grow by taking advantage of the fact that our strength lies in the internalization of purchasing, development, leasing, sales, and support, grasping client's intentions in detail, and utilizing them for the improvement of new products, and that we are a company that value users' perspectives.

2) Performance of Real Estate Service and Overseas Businesses contributed to companywide results

- Results in the Real Estate Services segment remained solid despite the COVID-19 outbreak, with sales and profits at the same level as the previous fiscal year. Growth in each business in conjunction with RP Business **supported companywide results.**
- In Overseas Business, the delivery of HIYORI Garden Tower, a condominium development project in Danang, Vietnam, was completed. **Sales and profits increased significantly and contributed to companywide results.**

Consolidated Income Statement



(Unit: 1 million yen)

	FY ended March 2020 April - September	FY ending March 2021 April - September	Increase/ Decrease
Net Sales	40,635	32,164	-20.8%
Real Estate Revitalization Business	35,615	26,138	-26.6%
Replanning Business (Including Hotel Development)	33,870	24,308	-28.2%
Rental Building and Sublease	1,744	1,829	4.8%
Real Estate Service Business	1,715	1,707	-0.5%
Operation Business	2,715	1,378	-49.2%
Other Business	1,141	3,498	206.5%
Adjustment	-551	-558	-
Gross Profit	14,884	9,010	-39.5%
Real Estate Revitalization Business	13,158	7,629	-42.0%
Replanning Business (Including Hotel Development)	12,479	7,151	-42.7%
Rental Building and Sublease	679	478	-29.6%
Real Estate Service Business	1,105	1,141	3.3%
Operation Business	321	-592	-
Other Business	387	992	156.3%
Adjustment	-87	-160	-
Selling, general and administrative expenses	3,692	3,343	-9.5%
Operating Profit	11,192	5,667	-49.4%
Non-operating Income	215	87	-59.5%
Non-operating Expenses	365	370	1.4%
Ordinary Profit	11,042	5,384	-51.2%
Extraordinary Income and Losses	3	-6	-
Income Tax	3,508	1,925	-45.1%
Profit Attributable to Non-controlling Interests	5	6	-
Profit	7,542	3,459	-54.1%

Income Statement Points

<RP Business>

Partly due to a reactionary fall from 1Q of the previous fiscal year, sales were down to ¥24.3 billion (down 28% year on year) and gross profit fell sharply to ¥7.1 billion (down 42% year on year), but RP Business **continued to drive companywide results.**

<Hotel Operation Business>

Hotel Operation Business suffered a decline in performance due to the impact of the COVID-19 outbreak. Although there are recent signs of recovery thanks to the effects of the GoTo Travel campaign, sales were down to ¥1.3 million (down 49% year on year) and gross profit posted a loss of approximately ¥0.6 billion.

<Other Businesses>

In Overseas Business (Vietnam), the delivery of condominiums for sale was completed. Overall sales increased to ¥3.5 billion (up 207% year on year) and gross profit increased approximately to ¥1.0 billion (up 156% year on year), **contributing to earnings.**

<Selling, general and administrative expenses>

SG&A expenses were ¥3.3 billion, down approximately 10% from the same period of the previous fiscal year, due to **company-wide cost-cutting efforts and the promotions of digitalization to improve business processes.**

Consolidated Balance Sheet - Assets -



<Inventories> decreased by ¥5.2 billion due to the sale of properties. Among them ¥5.0 billion decreased in RP business projects, ¥1.5 billion increased in hotel projects due to the progress of construction in Okinawa, and ¥1.7 billion decreased in overseas projects due to the delivery of condominiums for sale and other factors.

<Cash and time deposits > increased by ¥7.1 billion due to the sale of RP properties and overseas projects, as well as borrowings from financial institutions.

< Other current assets > decreased by ¥1.4 billion due to a decrease in consumption tax receivables and advance payments.

(Unit: 1 million yen)	FY ended March 2019	FY ended March 2020	FY ending March 2021 As of End of September 2020	Increase/Decrease (Compared to End of March 2020)
Current Assets	97,149	113,842	114,311	+469
Cash and time deposits	20,257	18,627	25,759	+7,132
Inventories	74,329	91,766	86,549	-5,217
Breakdown) RP	62,143	71,353	66,317	-5,036
Hotel	7,552	17,019	18,558	+1,539
Overseas,	4,634	3,395	1,674	-1,724
etc.				
Other Current Assets	2,562	3,448	2,002	-1,446
Non-current Assets	13,749	16,450	16,641	+190
Property, Plant and Equipment	9,339	10,413	10,526	+112
Intangible Assets	863	712	629	-83
Investments and Other Assets	3,546	5,324	5,485	+161
Total Assets	110,898	130,293	130,952	+659

Consolidated Balance Sheet - Liabilities/Equity - SUN FRONTIER

<Interest-bearing Debt> decreased by approximately ¥1 billion from the end of the previous fiscal year to ¥48.3 billion due to the sale of properties and other factors.

<Net Assets> increased by ¥4.3 billion due to profit (¥3.4 billion) and the issuance of preferred stock of subsidiaries (¥3.0 billion), despite the payment of dividends in the previous fiscal year (¥2.0 billion).

Change in Equity Ratio		
End of March 2019	End of March 2020	End of Sep. 2020
50.3%	49.6%	50.4%

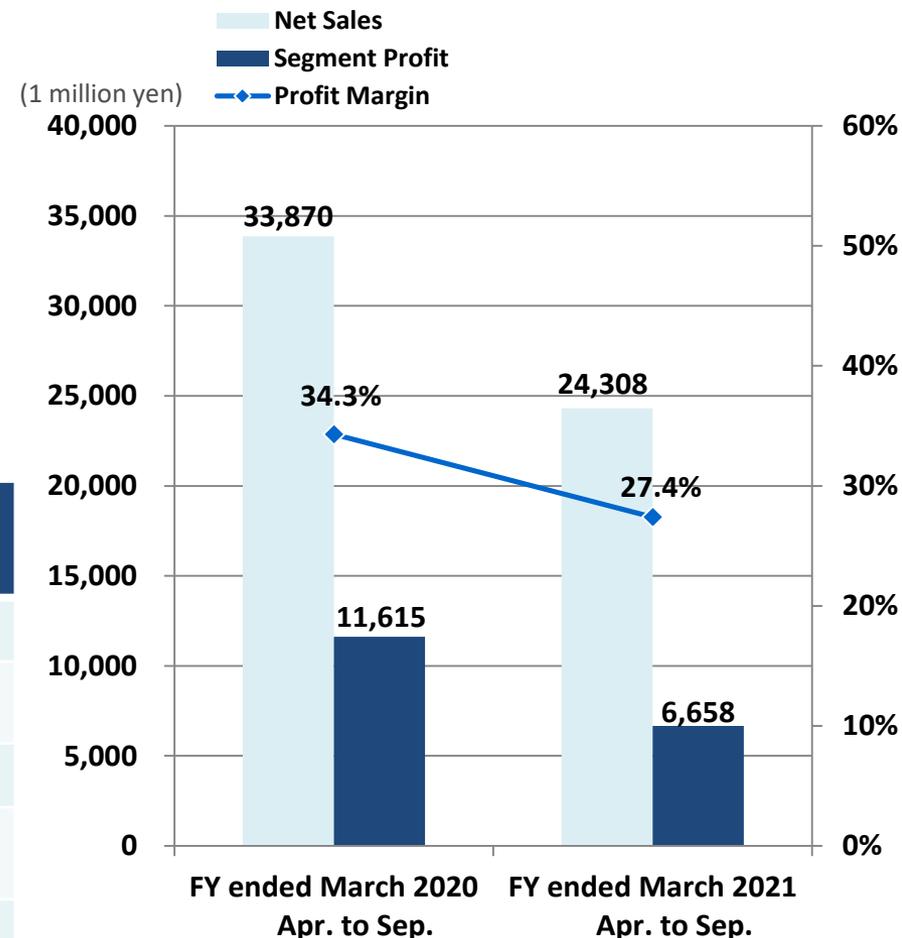
(Unit: 1 million yen)	FY ended March 2019	FY ended March 2020	FY ending March 2021 As of end of September 2020	Increase/Decrease (Compared to end of March 2020)
Current Liabilities	12,859	18,052	21,827	+3,775
Short-term Borrowings, etc.	2,248	4,463	10,588	+6,124
Income Taxes Payable, etc.	2,661	3,566	2,183	-1,382
Other Current Liabilities	7,949	10,022	9,055	-966
Non-current Liabilities	42,179	47,431	39,988	-7,443
Long-term Borrowings and Bonds Payable	39,751	44,906	37,752	-7,153
Other Non-current Liabilities	2,428	2,525	2,235	-289
Total Liabilities	55,038	65,483	61,815	-3,668
Shareholders' Equity	55,900	64,690	66,102	+1,412
Others	-40	119	3,035	+2,915
Total Net Assets	55,860	64,809	69,137	+4,327
Total Liabilities and Net Assets	110,898	130,293	130,952	+659

Replanning Business (Replanning (RP)/ Hotel Development)

- The number of buildings sold was 15 cases and decreased significantly from the previous period (24 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 490 days (+81 days from the previous year). The business period has been extended due to efforts to commercialize buildings to raise their rent levels, but a high profit margin on sales was maintained.
- Purchases of projects contracted before February were settled as planned. The number of properties in year-end inventory was 64 (52 RP Business-related properties and 12 Hotel Business-related properties). Inventories were ¥84.8 billion (¥66.3 billion for RP Business-related and ¥18.5 billion for Hotel Business-related).

*Excluding those related to Overseas Business.

(Unit: 1 million yen)	FY ended March 2020 Apr. to Sep.	FY ending March 2021 Apr. to Sep.	Increase/ Decrease
Net Sales	33,870	24,308	-28.2%
Segment Profit (Note 1)	11,615	6,658	-42.7%
Profit Margin	34.3%	27.4%	-6.9%pt
Number of Items Purchased	28 cases	9 cases	-19 cases
Number of Properties Sold	24 cases	15 cases <small>*Including 1 case of primary composition</small>	-9 cases
Number of Stocks at the End of Fiscal Year	76 cases (Note2)	64 cases (Note 2)	-12 cases



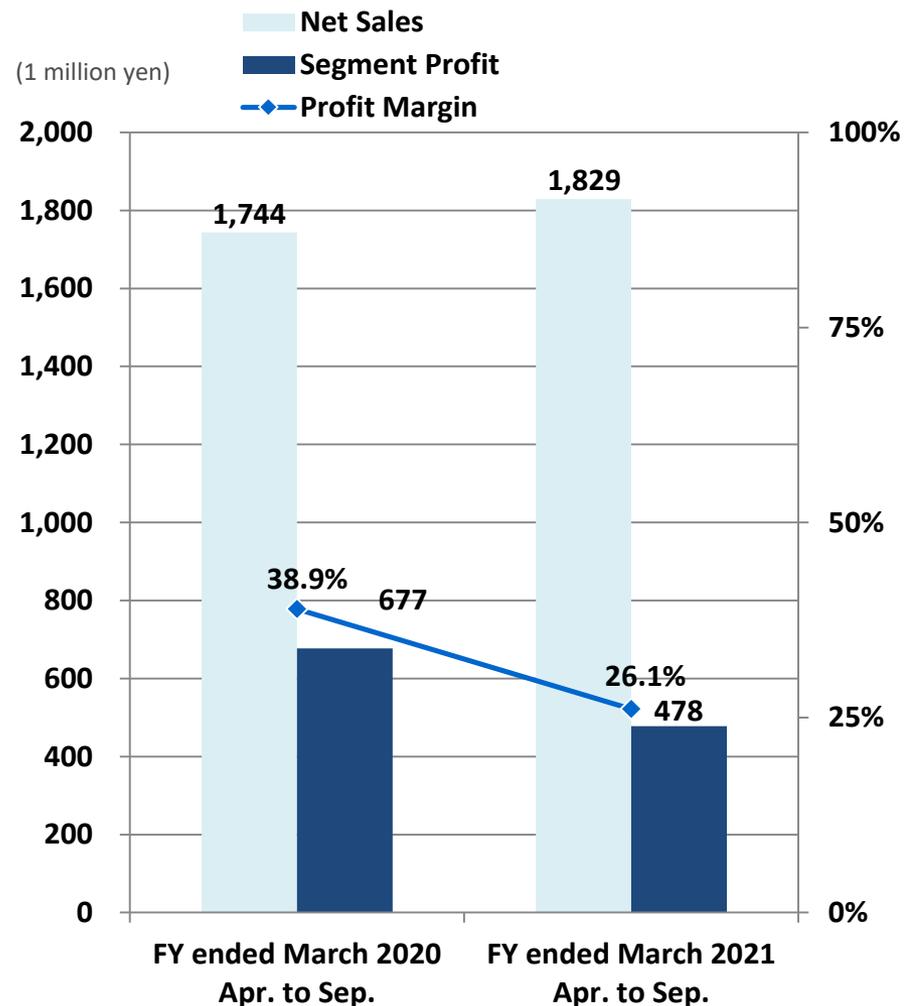
(Note 1) "Segment Profit" is calculated by deducting specific costs of each segment, including interest expenses, sales commission and goodwill depreciation expense from gross profit.

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

Rental Building Business (Rental Buildings/ Sub-leases)

- Net sales increased due to a steady progress in attracting tenants to RP inventory properties and Sublease Business, but segment profit decreased due to rent exemption because some hotels and were temporarily closed and occupancy rate was declined.

(Unit: 1 million yen)	FY ended March 2020 Apr. to Sep.	FY ending March 2021 Apr. to Sep.	Increase/ Decrease
Net Sales	1,744	1,829	+4.8%
Segment Profit	677	478	-29.5%
Profit Margin	38.9%	26.1%	-12.7%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 remained at the same level due to a decrease in revenue from RP properties.

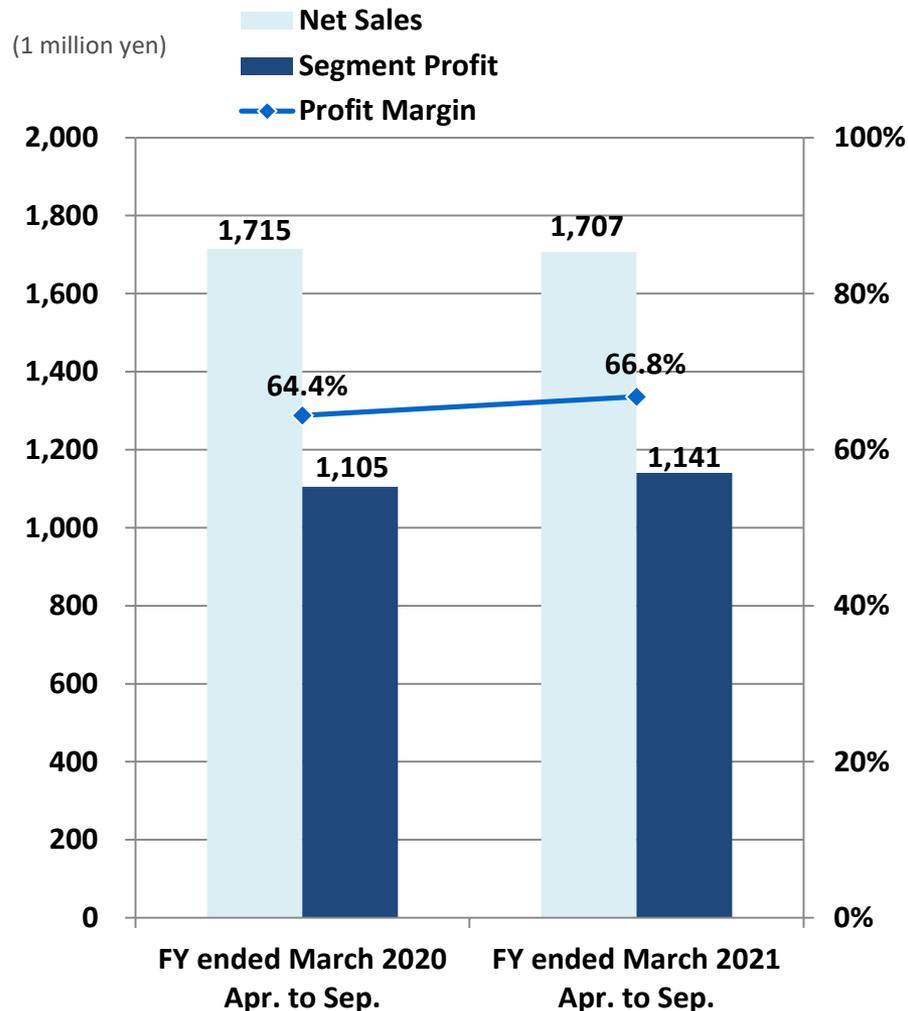
[Number of PM Managing Buildings and Occupancy Rate]

	[Number of Managing Buildings]	[Occupancy Rate]
End of Sep. 2018	378 buildings	97.2%
End of Sep. 2019	381 buildings	98.9%
End of Sep. 2020	403 buildings	96.8%

<Brokerage and Leasing>

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

(Unit: 1 million yen)	FY ended March 2020 Apr. to Sep.	FY ending March 2021 Apr. to Sep.	Increase/ Decrease
Net Sales	1,715	1,707	-0.5%
Segment Profit	1,105	1,141	+3.3%
Profit Margin	64.4%	66.8%	+2.4%pt



Operation Business (Hotel Operation and Conference Room Rental Business)

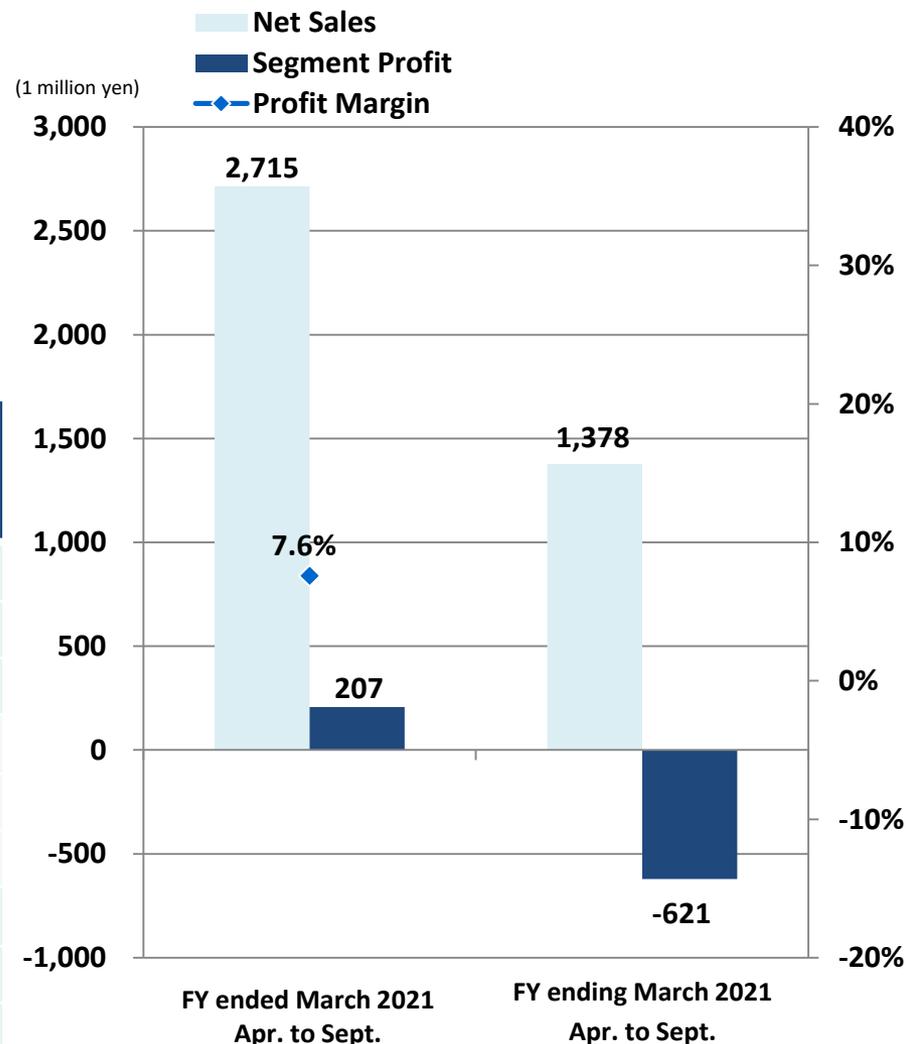
<Hotel Operation Business>

- 7 hotels were temporarily closed in 1Q. In 2Q, the performances of “Tabino Hotel Sado” and “Sado Resort Hotel Azuma,” and hotels in local areas such as Kashima and Mizushima were recovered. Large cities hotels such as Osaka and Ginza continue to struggle to recover. Despite an increase in advance bookings and signs of recovery, we posted a large decline in revenue and a loss for the period.

<Conference Room Rental Business>

- There were signs of recovery from June onwards. Demand has changed after the COVID-19 outbreak, and a series of new services were introduced based on research of client feedback. We also took measures to prevent infectious diseases, deployed online facilities, and secured a profit.

	FY ended March 2020 Apr. to Sept.	FY ending March 2021 Apr. to Sept.	Increase/ Decrease
(Unit: 1 million yen)			
Net Sales	2,715	1,378	-49.2%
Hotel Operation Business	2,065	751	-63.6%
Conference Room Rental Business	650	627	-3.5%
Segment Profit	207	-621	-
Hotel Operation Business	77	-735	-
Conference Room Rental Business	130	113	-12.6%
Profit Margin	7.6%	-	-
Hotel Operation Business	3.7%	-	-
Conference Room Rental Business	20.0%	18.1%	-1.9%pt



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

<Rent Guarantee Business>

- The number of consultations from building owners has increased due to increased vacancies, concerns about tenant credit, and switching from personal guarantees. Although the number of guarantees remained strong, profits decreased slightly due to an increase in reserves for performance of guarantees.

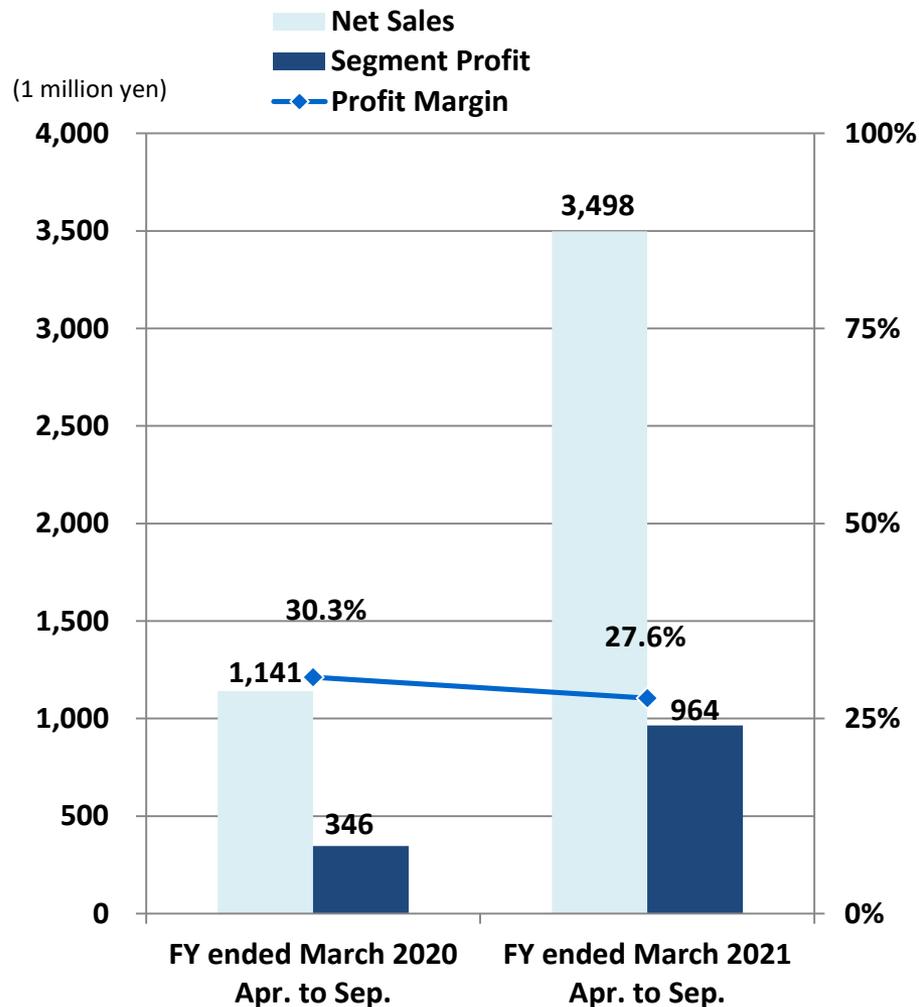
<Construction Business>

- Although sales of SF engineering contributed, sales and profits decreased due to a decrease in large-scale construction orders from the previous year.

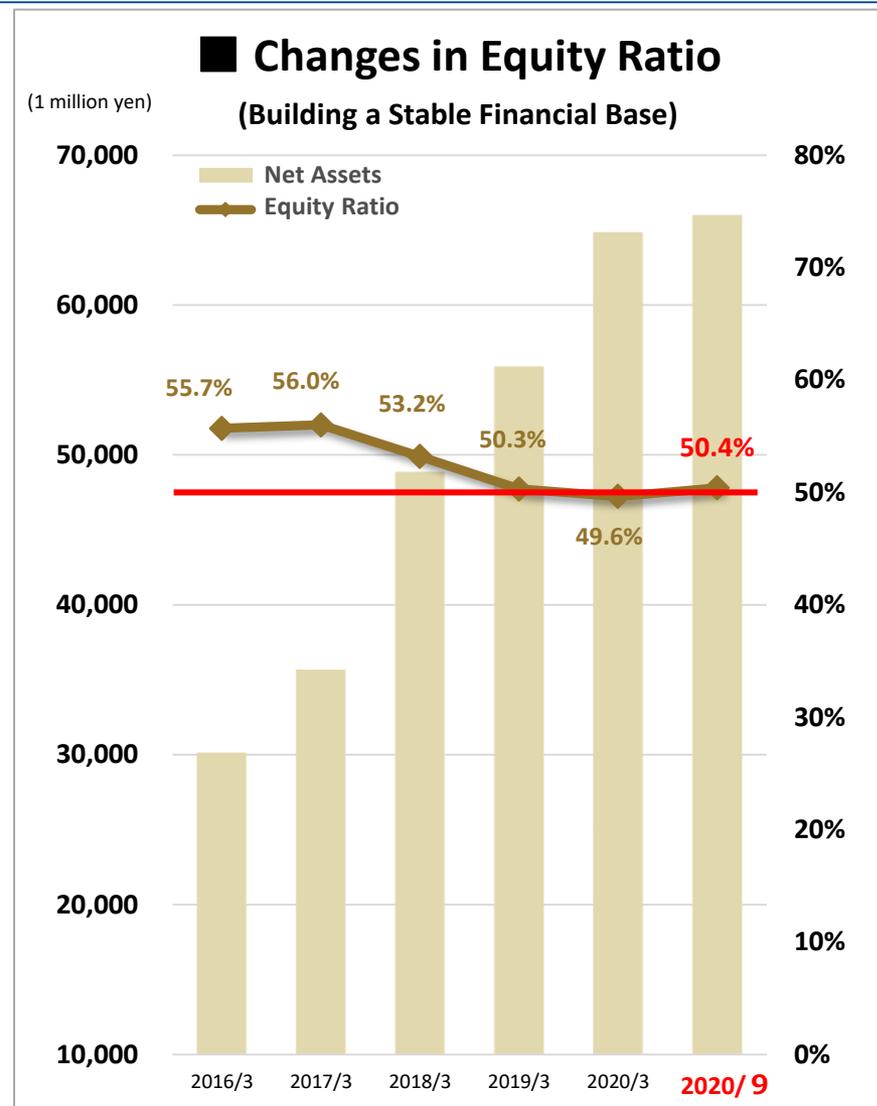
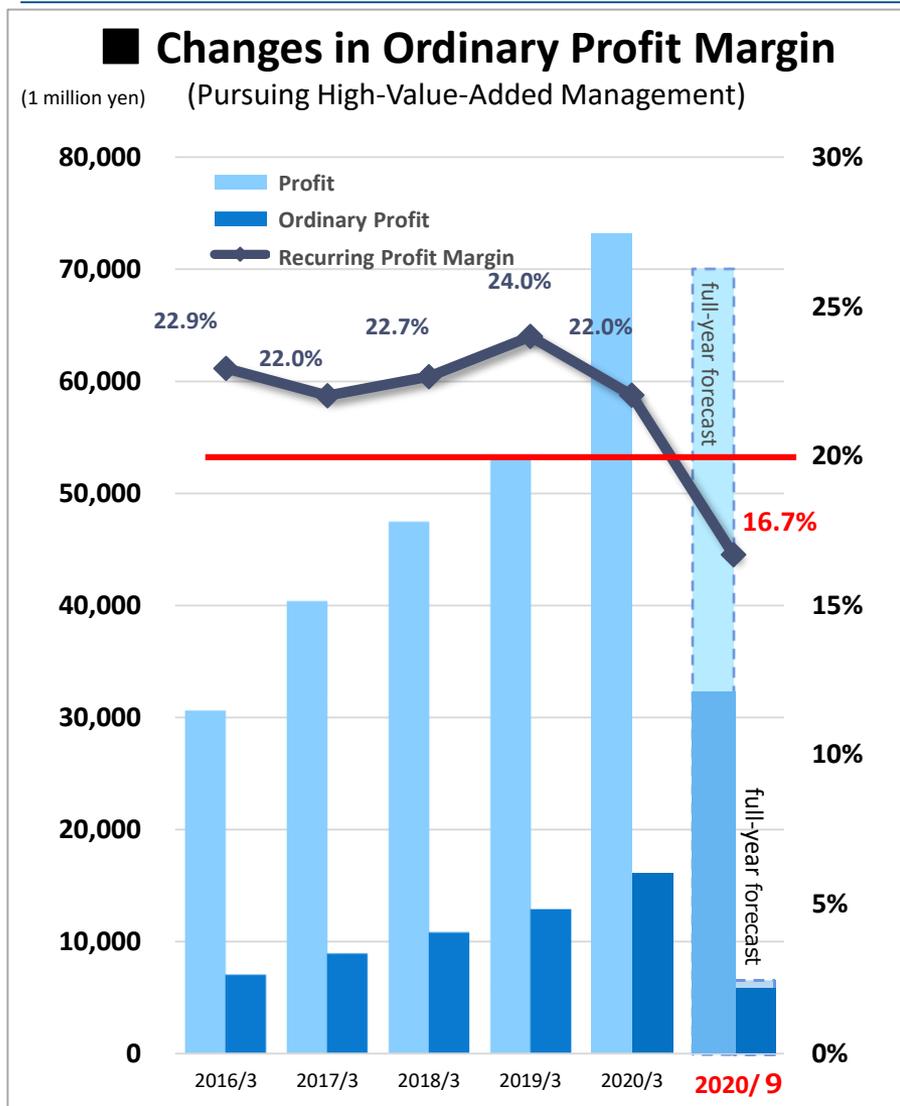
<Overseas Business>

- Delivery of the condominium "HIYORI Garden Tower" in Da Nang completed. The delivery between January and June has contributed to the business performance in the current period. Sales and profits increased significantly.

(Unit: 1 million yen)	FY ended March 2020 Apr. to Sep.	FY ending March 2021 Apr. to Sep.	Increase/Decrease
Net Sales	1,141	3,498	+206.5%
Segment Profit	346	964	+178.7%
Profit Margin	30.3%	27.6%	-2.8%pt



Trends in Key Management Indicator



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

Impact on Main Business and Recent Movements SUN FRONTIER

Business	Impacts
<ul style="list-style-type: none"> • Office Building Business 	<ul style="list-style-type: none"> ➤ <u>The occupancy rate at buildings managed by the Company was 96.8% at the end of September, down about 1% from 97.8% at the end of June, mainly due to cost reductions and the downsizing of offices through the introduction of remote work.</u> Requests for rent reductions have stabilized, but while the number of cancellations, which were mainly for retail spaces between April and May, is settling down, the number of cancellations for office spaces increased between July and September. ➤ <u>Office rents did not experience an extreme decline but were on a downward trend with the increase in vacancies.</u> ➤ <u>Difference in the occupancy rate of each building has emerged, and an increase in vacancies is noticeable in large buildings and buildings whose competitiveness declined due to aging.</u> ➤ <u>While lease contracts at RP properties have been steady, main reasons for relocating offices are new establishments and floor space expansions even during the COVID-19 outbreak and fewer are relocations due to downsizing and cost cutting.</u> ➤ <u>The interest in small and medium-sized buildings increased due to the move to set-up offices and the trend of dispersing offices to multiple buildings, which allows for relocation with lower initial costs without compromising the grade of the building.</u> ➤ <u>In Rent Guarantee Business, the number of delinquent payments, which had increased due to the COVID-19 outbreak, is on a downward trend. However, for businesses in the central part of Tokyo, cash flow has not yet reached the point of turning around, and depending on the industry and business type, a prolonged period of severe conditions is expected, which will need to be closely watched.</u>

Impact on Main Business and Recent Movements



Business	Impacts
<ul style="list-style-type: none"> • Conference Room Rental Business 	<ul style="list-style-type: none"> ➤ The turbulent period of repeated cancellations and bookings is over. ➤ <u>Client needs have changed. There is an increasing need for facilities to support online delivery.</u> ➤ Even when the COVID-19 outbreak is under control in the future, the overall volume is not expected to return to the previous level. On the other hand, <u>the demand for flexible space appears to be growing, and the Company will flexibly change to meet customer needs and introduce new services one after another.</u> ➤ Over-supply caused successive disappearances or withdrawals of rental conference room and shared office providers.
<ul style="list-style-type: none"> • Hotel Operation Business 	<ul style="list-style-type: none"> ➤ <u>The performance of hotels in local areas</u> such as Sado (Tabino Hotel Sado and Sado Resort Hotel Azuma), Kashima (Tabino Hotel Kashima) and Mizushima (Tabino Hotel Kurashiki Mizushima) <u>recovered. In particular, Tabino Hotel Sado recorded full occupancy 15 times in October. The occupancy rate was 87%,</u> exceeding the previous year's figure, due partly to the lack of return of tourism demand around the usually busy Obon festival season. ➤ Due to the late addition of Tokyo to the GoTo Travel campaign, <u>hotels in major cities (Osaka, Ginza, etc.) struggled.</u> There are signs of recovery in advance bookings, as policy effects are beginning to emerge.

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.

- ◆ **Uncertainty remains as we must remain vigilant for a third wave of infection. The economic stagnation appears 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 13,700 visitors recorded in September (decreased by 99.4% from the same month in the previous year). The aviation and tourism industries are facing a predicament.**
- ◆ **The travel to and from Tokyo added to the GoTo Travel campaign has created a movement of people and is revitalizing society.**

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.

- ◆ **The IMF expects the global economy to remain in a slower decline than previously expected, and raised its growth rate forecast to -4.4% (previous estimate: -5.2%).**
- ◆ **The COVID-19 outbreak has further accelerated compressed changes in the digitalization of society.**
- ◆ **Due to the second wave of infection in Europe, partial lockdown have been reimposed. In the U.S., additional economic measures have been delayed and there are concerns about the future.**

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.

- ◆ **Vacancy rates have risen due to business downsizing and job losses caused by the recession, and rent levels are declining.**
- ◆ **Office demand is declining due in part to the downsizing of offices due to the penetration of remote work.**

Three Policies

- ① Thorough to Prevent the Spread of COVID-19 Infection and Continue Business**
- ② Keep the Financial stability**
- ③ Concentrate Resources on our Main Business "Regeneration and Utilization of Real Estate"**

3) Specific Initiatives in Growth Strategies

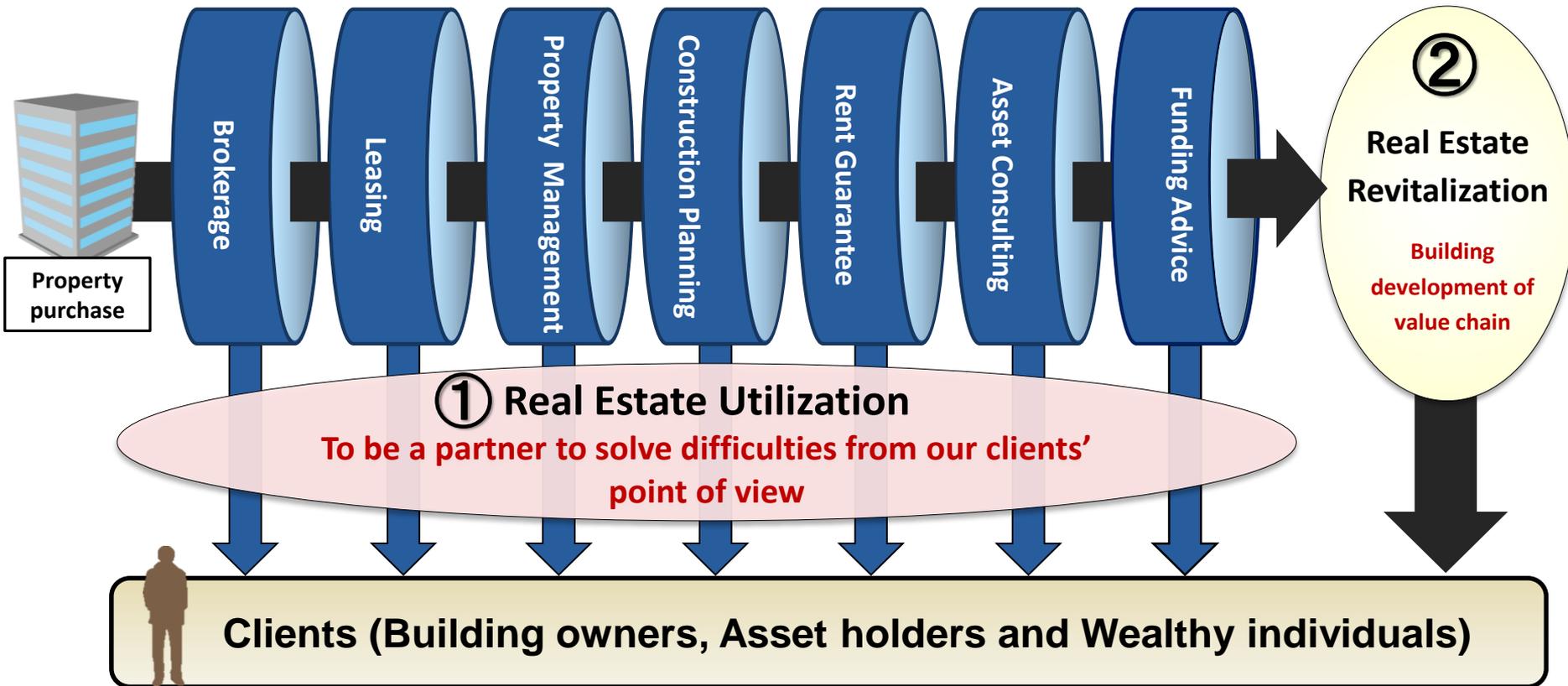
~ 4 growth strategies ~

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

We create added value in a business chain and maximize the attractiveness of buildings



Our strength lies in the internalization of purchasing, development, promotion of occupancy, sales, and support, grasping client's intentions in detail, and utilizing them for the improvement of new products.



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

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



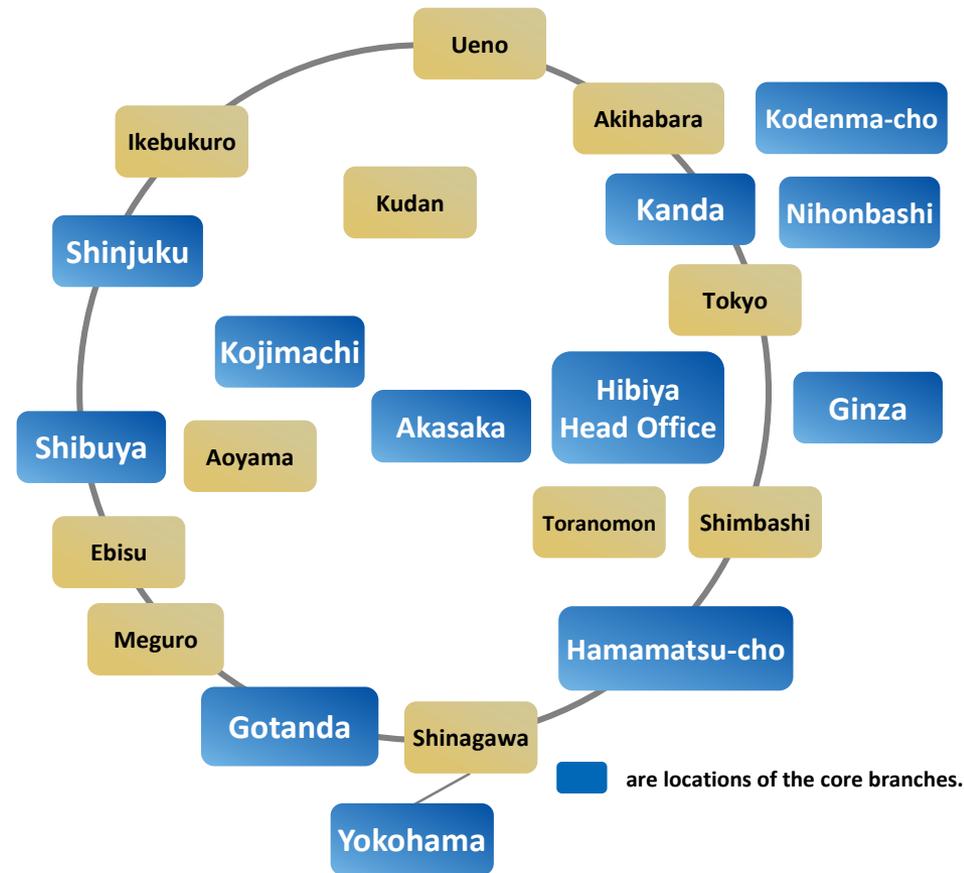
1. We specialize in small and medium-sized office buildings in central Tokyo.

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

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

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

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



Setup office where corporate growth will be accelerated

Even during the recession due to the COVID-19 outbreak, setup offices, which reduce relocation costs, improve employee motivation, and accelerate corporate growth, have demonstrated their strengths.



Before



Before



After

Reception space & meeting room



After

Office space



After

Refresh room

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

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

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

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

We aggressively develop the vacant office market and strengthen our ability to promote tenant occupancy

Actively developing business as a pioneer in the vacant office market. Creating a secondary market for setup offices and refining our strength of "tenant occupancy promotion."

Offices where corporate growth will be accelerated
Sonomanma Office!



PICK UP

Properties

CAN RENT



[Property No.1-1708] Akihabara First Square
A maisonette type office like a cafe

Offices where corporate growth will be accelerated
Sonomanma Office!





INTERVIEW

Relocation is completed 3 days after selecting the property!
 Expected to improve the workability of employees and promote recruitment



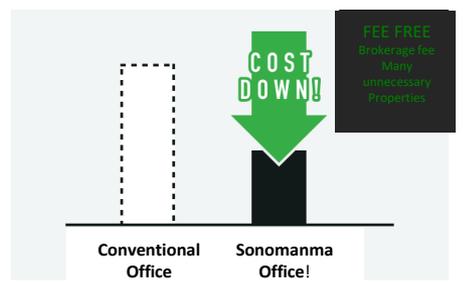
COLUMN

What is a set-up office?
 Explanation of the advantages and disadvantages of a set-up office and key points of choosing a property



COLUMN

[Office relocation schedule]
 Thorough explanation of efficient office relocation methods

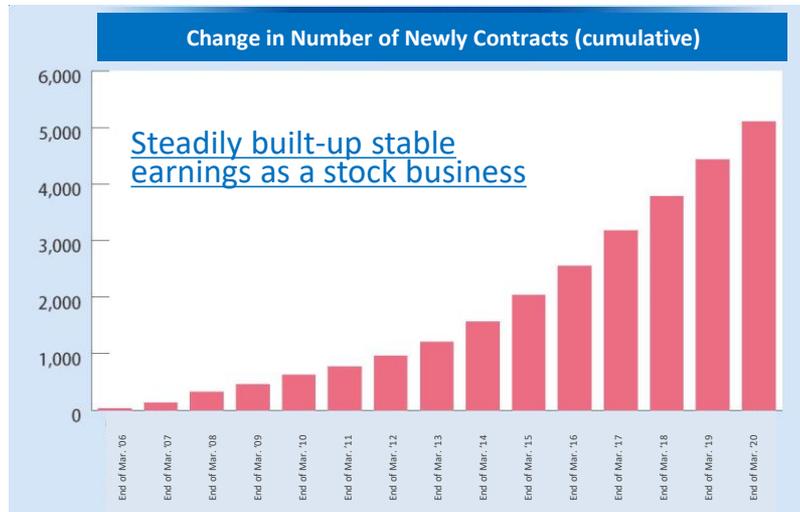



<https://www.so-office.jp/>

1. Expansion of Main Business - Rent Guarantee Business -

To be a dependable and chosen rent guarantee company in the rental guarantee market in the COVID-19 Outbreak

New signings recovered to pre-Corona levels at the highest level in about a year and five months. The reasons for the increase of the number of consultations are: (1) fear of tenants' creditworthiness, (2) reluctance of other companies to accept guarantees for business use, and (3) the growing need for institutional guarantees due to the complexity of personal guarantees. In addition, with the increase in delinquent payments due to the COVID-19 outbreak, other companies are experiencing an increase in disputes over the content of their warranties, while we use our extensive track record and high credit decision-making ability to reassure landlords, which has contributed to our ability to promote tenant occupancy.



[Guarantee Business Results]	
◆ Total gurante warranties	5,346 cases
◆ Incident rate of building vacating litigation (Compulsory execution rate)	2.8% (0.6%)



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

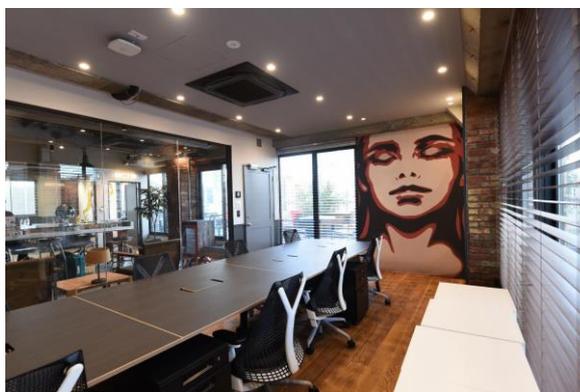
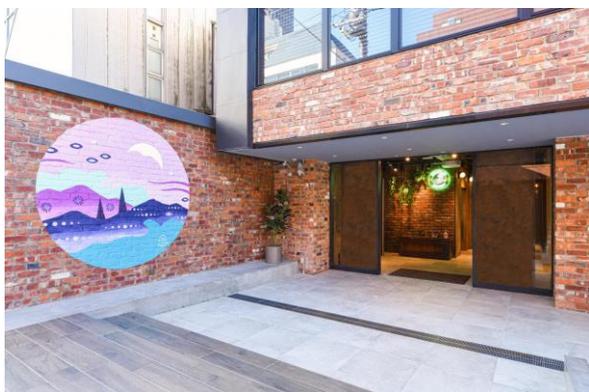
We pursue flexible and creative office utilization that is not bound by old customs and common sense, and propose it to society.

◆ Day Offices ~ A New Idea of “Rent by the Day” Shared Office Design ~



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

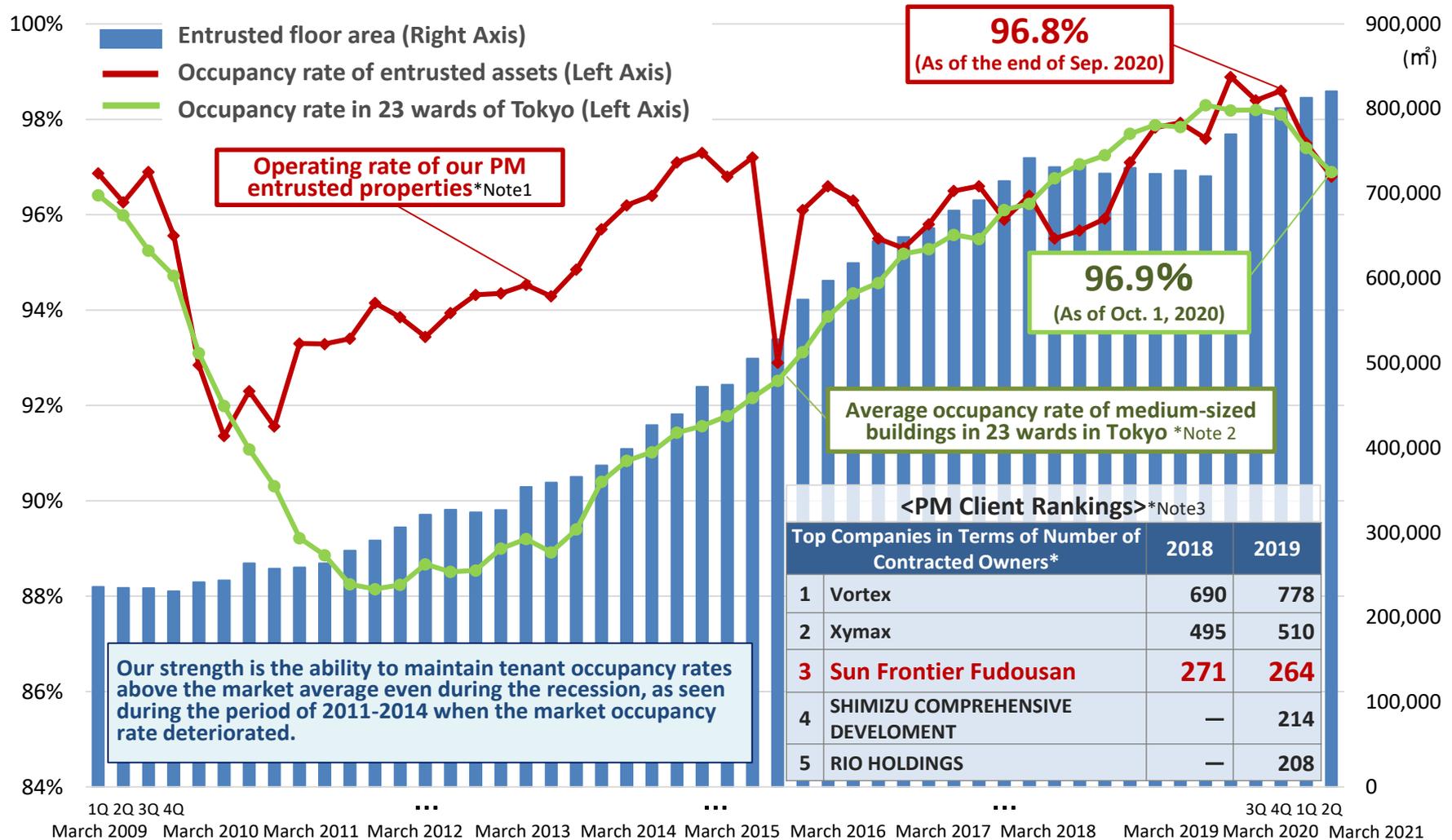
◆ Art X Office ~ Creative Art Office to Choose a Room with Art (Mural) ~



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

1. Expansion of Main Business - Property Management Business -

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



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

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

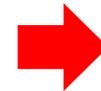
*Note3: Our research based on the November 2019 issue, "Monthly Property Management."

Real estate revitalization business that mobilizes all the strengths of our office business

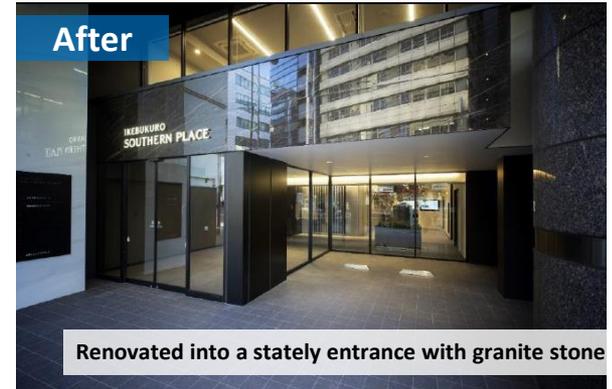
This building had an inconvenient traffic line with a parking lot on the basement 1st and 1st floor, and an entrance on the 2nd floor. Furthermore, the building had many problems, such as an illegal expansion on the top floor and others. We have fully renovated the entire building by utilizing our knowledge accumulated through 400 revitalization projects. Ensuring legal compliance by calculating the surplus of the floor area ratio, verifying the relocation, and carefully verifying compliance with various laws and regulations associated with the relocation of the entrance to the first floor and the removal of stairs. In addition, we created a setup office on each floor to attract tenants, and achieved full occupancy of vacant rooms on 9 floors in only 4 months, improving the product value and making the property safe, stable, and hassle-free.



▲ Entrance



▼ Office Space



Renovated into a stately entrance with granite stone

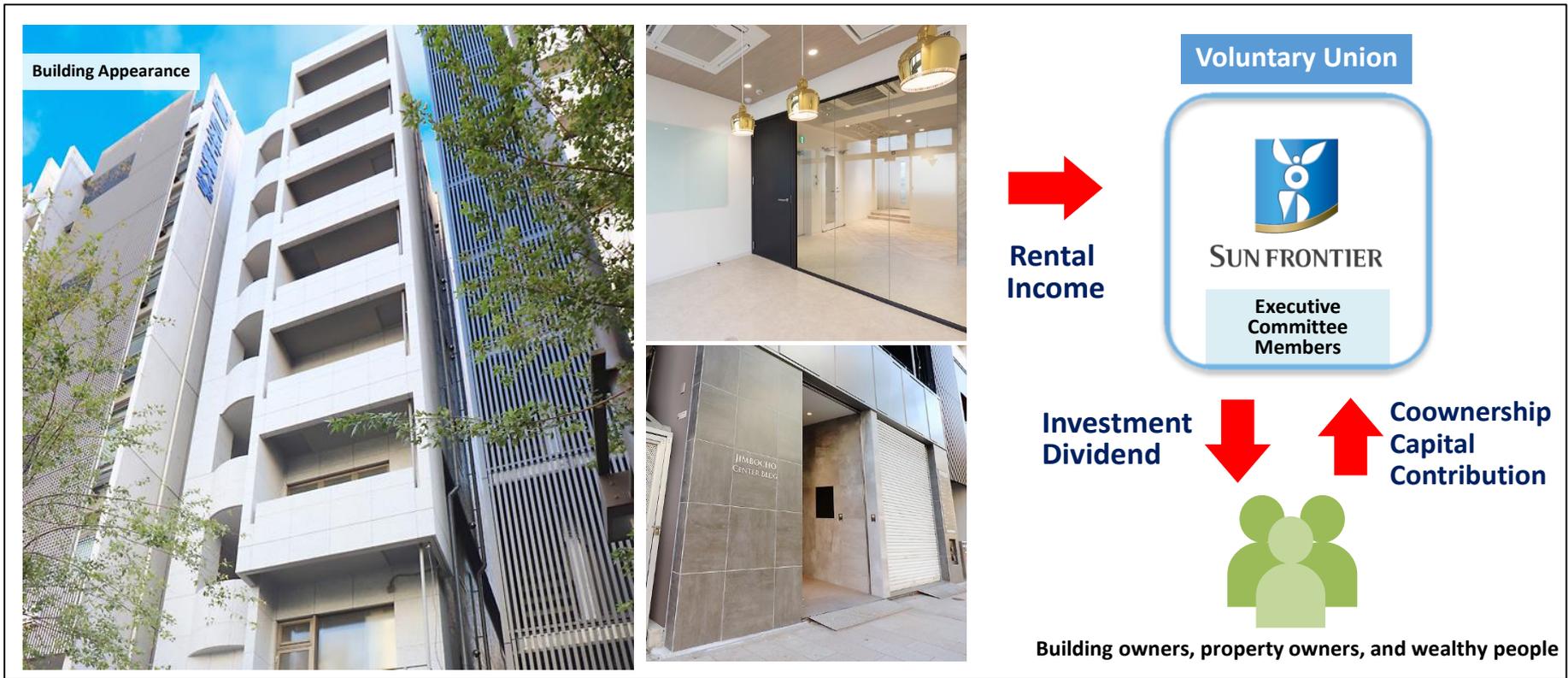


Created an open space with a view of the city center and natural light



We sell real estate revitalization products in small lots SUN FRONTIER

We sell high-quality, highly profitable buildings that have been renovated in RP Business as small-lot products under the Real Estate Specified Joint Enterprises Act (No. 2 project, Jimbocho Center Building). We sell safe, hassle-free physical real estate assets in the form of small-lot products with a unit price of ¥1 million per unit to develop a new market.



We sell through a network of 130 tax accountants nationwide, which we have developed since the start of non-specialized business.

We also sell to overseas investors based on trust even in the COVID-19 outbreak

In spite of the continuing restrictions on travel to Japan, new sales have been achieved through referrals and repeat business from overseas investors, mainly in Taiwan, based on the trust that has been built up over a long period of time to support building management after purchase.

~ Collaboration and Linkage with the Office Business in Japan ~

We work with the office business department to maximize the value of its assets, including leasing and management, and this leads to repeat customers and referrals.



Real Estate Investment Business in Japan



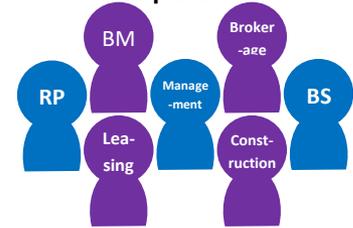
Taiwanese wealthy and affluent people

東京陽光不動産

Introduce investment real estate/Solve client's building management problems/Subsequent proposals for asset replacement



Office Business Department



Work to increase the value of assets by revitalizing and utilizing real estate.

Real Estate in Japan

Focusing on the central Tokyo area and small and medium-sized office buildings, we thoroughly differentiate our strengths

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

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



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

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

We focus on improving profitability at hotels under operation

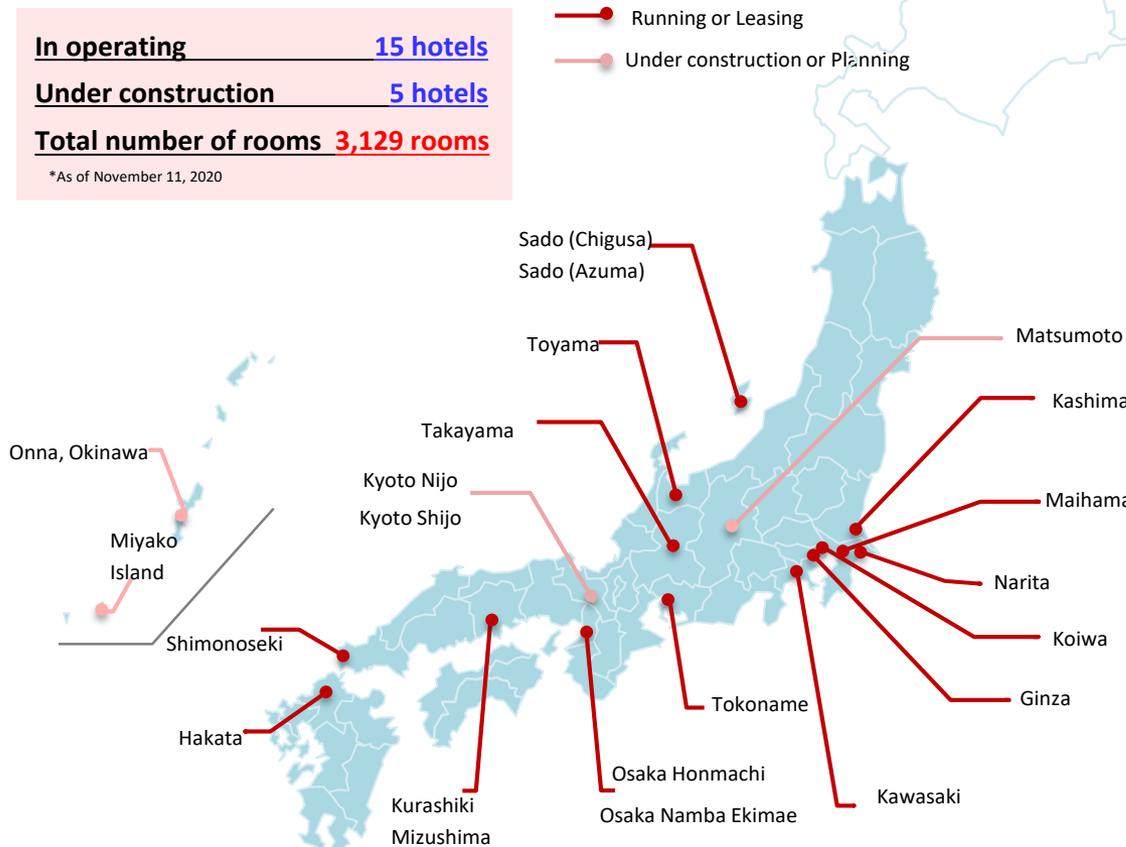


We have steadily built a muscular organization through our cost reduction efforts. Many hotels secured operating surpluses in October due to the effects of the Go To Travel campaign. Recovery is clear at local hotels. Large city hotels (Tokyo, Osaka) continue to struggle to recover.

Improvement of profitability of 20 hotels including those under construction and an addition of new development projects are postponed.

In operating 15 hotels
Under construction 5 hotels
Total number of rooms 3,129 rooms

*As of November 11, 2020



*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	203
Under construction	Kyoto Nijo Kawaramachi	203
Under construction	Miyako-Island	111
Under construction	Kyoto Shijo Kawaramachi	134
Under construction	Matsumoto	176

“HIYORI OCEAN RESORT OKINAWA” in progress for opening in February.



Completion of the framework in July. In progress towards completion in December.

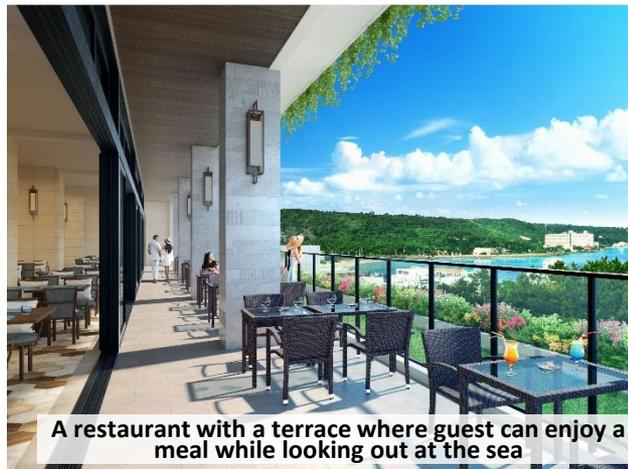


Located on a hill overlooking the beautiful sea of Okinawa shining in emerald green surrounded by coral.

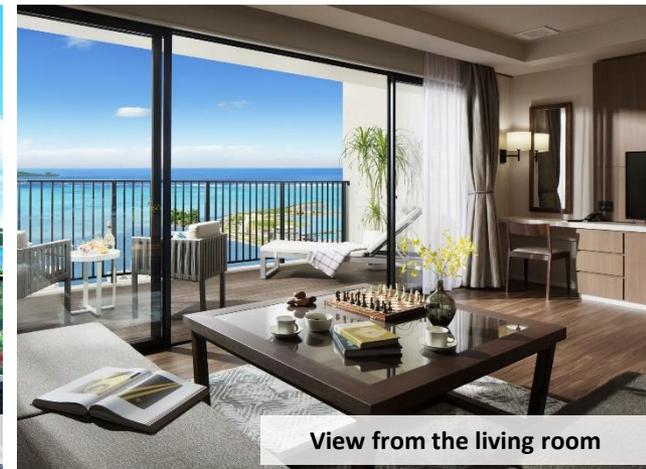


Hotel Appearance

First to fifth sales
135 plots sold out
(all 203 plots)



A restaurant with a terrace where guest can enjoy a meal while looking out at the sea



View from the living room

We concentrate on the condominium business in Da Nang



High-rise condominium
“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.



Condominium
Business

Development/Sales

Operational
management

Brokerage business
Owner agency
management

Expansion of Existing Businesses and Start-up Investments SUN FRONTIER

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

<Achievements of M&A and Capital Alliances>

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



We create new added value in the industry by utilizing drones

SKY ESTATE which has cutting-edge drone piloting technology cooperates with the Company which manages more than 400 buildings and has a wide client network (building owners, real estate management companies, hotel operators and others) in the real estate industry to promote exterior wall surveys with a drone. **We create new added value in the industry that differ from the conventional building management by introducing new technologies and innovative services for building management.**

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

▪ **Exterior wall survey of 209 buildings with a drone.**

Advantages of Exterior Wall Survey with a Drone

1. **With no scaffolding, gondola or rope inspection required, operation can be done faster with lower cost.**(costs can be reduced to about 1/3.)
2. High-rise buildings can be surveyed without scaffolding.
3. Operation can be conducted from the ground, thus ensuring **excellent safety.**
4. Applicable to periodic reporting for specified buildings that require regular exterior wall surveys.



Specialized drones for exterior wall and infrastructure surveys



Infrared rays can identify floating tiles

[Outline of the Investee]

- Name : SKY ESTATE Inc.
- Major Services : Drone school management, exterior wall survey
- Established : September 28, 2016
- Number of Shares Acquired : 33.5% of Issued shares
- URL : <https://sky-estate.com/>

The collaboration with SKY ESTATE will lead to accurate understanding of aging deterioration and optimal repair work required, creating synergies with the office business department, and strengthening proposal and maintenance capabilities.

ESG Initiatives

Company policy

Altruism

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. (415 buildings were revitalized as of the end of September 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

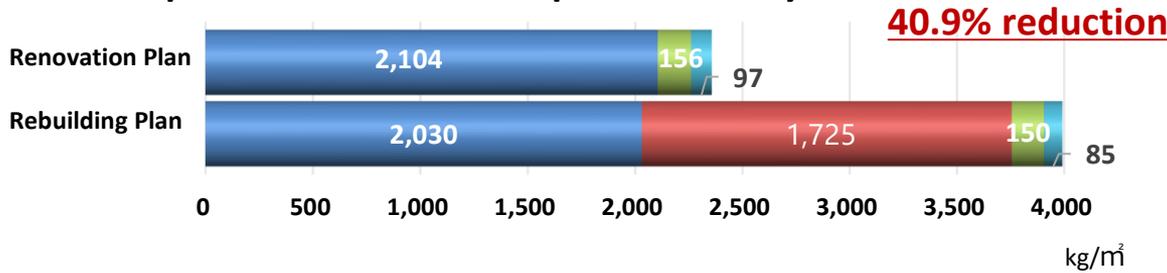
- ❑ In our Real Estate Revitalization Business, we promote the revitalization of buildings to meet the social needs.
- ❑ Under the slogan, “Cheer up Japan!” we develop Regional Revitalization Business from the aspect of tourism.
- ❑ We support the Japanese language courses at Da Nang University in Vietnam. 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

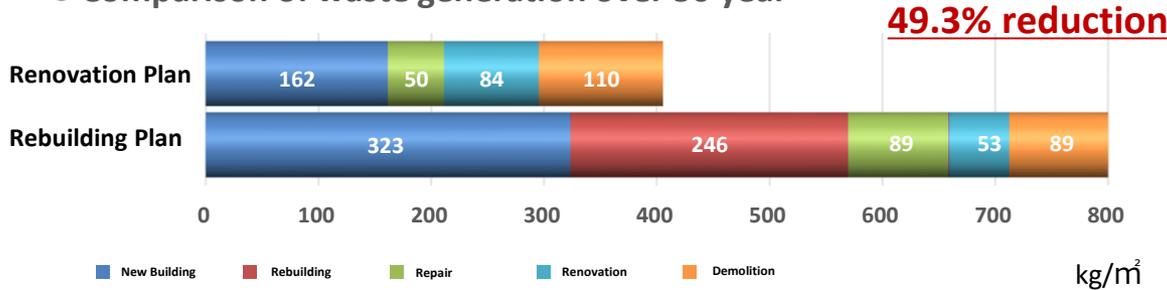
- ❑ When we acquire properties, we clarify their possible risks, improve their legal compliance and correct shoddy workmanship on them through the process of commercialization and then supply them to the market. We turn the properties into a real estate stock with high social values and sell them.
- ❑ 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.

Real Estate Revitalization Business that conserves limited resources, reduces waste generation, and coexists with the environment without demolishing aging buildings [E]

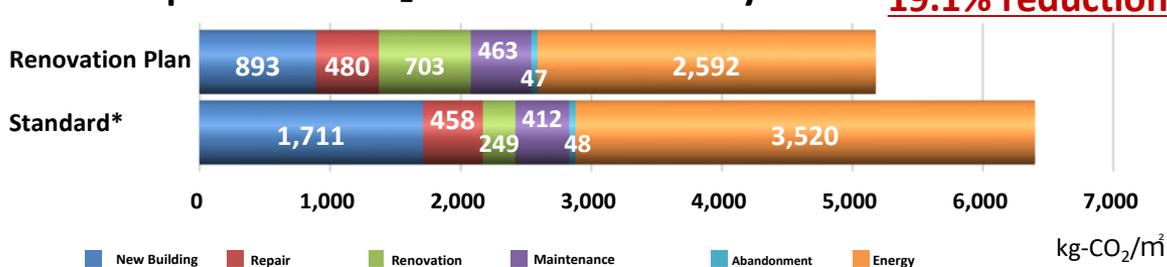
● Comparison of resource inputs over 50 year



● Comparison of waste generation over 50 year



● Comparison of CO₂ emissions over 50 years



<Prerequisites and Basis>

Assuming a 30-year-old, approximately 3,000 square meter office building. Estimating environmental contribution over 50 years (the service life of an SRC building) based on the Architectural Institute of Japan LCA tool (*).

Rebuilding: If the building is to be rebuilt every 35 years

Renovation: Revitalization of aging buildings without demolishing them (long life buildings)

Standard: Assuming a 30-year-old unrenovated building

*Architectural Institute of Japan, "LCA Tool for Buildings Ver.5.0 - Assessment Tool for Measures against Global Warming, Resource Consumption and Waste" (Japanese only)

Estimated with the help of ERC, Inc.

Compared to the proposed reconstruction and standard building

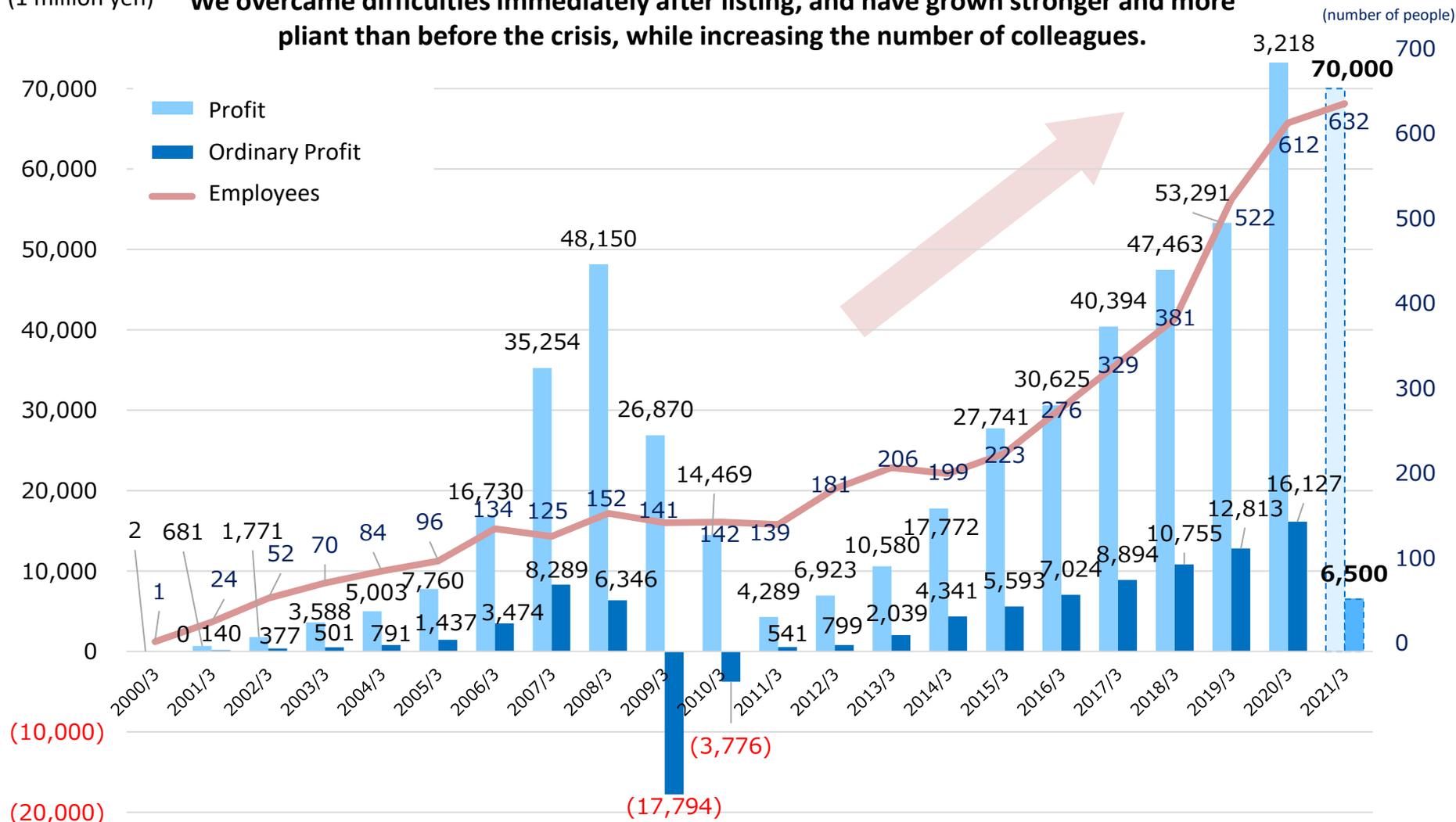
- Resource input: **4,899t reduction**
- Amount of waste generated: **1,182t reduction**
- CO₂ emissions: **3,660t-CO₂ reduction**

At last

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



(1 million yen) **We overcame difficulties immediately after listing, and have grown stronger and more pliant than before the crisis, while increasing the number of colleagues.**



Crisis is an opportunity for growth!

We have grown our business through the experience of the 2008 global financial crisis.

Based on our philosophy and with the strength of our tightly bonded partners, we will use this crisis as a springboard for the next stage of development and further growth in the future.

4) Company Information and Reference Materials

Vision and Policy

Vision

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

Clients

Building owners, asset holders, wealthy individuals

Core Business

Real estate revitalization and utilization

Policy

- **-Not for profit, but for trust-**

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

- Focus on people rather than property
- One-stop solutions to any and all problems

Strategy

Central
Tokyo

Office

Strength

Tenant
mediation

Effective operation

Real estate
revitalization

Creativity

We aim for steady achievements and sustainable growth

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 Profit	20 billion yen
Profit	14 billion yen
Equity Ratio	50% or more
Ratio of Ordinary Profit	20% or more



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



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

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



Before

Originally designed for an office



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

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



Before



After



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

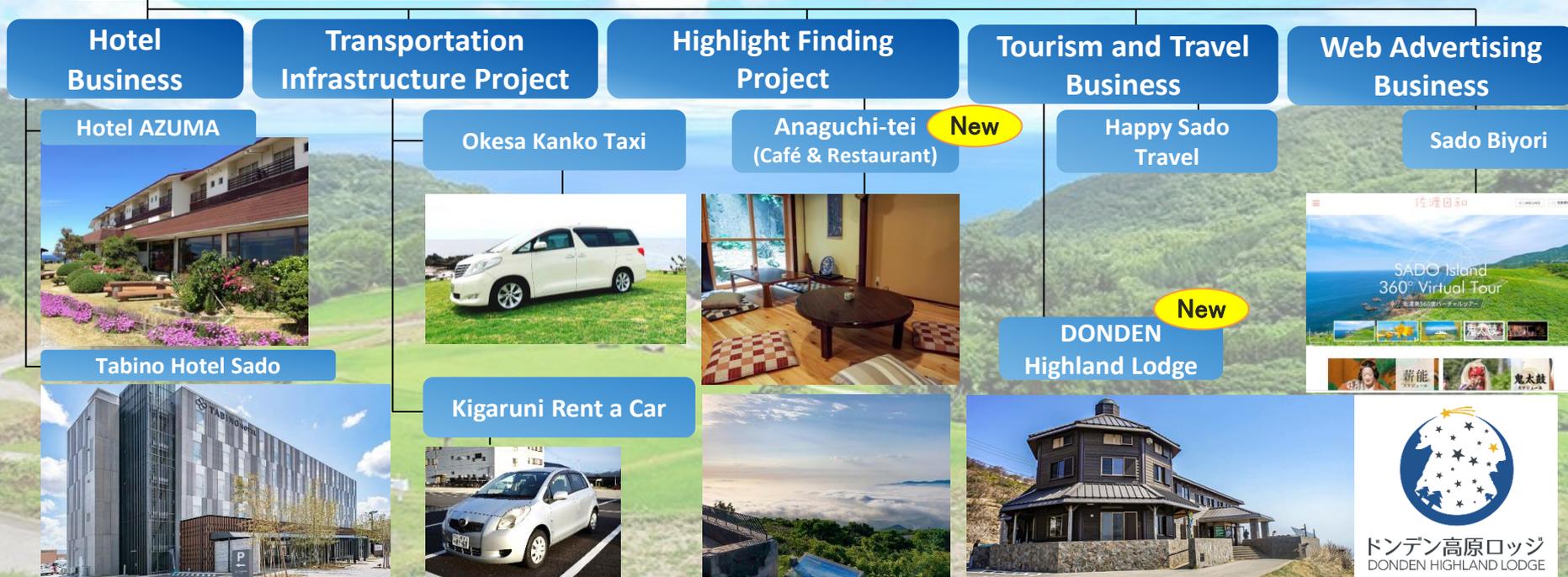
Regional Revitalization Business ~Project in progress on Sado Island~ (S)



<We will energize Sado Island through tourism!>

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

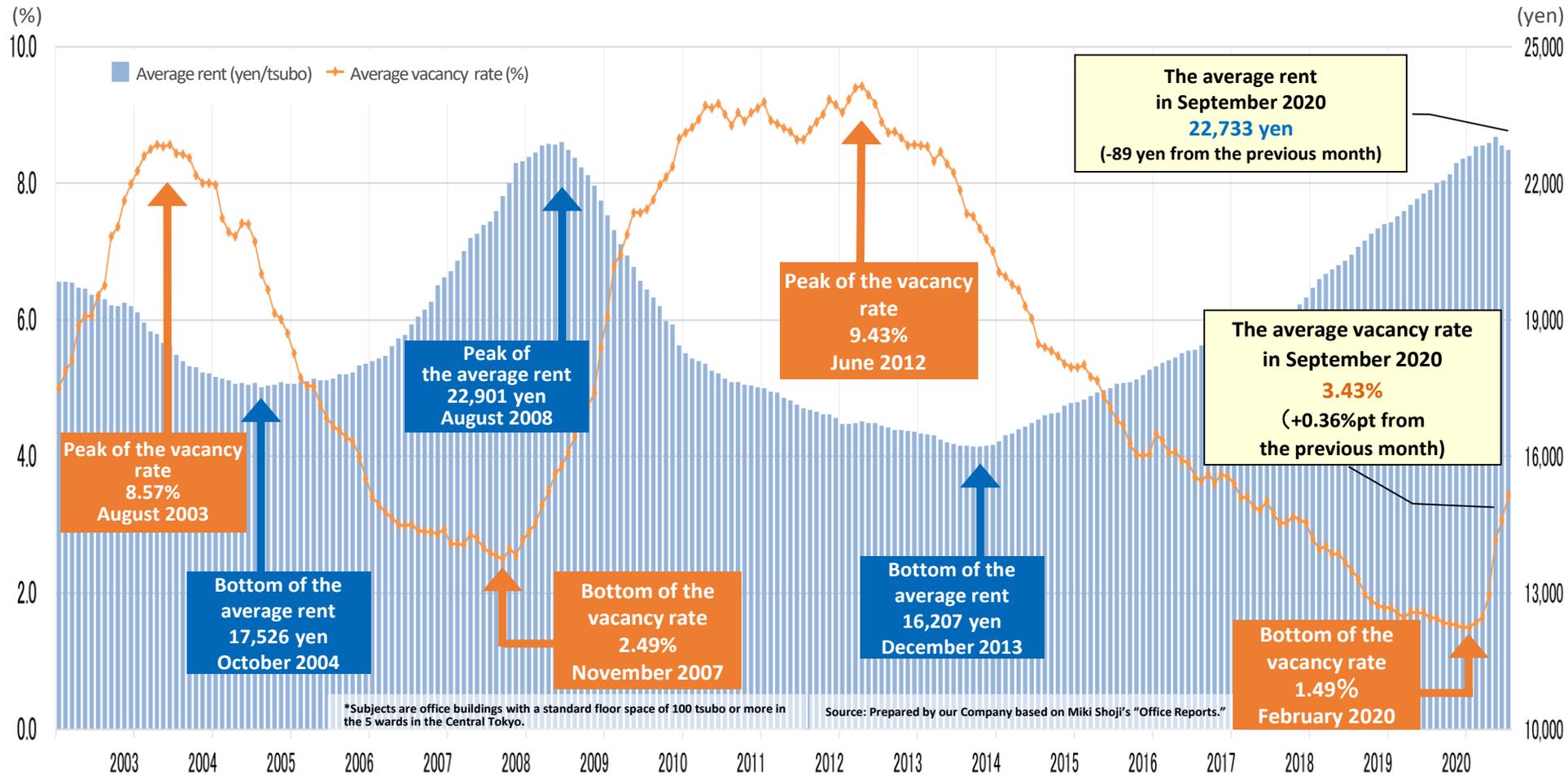
□ We have ensured our risk management at the time of acquisition of properties and our compliance with laws and regulations at the time of their sale.

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.

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 Fudosan Co., Ltd.
Location of Head Quarters	2-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo
Date of Foundation	April 8, 1999
Date of Lsting	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 ※	632 full-time employees (1,034 including part-timers and temporary workers)
Average Age of Employees※	34.5 years old
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)



President Saito

Chairman Horiguchi

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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