

Consolidated Financial Results for the Three Months Ended June 30, 2021

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 Stock listing: Tokyo Stock Exchange 1st Section
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Scheduled date of quarterly securities report: August 11, 2021

Scheduled date of dividend payable: -

Supplemental materials for quarterly results: Yes

Presentation on quarterly results to be held: None

*Amounts are rounded down to million yen.

1. Consolidated Performance for the Three Months Ended June 30, 2021

(1) Consolidated Operating Results

*Percentage figures shown under net sales, operating profit, ordinary profit, and profit attributable to owners of parent columns indicate year-on-year changes for those items.

(“¥” indicates millions of yen, except for per share figures.)

	Net Sales		Operating Profit		Ordinary Profit	
For the three months ended June 30, 2021	¥31,213	128.3 %	¥7,340	250.3 %	¥7,277	272.8 %
For the three months ended June 30, 2020	¥13,672	(58.1)%	¥2,095	(78.8)%	¥1,952	(80.0)%

(Note) Comprehensive income: For the three months ended June 30, 2021: ¥4,906 million (up 364.6 %)

For the three months ended June 30, 2010: ¥1,056 million (down 84.3%)

	Profit Attributable to Owners of Parent		Earnings per Share (yen)	Fully Diluted Earnings per Share (yen)
For the three months ended June 30, 2021	¥4,802	287.7 %	98.61	98.56
For the three months ended June 30, 2020	¥1,238	(81.5)%	25.43	25.42

(2) Consolidated Financial Position

(“¥” indicates millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)
As of June 30, 2021	¥126,541	¥72,628	54.9 %
As of March 31, 2021	¥127,485	¥69,773	52.3 %

(Reference) Total Equity: As of June 30, 2021: ¥ 69,480 million
As of March 31, 2021 ¥ 66,627 million

2. Cash Dividends

	Cash Dividends per Share (yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual Total
FY Ended March 31, 2021	-	0.00	-	42.00	42.00
FY Ending March 31, 2022	-				
FY Ending March 31, 2022 (Forecast)		21.00	-	21.00	42.00

(Note) Changes from the latest released dividend forecasts: Yes

3. Forecast for Consolidated Financial Results for the Fiscal Year Ending March 31, 2022

(From April 1, 2021 to March 31, 2022)

*Percentage figures indicate year-on year changes for those items.

(“¥” indicates millions of yen, except for per share figures.)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Earnings per Share
	Amount	%	Amount	%	Amount	%	Amount	%	Amount
FY Ending March 31, 2022	¥76,000	27.4 %	¥12,000	51.7 %	¥11,500	52.8 %	¥7,400	73.1 %	151.95

(Note) Changes from the latest released performance: None

4. Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

New companies: -

Excluded companies: -

(2) Adoption of special accounting practices in the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting principles, procedures and presentation methods

- 1) Changes caused by revision of accounting standards: Yes
- 2) Changes of accounting standards other than 1) above: None
- 3) Changes in accounting estimates: None
- 4) Restatement of corrections: None

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares at the end of the period (including treasury stock):

As of June 30, 2021: 48,755,500 shares

As of March 31, 2021:	48,755,500 shares
2) Number of shares of treasury stock at the end of the period:	
As of June 30, 2021:	56,644 shares
As of March 31, 2021:	56,644 shares
3) Average number of shares for the period:	
For the three months ended June 30, 2021:	48,698,856 shares
For the three months ended June 30, 2020:	48,698,856 shares

*This Summary of Consolidated Financial Results is not subject to review processes under the Financial Instruments and Exchange Act.

*Explanation for appropriate use of forecast and other notes

Forward-looking statements, such as forecast of consolidated financial performance, stated in this document are based on information currently possessed by us or certain assumptions that we have deemed as rational. We cannot make any assurances that the contents mentioned in these forward-looking statements will ever materialize. Actual financial performance could be significantly different from our expectations as a result of various factors. For the assumptions used and other notes, please refer to “1. (3) Explanation regarding forward-looking statements such as consolidated earnings forecasts” on page 6.

In this document, the terms “we”, “us”, “our” and “Sun Frontier” refer to Sun Frontier Fudousan Co., Ltd. and consolidated subsidiaries or, as the context may require, Sun Frontier Fudousan Co., Ltd. on a non-consolidated basis.

Accompanying Materials

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1. Qualitative information regarding consolidated performance for the first three months

(1) Explanation regarding operating results

Matters concerning the future in this document are those judged by Sun Frontier as of the of submission date of this consolidated performance for the first three months.

During the three months ended June 30, 2021, the Japanese economy has been stagnant for a long time due to the impact of COVID-19 infections. Although vaccination is progressing and economic normalization is expected in the future, the number of new infections is rapidly increasing at present, and it is necessary to continue to monitor trends. In the global economy, the situation remains unpredictable due to the spread of the delta variant of COVID-19. As the Federal Reserve Bank seeks to normalize its monetary policy, market uncertainty over future interest rate developments must be watched closely.

In the real estate market, the average rent in the office building market in central Tokyo (5 Wards of the Central Tokyo: Chiyoda, Chuo, Minato, Shinjuku, and Shibuya Ward) was 21,160 yen (unit price per tsubo), a decline for the eleventh consecutive month (1,854 yen / approximately 8%) and the average vacancy rate was 6.19%, worsening for the sixteenth consecutive month (total 4.70% points according to a survey by a private research institution). As a result, the office market remained weak overall. On the other hand, in the real estate investment market, institutional investors have a strong desire to invest in Tokyo's office market since the outlook for Tokyo office market has become clearer and the low interest rate environment continues. Based on this business environment, we are developing its business based on the medium-term management plan announced in May 2021. During the three months ended June 30, 2021, even during the COVID-19 pandemic, Real Estate Revitalization Business, our core business, saw steady progress in the sale of real estate for sale due to progress in high-profit and high-quality commercialization, while Real Estate Service Business maintained stable results. On the other hand, in Hotel Operation Business, which is greatly affected by the COVID-19 pandemic, was unable to recover during the first three months ended June 30, 2021 due to the impact of the reissuance of the state of emergency and other factors, and recorded a loss.

As a result, net sales increased 128.3% to 31,213 million yen from the same period of the previous fiscal year, operating profit increased 250.3% to 7,340 million yen from the same period of the previous fiscal year, ordinary profit increased 272.8% to 7,277 million yen from the same period of the previous fiscal year, and profit attributable to owners of parent increased 287.7% to 4,802 million yen from the same period of the previous fiscal year.

Due to partial change in the report segment from the three months ended June 30, 2021, actual results for the current fiscal year and the same period of the previous fiscal year have been reclassified into the new segment classification. The background and outline of the segment change are as follows. In November 2020, the Company reorganized its Company operations and transferred Sun Frontier Fudousan Co., Ltd.'s Hotel Development Business to Sun Frontier Hotel Management Inc., with the aim of utilizing its operational know-how in Hotel Operation Business for the "Hotel Development Business" and promoting the business in an integrated manner to enhance profitability. Accordingly, the business segment will reflect this change and is renamed the report segment "Hotel and Tourism Business." At the same time, with a view to further strengthening the coordination of each business segment in the real estate services field, we have made a change to consolidate related business segments such as Conference Room Rental Business and Rent Guarantee Business into "Real Estate Service Business".

The results of each segment are as follows.

(Real Estate Revitalization Business)

In the Real Estate Revitalization Business, we are engaged in (1) Replanning Business and (2) Rental Building Business.

(1) In the Replanning Business, all processes from purchase of buildings to planning and development, tenant occupancy, sales, and subsequent support are manufactured in-house. During the three months ended June 30, 2021, although the number of projects on the market is slightly smaller than before the COVID-19 pandemic, we are always listening to the voices of the front lines on the site and making efforts to ascertain the outlook of the office market and the potential of real estate, and are proceeding with careful and bold property purchases. In commercialization, we aim to create an office that can be chosen among the new state based on new values while keeping a close eye on changes in the city, office and work style. Among them, “set-up office,” which is equipped with a part of its interior in advance, such as setting up reception and reception rooms, and carrying out highly design-oriented construction work in the office area, plays an important role in attracting tenants. In addition, through coordinating with the leasing brokerage division, which has expanded its branch network in central Tokyo and conducts community-based sales activities, we promoted the attraction of tenants even during the COVID-19 pandemic and made our real estate products high-occupancy, high-added value and then we could sell as products that meet the expectations of a wide range of clients in Japan and overseas. As a result, the number of units sold in Replanning Business increased steadily to eight, and both net sales and profit increased significantly compared with the same period of the previous year, when COVID-19 pandemic occurred.

(2) In Rental Building Business, with the aim of building a stable revenue base as a stock business, we are working to increase rent income in the medium to long term by expanding the number of rental buildings properties in Replanning Business while utilizing the operational capabilities cultivated in the Real Estate Service division. Both net sales and income decreased compared with the same period of the previous fiscal year due to the sale of large buildings with high occupancy rates.

As a result, net sales increased 170.6% to 27,450 million yen from the same period of the previous fiscal year and segment profit increased 182.9% to 8,235 million yen from the same period of the previous fiscal year for the Real Estate Revitalization Business as a whole.

(Real Estate Service Business)

In the Real Estate Service Business, we are engaged in (1) Property Management Business, (2) Building Maintenance Business, (3) Sales Brokerage Business, (4) Leasing Brokerage Business, (5) Conference Room Rental Business, and (6) Rent Guarantee Business.

By bringing together the expertise that each of these business divisions has cultivated in the field, they coordinate and work with each other on the small and medium-sized office buildings areas of central Tokyo. By also multiplying in a chain reaction the expertise cultivated through creating on site, they create added value and work as the basis for creating high profitability in the Replanning Business.

(1) In Property Management Business, the Company has achieved high-occupancy and high-profitability building management by increasing tenant satisfaction through meticulous property management and by working with the leasing brokerage division to attract tenants and revise the conditions for appropriate rent. We are solving various requests and problems arising from the impact of COVID-19 by utilizing the knowledge and organizational power we have accumulated over the years. In the COVID-19 pandemic, although the number of administrative buildings grew steadily, revenue was sluggish due to a decline in occupancy rate. As a result, both net sales and profits declined slightly compared with the same period of the previous fiscal year.

	End of June 2019	End of June 2020	End of June 2021
Number of Managing Buildings	374 buildings	397 buildings	403 buildings
Occupancy Rate	97.6%	97.9%	93.5%

(2) In the Building Maintenance Business, we are promoting cooperation with the property management division, taking advantage of our strengths in cleaning high places using swings for exterior windows and exterior walls, waterproofing work, and exterior wall repair work. In addition, in the previous fiscal year, we acquired 100% of shares in Japan System Service Inc., another company in the same industry, in an effort to strengthen the foundation of its cleaning business in central Tokyo. In the fiscal year under review, both net sales and profits increased significantly compared with the same period of the previous fiscal year, as a result of a rebound from a decrease in orders from clients, which was forced to close due to a state of emergency in the same period of the previous year, as well as an increase in entrusted properties and the addition of sales and profits from Japan System Service Inc.

(3) In the Sales Brokerage Business, as part of its real estate consulting, we are responding swiftly to inquiries from other divisions, including Property Management Business and Leasing Brokerage Businesses. The office division works together to support building owner's building management, and based on the trust we have built, we are able to close brokerage deals. As a result of the above, both net sales and profit for the fiscal year under review increased significantly compared with the same period of the previous fiscal year.

(4) In the Leasing Brokerage Business, we provide a service network based in 12 sites, mainly in the 5 wards of central Tokyo, and serve as a convenient consultation window that is close to local building owners. We are also creating the clients' point of view's new values for Replanning Business in the product planning by applying the needs and changes of tenants that we have obtained quickly in the field of tenant leasing to research and proposals for optimal use of office space. Both net sales and profit increased significantly in the fiscal year under review due to a rebound from the same period of the previous fiscal year when tenant relocation stagnated due to the impact of COVID-19 pandemic.

(5) In the Conference Room Rental Business, although the need for meeting rooms remains limited due to the impact of COVID-19 pandemic, we have provided services that capture the changing times and have responded flexibly and quickly to clients' needs through close contact with local communities. By implementing flexible proposal-based marketing, we were able to capture new demand, albeit on a limited scale. As a result, both net sales and profit increased compared with the same period of the previous fiscal year.

(6) In Rent Guarantee Business, we provide services that are close to building owners, such as not only providing rent guarantees when tenants fall behind in their rent payments, but also providing support for tenants to vacate their property, thereby easing the burden on building management. In terms of COVID-19 pandemic, the number of new guarantee and re-guarantee transactions remained steady as a result of an increase in building owners' consultations due to an increase in vacancies and concerns about credit from tenants. As a result, both net sales and profit increased compared with the same period of the previous fiscal year.

As a result, net sales in Real Estate Service Business as a whole increased 42.9% to 2,060 million yen compared with the same period of the previous fiscal year and segment profit increased 56.7% to 1,252 million yen compared with the same period of the previous fiscal year.

(Hotel and Tourism Business)

In the Hotel and Tourism Business, we are engaged in (1) Hotel Development Business and (2) Hotel Operation Business.

(1) In the Hotel Development Business, sales of the condominium hotel HIYORI OCEAN RESORT OKINAWA progressed, and the delivery of 11 plots were completed (cumulative sales: 170 plots / total 203

plots). As a result, both net sales and profit increased compared with the same period of the previous fiscal year when there were no results.

(2) In the Hotel Operation Business, we opened HIYORI Chapter Kyoto Tribute Portfolio Hotel and Tabino Hotel lit Miyakojima in June of the current fiscal year, operating 19 hotels (2,683 rooms) in total. During the fiscal year under review, the Company recorded a loss despite an increase in net sales as a result of a significant decline in occupancy rate and room rates, particularly for urban hotels, due to a rapid decline in inbound visitors due to COVID-19 pandemic and the voluntary restraint of sightseeing due to the issuance of a state of emergency. In addition, we recorded expenses for preparation for the opening of new hotels.

As a result, net sales in Hotel and Tourism Business as a whole increased 363.4% to 1,346 million yen compared with the same period of the previous fiscal year and segment loss was 584 million yen compared with segment loss of 512 million yen the same period of the previous fiscal year.

(Other Business)

In Other Business, we are engaged in (1) Overseas Business and (2) Construction Business.

(1) In Overseas Business, we have expanded into Southeast Asian countries where growth is expected and has developed real estate mainly for condominiums and houses using Japanese advanced construction technology. We are developing its business with a focus on providing Asian people with experience of Japanese quality. In terms of business results, both net sales and profit decreased significantly due to a reaction to the addition of sales of high-rise condominium projects in Da Nang, Viet Nam in the same period of the previous year.

(2) In the Construction Business, renewal planning, repair and reform of commercial buildings, interior finishing work, and telecommunications work were carried out. Results of Communication Development Inc., which we acquired 100% of the shares in the previous fiscal year, contributed to the increase in both net sales and profit.

As a result, net sales of Other Business as a whole decreased 76.2% to 469 million yen compared with the same period of the previous fiscal year and segment profit decreased 96.6% to 15 million yen compared with the same period of the previous fiscal year.

Moreover, "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020 hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc. has been applied from the beginning of the three months ended June 30, 2021.

As a result of the application of Revenue Recognition Accounting Standard, net sales in the Construction Business of the "Other Business" segment increased by 232 million yen during the three months ended June 30, 2021.

(2) Explanation regarding financial position

Total assets decreased 0.7% to 126,541 million yen as of June 30, 2021 compared to March 31, 2021. Liability decreased 6.6% to 53,913 million yen as of June 30, 2021 compared to March 31, 2021 and net assets increased to 4.1% to 72,628 million yen as of June 30, 2021 compared to March 31, 2021.

The main factors behind the decrease in total assets were a decrease of 11,962 million yen in real estate for sale in process, while there were an increase of 8,952 million yen in cash and deposits and an increase of 2,021 million yen in construction in progress, tools, furniture and fixtures included in other, property, plant and equipment.

The main reason for the decrease in liabilities was a decrease of 5,713 million yen in long-term borrowings, despite an increase of 1,696 million yen in income taxes payable and an increase of 961 million yen in long-term borrowings scheduled to be repaid within one year.

The main factor behind the increase in net assets was the recording of 4,802 million yen in profit attributable to owners of parent, despite the payment of year-end dividends of 2,047 million yen.

Moreover, the equity ratio increased 2.6 percentage points to 54.9% as of June 30, 2021 compared to March 31, 2021.

(3) Explanation regarding forward-looking statements such as consolidated earnings forecasts

For the fiscal year ended March 31, 2022, there is no change to the forecast figures announced on May 12, 2021.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and time deposits	21,508	30,461
Notes, accounts receivable, and contract assets	1,532	1,051
Real estate for sale	13,601	14,152
Real estate for sale in process	72,282	60,320
Costs of uncompleted construction contracts	157	37
Supplies	46	58
Other	1,693	1,203
Allowance for doubtful accounts	(36)	(25)
Total current assets	110,785	107,258
Non-current assets		
Property, plant and equipment		
Buildings (net amount)	1,989	2,084
Land	6,821	6,880
Other (net amount)	1,717	3,738
Total property, plant and equipment	10,528	12,702
Intangible assets		
Goodwill	552	532
Other	149	139
Total intangible assets	701	672
Investments and other assets		
Guarantee deposits	3,997	4,590
Deferred tax assets	973	897
Other	500	421
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	5,470	5,908
Total non-current assets	16,700	19,283
Total assets	127,485	126,541

(Unit: million yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	1,634	2,318
Current portion of long-term borrowings	5,530	6,492
Income taxes payable	901	2,597
Provision for bonuses	197	113
Provision for bonuses for directors (and other officers)	52	18
Provision for fulfillment of guarantees	53	45
Other	4,988	4,135
Total current liabilities	13,358	15,720
Non-current liabilities		
Long-term borrowings	41,991	36,277
Retirement benefit liability	11	8
Provision for share-based remuneration	56	58
Other	2,295	1,847
Total non-current liabilities	44,354	38,192
Total liabilities	57,712	53,913
Net Assets		
Shareholders' equity		
Share capital	11,965	11,965
Capital surplus	6,445	6,445
Retained Earnings	48,573	51,328
Treasury shares	(67)	(67)
Total shareholders' equity	66,916	69,671
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	3
Foreign currency translation adjustment	(292)	(194)
Total accumulated other comprehensive income	(289)	(191)
Share acquisition rights	16	16
Non-controlling interests	3,129	3,132
Total net assets	69,773	72,628
Total liabilities and net assets	127,485	126,541

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Unit: million yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Net sales	13,672	31,213
Cost of sales	9,797	21,906
Gross profit	3,875	9,306
Selling, general and administrative expenses	1,779	1,965
Operating profit	2,095	7,340
Non-operating income		
Interest income	9	7
Dividend income	0	0
Foreign exchange gains	8	-
Subsidy income	6	45
Other	9	11
Total non-operating income	33	64
Non-operating Expenses		
Interest expenses	128	104
Other	47	23
Total non-operating expenses	176	127
Ordinary profit	1,952	7,277
Extraordinary income		
Negative goodwill gain	-	78
Total extraordinary income	-	78
Extraordinary loss		
Loss on devaluation of memberships	6	0
Total extraordinary losses	6	0
Profit before income taxes	1,946	7,356
Income taxes - current	547	2,473
Income taxes - deferred	164	82
Total income taxes	711	2,556
Profit	1,234	4,800
Loss attributable to non-controlling interests	(3)	(1)
Profit attributable to owners of parent	1,238	4,802

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Profit	1,234	4,800
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(177)	106
Total other comprehensive income	(178)	106
Comprehensive income	1,056	4,906
Comprehensive income attributable to		
Owners of parent	1,061	4,899
Non-controlling interests	(5)	6

(3) Notes to Consolidated Financial Statements

(Notes to Assumption of Going Concerns))

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

I For the three months ended June 30, 2020

1. Dividend paid

Resolution	Type of shares	Total dividends (million yen)	Dividends per share (yen)	Base date	Effective date	Source of dividends
June 23, 2020 Annual General Meeting of Shareholders	Common shares	2,047	42.00	March 31, 2020	June 24, 2020	Retained earnings

Note: The total amount of dividends decided at the Annual General Meeting of Shareholders on June 23, 2020 includes dividends of 2 million yen for the Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

2. Dividends for which the base date is during the three months ended June 30, 2020 and the effective date is after the last day of the three months ended June 30, 2020

Not applicable.

II For the three months ended June 30, 2021

1. Dividend paid

Resolution	Type of shares	Total dividends (million yen)	Dividends per share (yen)	Base date	Effective date	Source of dividends
Annual General Meeting of Shareholders, June 22, 2021	Common shares	2,047	42.00	March 31, 2021	June 23, 2021	Retained earnings

Note: The total amount of dividends decided at the Annual General Meeting of Shareholders held on June 22, 2021, includes dividends of 2 million yen for the Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP).

2. Dividends for which the base date is during the three months ended June 30, 2021 and the effective date is after the last day of the three months ended June 30, 2021

Not applicable.

(Change of Accounting Policies)

(Application of Accounting Standards for Revenue Recognition)

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter referred to as the "Revenue Recognition Accounting Standard") was applied at the beginning of the three months ended June 30, 2021 and so revenue is recognized in the amount expected to be received in exchange for the promised goods or services at the time when control of the goods or services is transferred to the customer. As a result, in connection with construction contracts, in the past, when there was a certain degree of certainty about the outcome of the progress of the construction work, the percentage of construction completion method had to recognize revenue over a certain period. However, in the case where control over goods or services is transferred to the customer over a certain period of time, the Company has changed the method to recognize revenue over a certain period of time as it fulfills its performance obligation to transfer goods or services to the customer. Progress in meeting performance obligations is measured based on the ratio of construction costs incurred by the end of each report period to the total construction costs to be forecast. In addition, if it is not possible to reasonably estimate the degree of progress in fulfilling the performance obligations at the initial stage of the contract, but it is expected the costs incurred, revenue is recognized based on the cost recovery standard. For construction contracts for which the period from the transaction start date to the time when the performance obligation is expected to be fully satisfied is very short, alternative treatment is applied. Revenue is not recognized over a certain period of time and revenue is recognized when the performance obligation is fully satisfied.

The application of the Revenue Recognition Accounting Standard is in accordance with the transitional treatment provided in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard, but there is no impact on the balance at beginning of the period of retained earnings.

As a result of the application of the Revenue Recognition Accounting “notes and accounts receivable – trade” that was included in “current assets” in the previous fiscal year, has been included in "Notes, Account receivable and contract assets" from the three months ended June 30, 2021. In accordance with the transitional treatment set forth in Paragraph 28-15 of the "Accounting Standard for the Non-Consolidated Financial Statements" (ASBJ Statement No. 12, March 31, 2020), information on revenue arising from contracts with customers for the previous first quarter consolidated cumulative period is not stated.

(Application of Accounting Standards for Calculation of Market Value)

"Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019. Hereinafter referred to as "accounting standard for fair value calculation") was applied at the beginning of the three months ended June 30, 2021 and so in accordance with the transitional treatment set forth in Paragraph 19 of the accounting standard for fair value calculation, and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policies set forth in the accounting standard for fair value calculation will be applied in the future.

Moreover, there is no impact on the Consolidated Financial Statements.

(Additional information)

Treatment of application of tax effect accounting for transition from consolidated tax payment system to new tax group relief system

Sun Frontier and certain domestic consolidated subsidiaries have adopted the "Guidance on Application of Accounting Standards for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) in accordance with Paragraph 3 of the "Treatment of Application of Tax Effect Accounting for the Transition from the Consolidated Tax Payment System to the Group Accumulation System" (ASBJ Guidance No. 39, March 31, 2020) for items for which the non-consolidated tax payment system was reviewed in accordance with the transition to the Tax Group Relief System established under the "Act for Partial Revision of the Income Tax Act, etc. (Act No. 8, 2020). The provisions of Paragraph 44 do not apply, and the amount of deferred tax assets and deferred tax liabilities is based on the provisions of the tax laws prior to the revision.

Accounting estimates for the impact of the spread of COVID-19 infections

There have been no material changes to assumptions regarding the impact of the spread of COVID-19 infections described in the Annual Securities Report (Significant Accounting Estimates) for the previous fiscal year.

(Segment Information, etc.)

[Segment Information]

I For the three months ended June 30, 2020

1. Information on net sales and profit for each reportable segment

(Unit: million yen)

	Reportable segment				Other (Note)	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Subtotal		
Net Sales						
Net sales to external customers	10,139	1,273	290	11,703	1,969	13,672
Internal sales or transfers	6	168	-	174	-	174
Subtotal	10,145	1,441	290	11,878	1,969	13,847
Segment Income (loss)	2,911	799	(512)	3,198	456	3,654

Note: The "Other" segment is a business segment that is not included in the reportable segment and includes Overseas Business and Construction Business, etc.

2. The difference between the total amount of the report segment's profit or loss and the amount recorded in the Consolidated Statement of Income and the main content of the difference (matters related to the difference adjustment)

(Unit: million yen)

Profit	Amount
Reportable Segment Total	3,198
Profit in the "Other" category	456
Elimination of intersegment transactions	(2)
Corporate expenses (Note)	(1,699)
Ordinary Profit in the consolidated statement of income	1,952

Note: Corporate expenses are mainly general and administrative expenses not attributable to the reportable segment.

3. Information on impairment loss or goodwill of fixed assets for each reportable segment

Not applicable.

II For the three months ended June 30, 2021

1. Information on net sales and profit(loss) for each reportable segment and revenue decomposition information

(Unit: million yen)

	Reportable segment				Other (Note 1)	Total
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Subtotal		
Net Sales						
Revenue from contracts with customers	26,588	1,820	1,318	29,727	469	30,196

Other revenue (Note 2)	858	129	28	1,016	-	1,016
Net sales to external customers	27,447	1,949	1,346	30,743	469	31,213
Internal net sales or transfers between segments	3	110	-	114	-	114
Total	27,450	2,060	1,346	30,857	469	31,327
Segment income (loss)	8,235	1,252	(584)	8,903	15	8,918

Note 1. The "Other" segment is a business segment that is not included in the reportable segment and includes Overseas Business and Construction Business, etc.

Note 2. Other's revenues include rental income under Accounting Standards for Lease Transactions (ASBJ Statement No. 13).

2. The difference between the total amount of the report segment's profit or loss and the amount recorded in the Consolidated Statement of Income and the main content of the difference (matters related to the difference adjustment)

(Unit: million yen)

Profit	Amount
Reportable Segment Total	8,903
Profit in the "Other" category	15
Elimination of intersegment transactions	0
Corporate expenses (Note)	(1,641)
Ordinary Profit in the consolidated statement of income	7,277

Note: Corporate expenses are mainly general and administrative expenses not attributable to the reportable segment.

3. Information on non-current asset's impairment loss or goodwill by report segment
Not applicable.

4. Changes in report segments

(1) Changes in report segments

Effective from the first quarter consolidated accounting period, the report segment classification has been revised in line with the business reorganization implemented in November 2020. The major changes are as follows:

- (i) The "Hotel Development Business" previously disclosed as "Real Estate Revitalization Business" and the "Hotel Operation Business" previously disclosed as "Operation Business" have been merged into the "Hotel and Tourism Business" under the new reportable segment.
- (ii) The "Real Estate Revitalization Business" previously disclosed as "Sub-lease Business" and "Operation Business" previously disclosed as "Conference Room Rental Business" and "Other Business" previously disclosed as "Rent Guarantee Business" are now disclosed as "Real Estate Service Business".

Segment information for the three months ended June 30, 2020 includes information on sales and profits by report segment prepared based on the above changes.

(2) Change of Accounting Policies

As described in "Change of Accounting Policies", the accounting method for revenue recognition was changed by applying the Revenue Recognition Accounting Standard from the beginning of the three months ended June 30, 2021. Therefore, the method for calculating profit or loss of business segments

was also changed.

As a result of this change, the net sales for "Other Business" in the three months ended June 30, 2021 increased by 232 million yen compared with the previous method.