

Consolidated Financial Statements for the Second Quarter of the Fiscal Year ending March 2020

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

1) Overview of the Q2 Results of the FY Ending March 2020	1 - 10
2) Insight for Business Environment	11 - 13
3) Initiatives in the First Half of the FY Ending March 2020	14 - 26
4) Future Strategies	27 - 34
5) ESG Initiatives	35 - 42
6) Company Information and Reference Materials	43 - 46

November 12, 2019



SUN FRONTIER

Stock Code: 8934

Performance Summary



Financial Results for Q2 of FY Ending March 2020

Both Net Sales and Incomes in the First Half of FY Renewed the All-time High

	Results	Profit Margin	From the Same Period of the Previous FY	Growth Rate	Full-year Forecast	Progression Rate
Net Sales	40,635 million yen	-	+ 7,606 million yen	+ 23.0%	70,000 million yen	58.1%
Operating Income	11,192 million yen	27.5%	+ 2,151 million yen	+ 23.8%	14,500 million yen	77.2%
Ordinary Income	11,042 million yen	27.2%	+ 2,297 million yen	+ 26.3%	14,000 million yen	78.9%
Net Income *	7,542 million yen	18.6%	+ 1,565 million yen	+ 26.2%	9,500 million yen	79.4%

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

Performance Highlights

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

- In RP Business, sales of buildings significantly increased to 24 buildings (6 more than those in the same period of the previous FY), and **the segment income ratio was further improved** (from 32.1% to **34.3%**). Net Sales and Incomes renewed the all-time high.
- Our company's unique business model to maximize the attractiveness of buildings is deepened by bringing together the expertise of each division of the company through all processes, including purchase, commercialization and sales, and **by repeatedly using our ingenuity which has captured the sources of added values from the clients' point of view.**

2) Steady growth in Operation Business

- In Hotel Operation Business, newly opened hotels contributed to earnings and Net Sales rose as much as 33.4%. COURTYARD BY MARRIOTT Osaka Honmachi officially opened in October, and **13 hotels with 1,818 rooms are in operation in Japan** as of today. 3 more new hotels (484 rooms in total) are scheduled to open in the current period.
- In Conference Room Rental Business, two new Vison Rooms have opened in August. The number of sites will increase to **18 (with 7,000 seats in total)** as of today. We are aiming to expand the business further by launching a new brand.

Consolidated Income Statement



(Unit: 1 million yen)

	FY ended March 2019 Q2 (Apr. to Sept.)	FY ending March 2020 Q2 (Apr. to Sept.)		FY ended March 2019 Q2 (Apr. to Sept.)	FY ending March 2020 Q2 (Apr. to Sept.)
Net Sales	33,029	40,635	Operating Income	9,040	11,192
Real Estate Revitalization Business	29,750	35,615	Non-operating Income	37	215
Replanning Business (including Hotel Development)	27,750	33,870	Non-operating Expenses	333	365
Rental Buildings and Sub-leases	1,452	1,744	Ordinary Income	8,744	11,042
Real Estate Service Business	1,684	1,715	Extraordinary Gains (losses)	-	-
Operation Business	1,963	2,715	Corporate Income Taxes	2,768	3,508
Other Business	563	1,141	Non-controlling gain or loss	▲0	▲0
Adjustment	▲385	▲551	Net Income	5,976	7,542
Gross Profit	11,961	14,884			
Real Estate Revitalization Business	10,294	13,158			
Replanning Business (including hotel development)	9,627	12,479			
Rental Buildings and Sublease	666	679			
Real Estate Service Business	1,048	1,105			
Operation Business	285	321			
Other Business	379	387			
Adjustment	▲46	▲87			
Selling, general and administrative expenses	2,921	3,692			

• RP Business has a gross profit margin of 36.8%, a higher level than the same period of the last FY's 34.7%.

• Steady growth was made in new business areas, such as Operation Business and other business, etc. Total Net Sales reported a year-on-year increase by 52.6% to ¥3.8 billion. On the other hand, Gross Profit made a narrow increase by 6.6% to ¥0.7 billion due to an increase in costs associated with the opening of new hotels and unrealized losses on a part of Inventory Assets in Overseas Business.

Consolidated Balance Sheet - Assets -

(Unit: 1 million yen)

	FY Ended March 2018	FY Ended March 2019	FY Ending March 2020 As of End of Sept. 2019	Increase/Decrease (Compared to End of March 2019)
Current Assets	80,174	97,149	106,389	+ 9,240
Cash and deposits	23,892	20,257	18,619	▲1,637
Inventory Assets	54,593	74,329	85,120	+ 10,792
Breakdown) RP	45,525	62,143	71,164	+ 9,021
Hotel	5,291	7,552	9,253	+ 1,701
Overseas, etc.	3,775	4,634	4,703	+ 69
Other Current Assets	1,687	2,562	2,649	+ 86
Noncurrent Assets	11,587	13,749	17,731	+ 3,982
Property, Plant and Equipment	8,565	9,339	11,825	+ 2,486
Intangible Assets	474	863	796	▲66
Investments and other Assets	2,546	3,546	5,108	+ 1,562
Total Assets	91,761	110,898	124,120	+ 13,222

Inventory Assets increased by 10.8 billion yen in total due to the purchase of RP properties and others.
Among them ¥9 billion increased in RP Business projects while ¥1.7 billion increased in Hotel Business projects.

Property, Plant and Equipment increased about ¥2.5 billion due to progress in construction work related to hotel development.

Cash and deposits decreased by ¥1.6 billion, reflecting steady purchases in RP Business projects for the next FY.

Consolidated Balance Sheet – Liabilities/Equity –



(Unit: 1 million yen)

	FY Ended March 2018	FY Ended March 2019	FY Ended March 2019 As of End of Sept. 2019	Increase/Decrease (Compared to End of March 2019)
Current Liabilities	10,155	12,859	16,636	+ 3,777
Short-term Loans Payable, etc.	2,716	2,248	3,687	+ 1,439
Income Taxes Payable, etc.	3,178	2,661	3,897	+ 1,235
Other Current Liabilities	4,260	7,949	9,051	+ 1,102
Noncurrent Liabilities	32,756	42,179	45,931	+ 3,751
Long-term Loans Bonds Payable	30,865	39,751	43,567	+ 3,816
Other Noncurrent Liabilities	1,890	2,428	2,363	▲ 64
Total Liabilities	42,912	55,038	62,567	+ 7,529
Shareholders' Equity	48,750	55,900	61,565	+ 5,665
Others	99	▲ 40	▲ 12	+ 35
Total Net Assets	48,849	55,860	61,553	+ 4,855
Total Liabilities and Capital	91,761	110,898	124,120	+ 3,650

Transition of Equity Ratio

End of March 2018	End of March 2019	End of Sept. 2019
53.2%	50.3%	49.4%

As purchases of RP properties progressed, borrowings increased by approximately 5.2 billion yen from the end of the previous fiscal year, and the balance of interest-bearing debt was 47.2 billion yen.

Retained Earnings increased by 5.6 billion yen as a difference between current Net Income (+ ¥7.54 billion) and year-end dividend payment (▲ 1.87 billion yen).

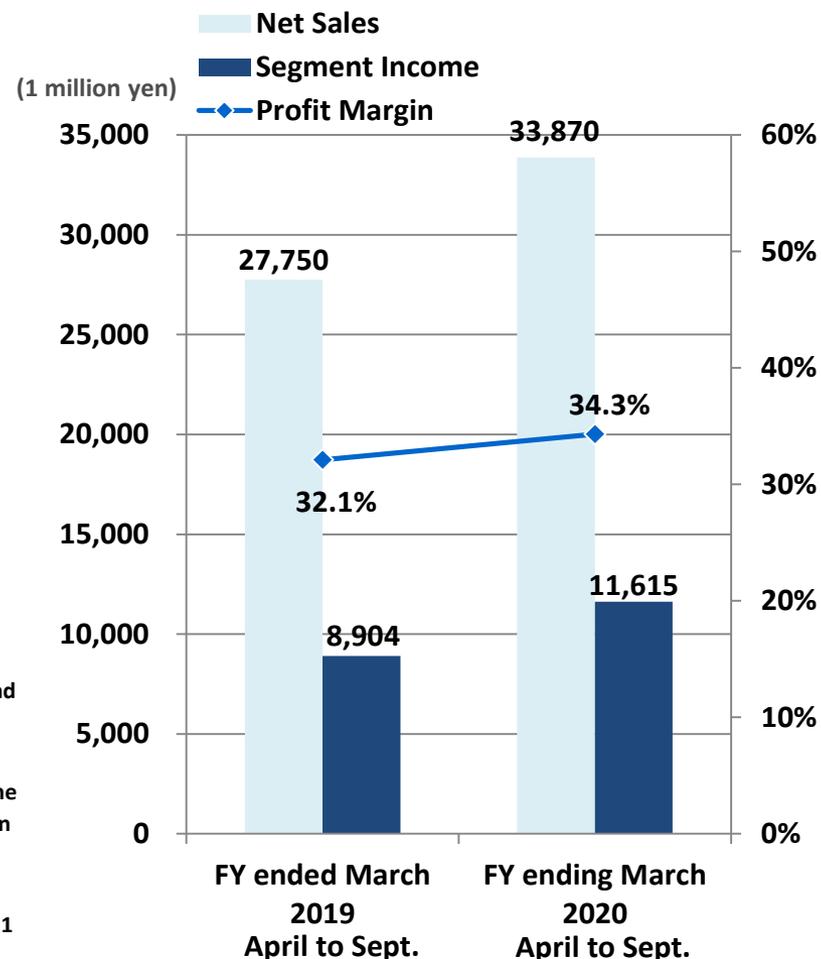
Replanning Business (Replanning (RP) / Hotel Development)

(Unit: 1 million yen)	FY ended March 2019 Apr. to Sept.	FY ending March 2020 Apr. to Sept.	Increase/Decrease
Net Sales	27,750	33,870	+ 22.1%
Segment Income (Note 1)	8,904	11,615	+ 30.4%
Profit Margin	32.1%	34.3%	+ 2.2% pt
Number of items purchased	28 cases	30 cases	+ 2 case
Number of properties sold	18 cases	24 cases	+ 6 cases
Number of stocks at the end of Q2	62 cases	76cases (Note 2)	+ 14 cases

- Both Net Sales and Income surged. The attractiveness of buildings was maximized by identifying sources for added values through each process of purchase, commercialization and sales, and by repeatedly using our ingenuity to increase them. **The segment profit margin remained at a high level of 34.3%.**
- The average business period was 397 days (+ 46 days from the previous year). The cause of the prolonged the average business period was to have extended the period of commercialization due to having higher added values in some cases.
- Purchase progressed favorably, with 76 properties in term-end inventory (67 RP Business-related properties and 9 Hotel Business-related properties). **¥80.4 billion in inventories** (¥71.1 billion for RP Business-related and ¥9.2 billion for Hotel Business-related).

*Excluding those related to Overseas Business

*In addition to the above, there are **4 RP properties of ¥5.6 billion** which were purchased, settled and contracted by the end of October.



(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.

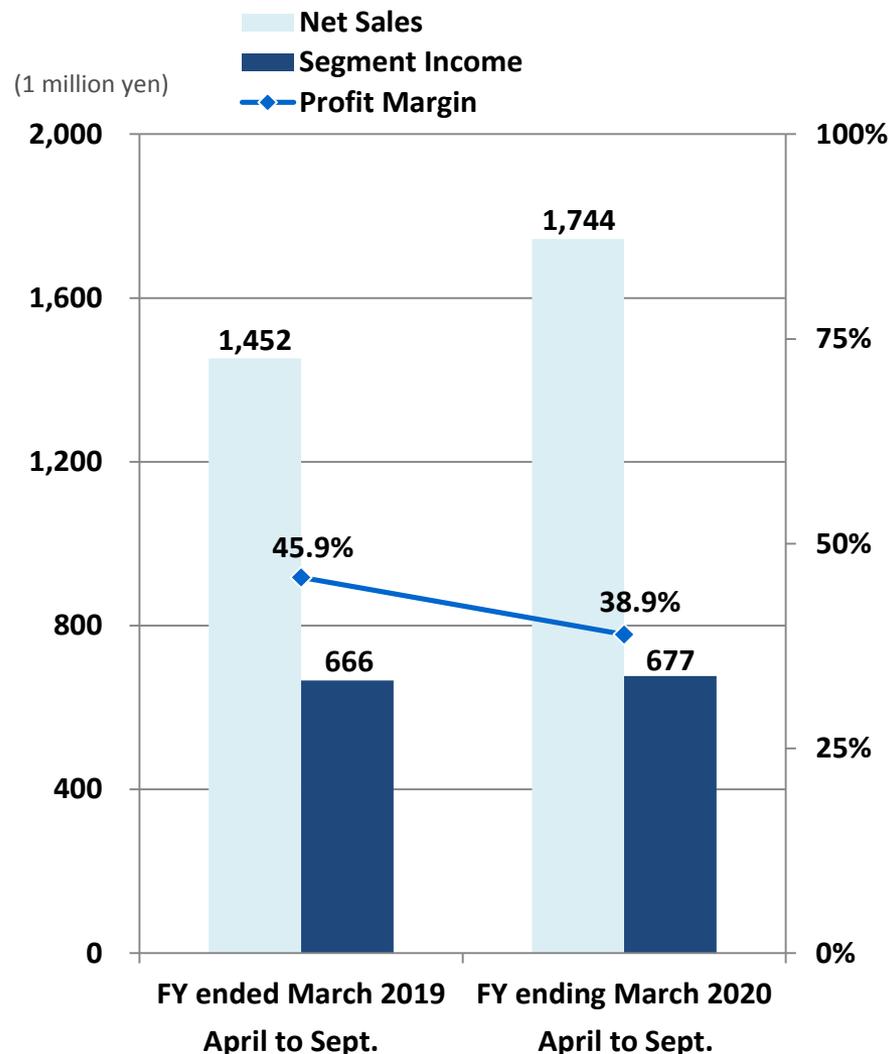
Operating Results by Business Segment

Rental Building Business (Rental Buildings / Sub-leases)



(Unit: 1 million yen)	FY ended March 2019 Apr. to Sept.	FY ending March 2020 Apr. to Sept.	Increase/ Decrease
Net Sales	1,452	1,744	+ 20.2%
Segment Income	666	677	▲1.7%
Profit Margin	45.9%	38.9%	▲7.1% pt

- Net Sales increased by 20% from the same period of previous year since Inventory increased as the purchasing of RP properties increased and Sub-leases rent increased due to newly opened hotels.
- On the other hand, the period of vacancy due to replacing tenants in RP properties commercialized process and increased proportion of sub-leases. Segment income slightly increased by 1.7% and profit margin decreased by 7.1%pt from the same period of previous year.
- We aim to focus on purchasing properties for the medium and long-term RP projects to increase rent revenue.



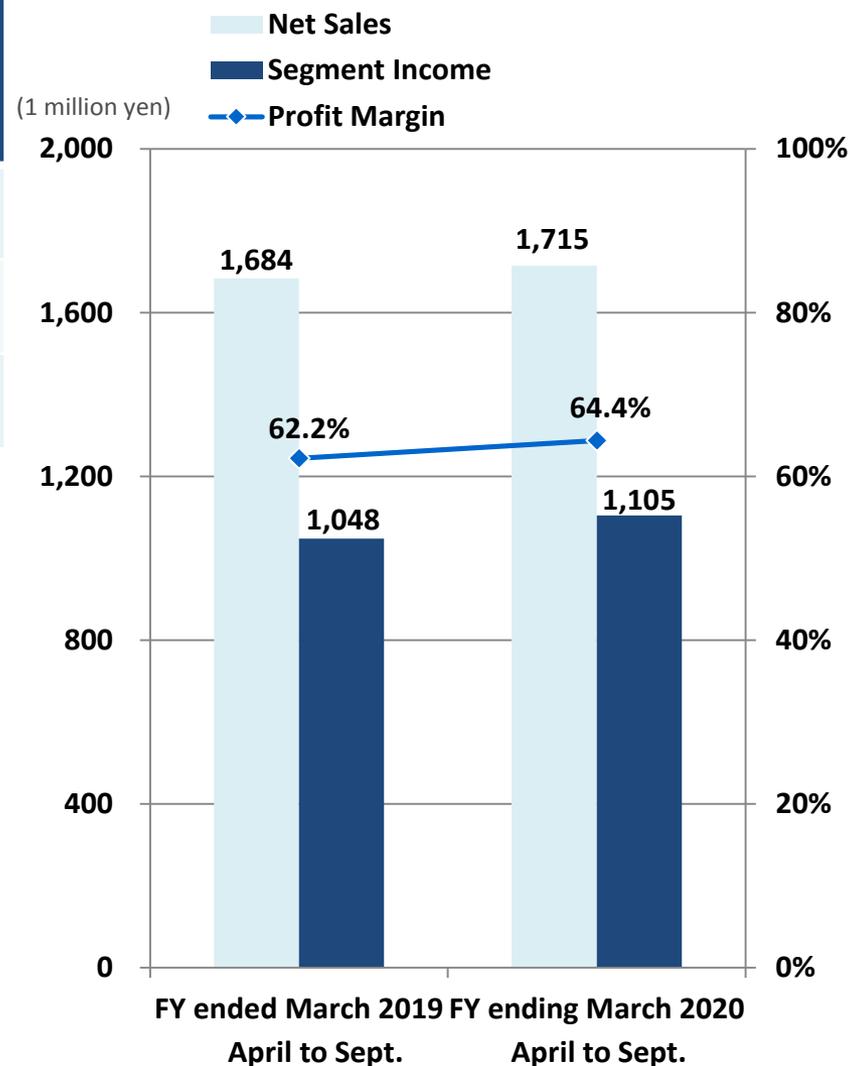
Operating Results by Business Segment

Real Estate Service Business

(Property Management (PM) / Building Maintenance (BM)/ Brokerage / Leasing)



(Unit: 1 million yen)	FY ended March 2019 Apr. to Sept.	FY ending March 2020 Apr. to Sept.	Increase/ Decrease
Net Sales	1,684	1,715	+ 1.8%
Segment Income	1,048	1,105	+ 5.4%
Profit Margin	62.2%	64.4%	+ 2.2% pt



<PM and BM Businesses>

- In PM and BM businesses, we provide our clients with high added value services by **meticulously taking care of tenants, solving any and all problems of our clients** as well as improving revenues from building management. Thus, our PM and BM businesses have **expanded the tenant and business bases** of the building owners in central Tokyo and contributed to the revenue of the whole group.

[Number of PM Managing Buildings and Occupancy Rate]

	[Number of Managing Buildings]	[Occupancy Rate]
End of Sept. 2017	381 buildings	96.4%
End of Sept. 2018	378 buildings	97.2%
End of Sept. 2019	381 buildings	98.9%

<Brokerage and Leasing>

- Both Net Sales and Income slightly decreased compared to the same period of the previous FY. The brokerage business has contributed to the revenue of the whole group, working as **driving force to create high added values from the clients' point of view** in terms of the process of purchase, commercialization and sales.

Operating Results by Business Segment

Operation Business (Hotel Management and Conference Room Rental Business)



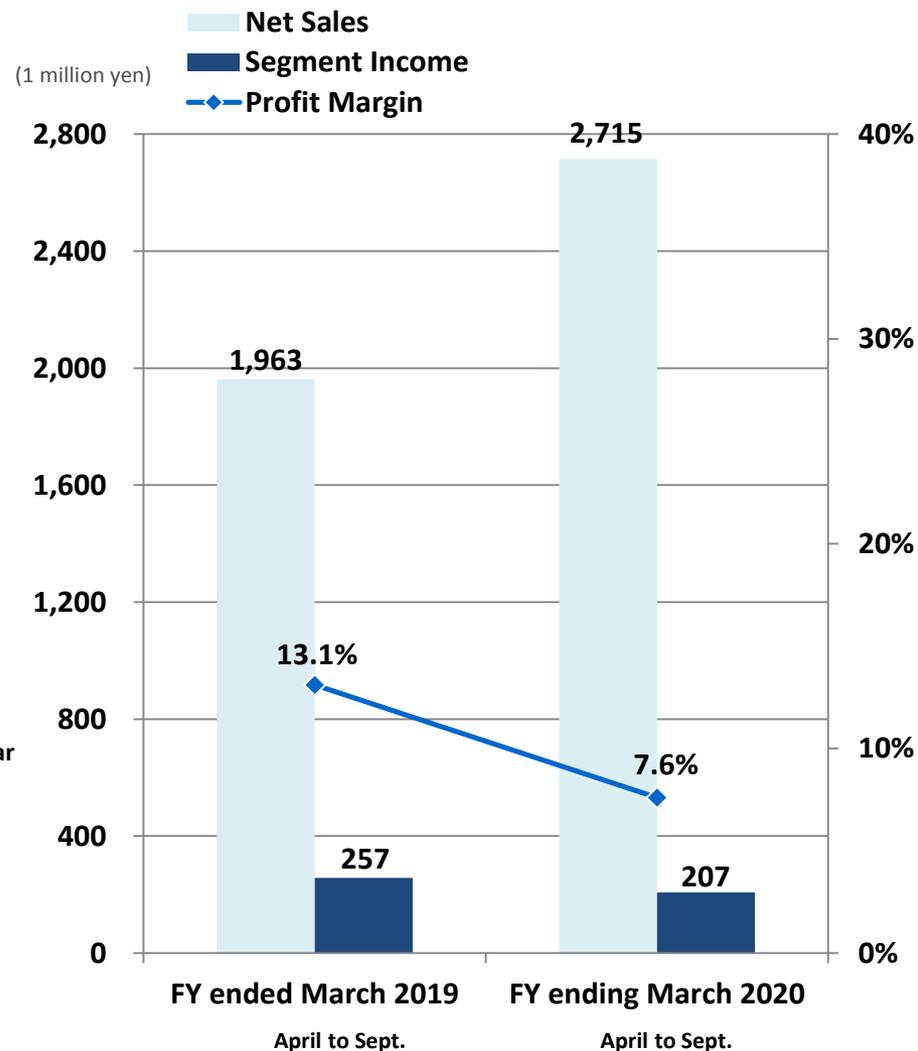
(Unit: 1 million yen)	FY ended March 2019 Apr. to Sept.	FY ending March 2020 Apr. to Sept.	Increase/ Decrease
Net Sales	1,963	1,277	+ 38.3%
Hotel operation business	1,547	2,065	+ 33.5%
Conference room rental business	415	650	+ 56.3%
Segment Income	257	207	▲ 19.3%
Hotel operation business	159	77	▲ 51.5%
Conference room rental business	97	130	+ 33.3%
Profit Margin	13.1%	7.6%	▲ 5.5% pt
Hotel operation business	10.3%	3.7%	▲ 6.6% pt
Conference room rental business	23.5%	20.0%	▲ 3.5% pt

<Hotel Operation Business>

- Net Sales saw a 33% increase. Sales of Tabino Hotel Sado which opened last year were main reasons for the increase. On the other hand, Segment Income decreased because of the start-up expenses of HIYORI Hotel Osaka Namba Ekimae (opened in May) and Osaka Honmachi Hotel (scheduled to open in October).

<Conference Room Rental Business>

- Vision Center Shinjuku and Kanda newly opened in June. The number of the sites has expanded to 17 (+3) in total as of end of Sept.. Net Sales and income steadily increased. We will further accelerate the pace of opening new facilities especially in the five wards of central Tokyo.



Operating Results by Business Segment

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

(Unit: 1 million yen)	FY ended March 2019 Apr. to Sept.	FY ending March 2020 Apr. to Sept.	Increase/ Decrease
Net Sales	563	1,141	+ 102.5%
Segment Income	372	346	▲7.1%
Profit Margin	66.1%	30.3%	▲35.8% pt

<Rent Guarantee Business>

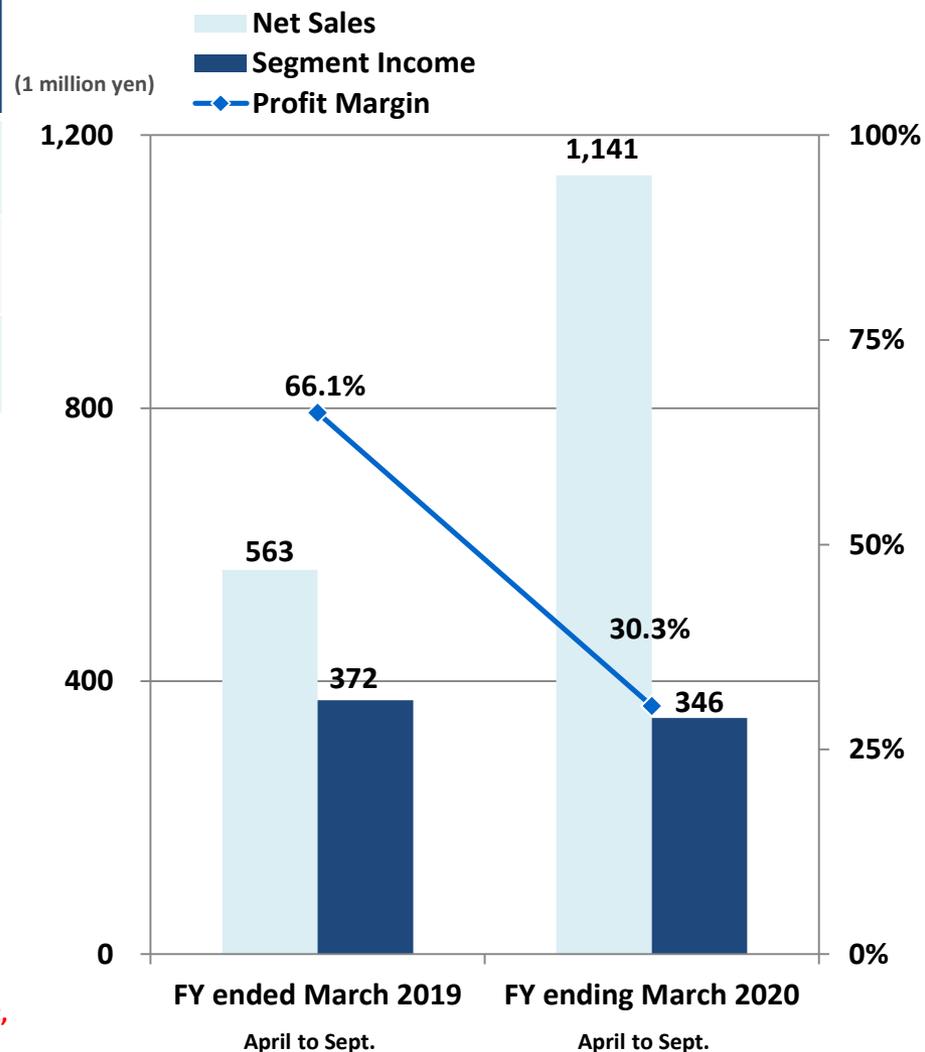
- **The number of new and renewed guarantees handled, remained steady,** which has led to higher Net Sales and Income. With the major revision of debt-related provisions (to be enforced in 2020) by the civil code, as demand for institutional guarantees is expected to increase, we enforced seminars and other events for building owners, which would develop new opportunities to expand our client base and create new added values.

<Construction Business>

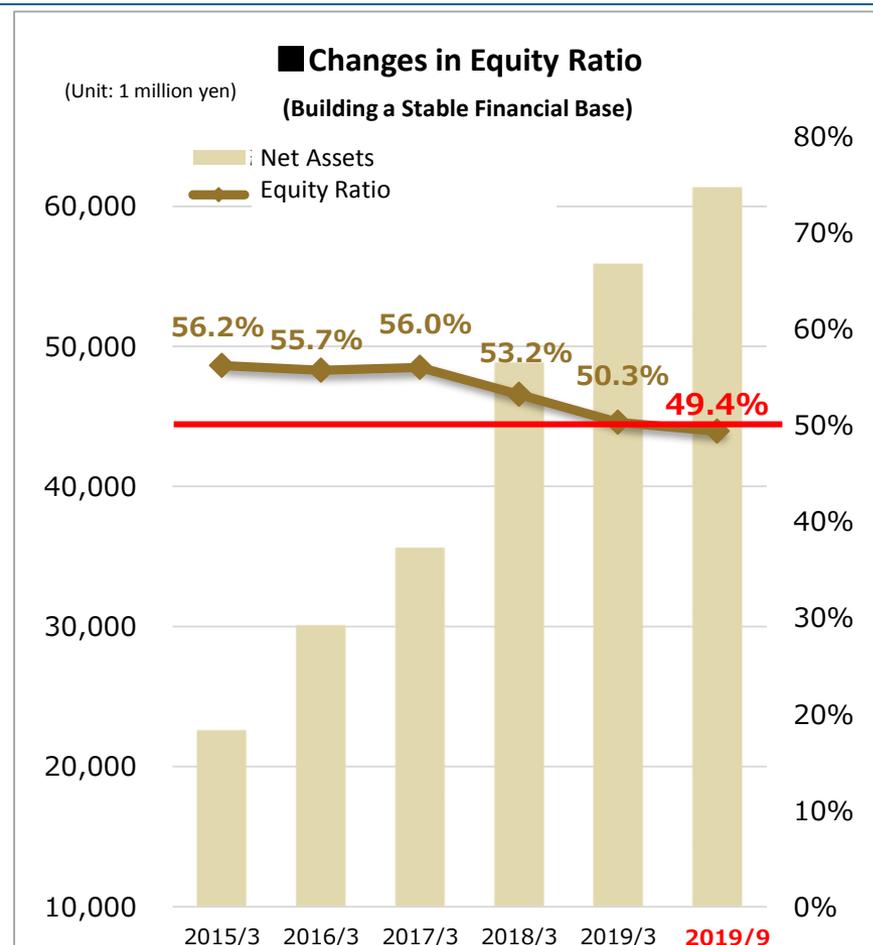
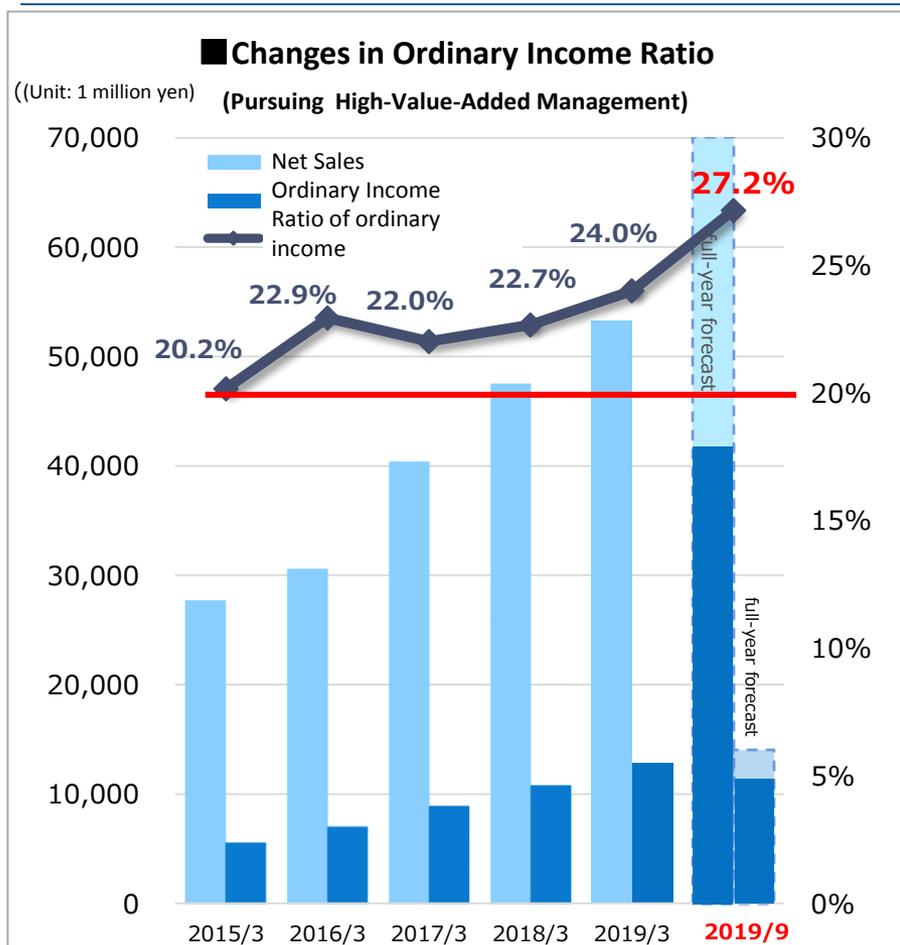
- Both Net Sales and Income increased from the same period previous FY by adding the sales of "Kouwa Corporation," which became a consolidated subsidiary through M&A in previous term.

<Overseas Business>

- Unrealized losses of certain inventory assets we had held in Indonesia were recognized, considering their current profitability.
- Interior finishing work is under way **for completion of a condominium project, HIYORI Garden Tower in Da Nang in November.**



Trends in Key Management Indicator



Equity Ratio is temporarily below 50% due to move forward with its purchase plan for the next FY. Year-End is expected to recover to the 50% level.

2) Insight for Business Environment

1. Although the risk of its rapid decline has eased, the global economy as a whole is on a downward trend and the outlook remains uncertain.

◆ The IMF has **downgraded** the outlook for the world economy **5 times in a row** and the global growth rate is forecasted to slow down to 3.0% in 2019.

◆ Amid a trend to follow the U.S. interest rate cuts, **the global monetary easing is underpinning the economy.**

◆ Attention should be paid to future downward risks including a slowdown of the world economy influenced by the trade friction between the U.S. and China and increasing geopolitical risks.

2. Although the Japanese economy continues to grow at a moderate pace, it has started to show clearer signs of a slowdown due to the impact of the global economy.

◆ While the Japanese economy continues to expand for the longest time after the end of World War II, its future outlook maintains a sense of caution due to the slowing growth of the world economy.

◆ **The number of foreign visitors to Japan keeps renewing its record high.** Although visitors from Korea decreased, the increasing trend remains as strong as ever thanks to the positive effects of the Rugby World Cup and others.

◆ Although the impact of consumption tax hike is limited, **the impacts such as the stagnation of the world trade cast a shadow on a part of recent corporate performance.**

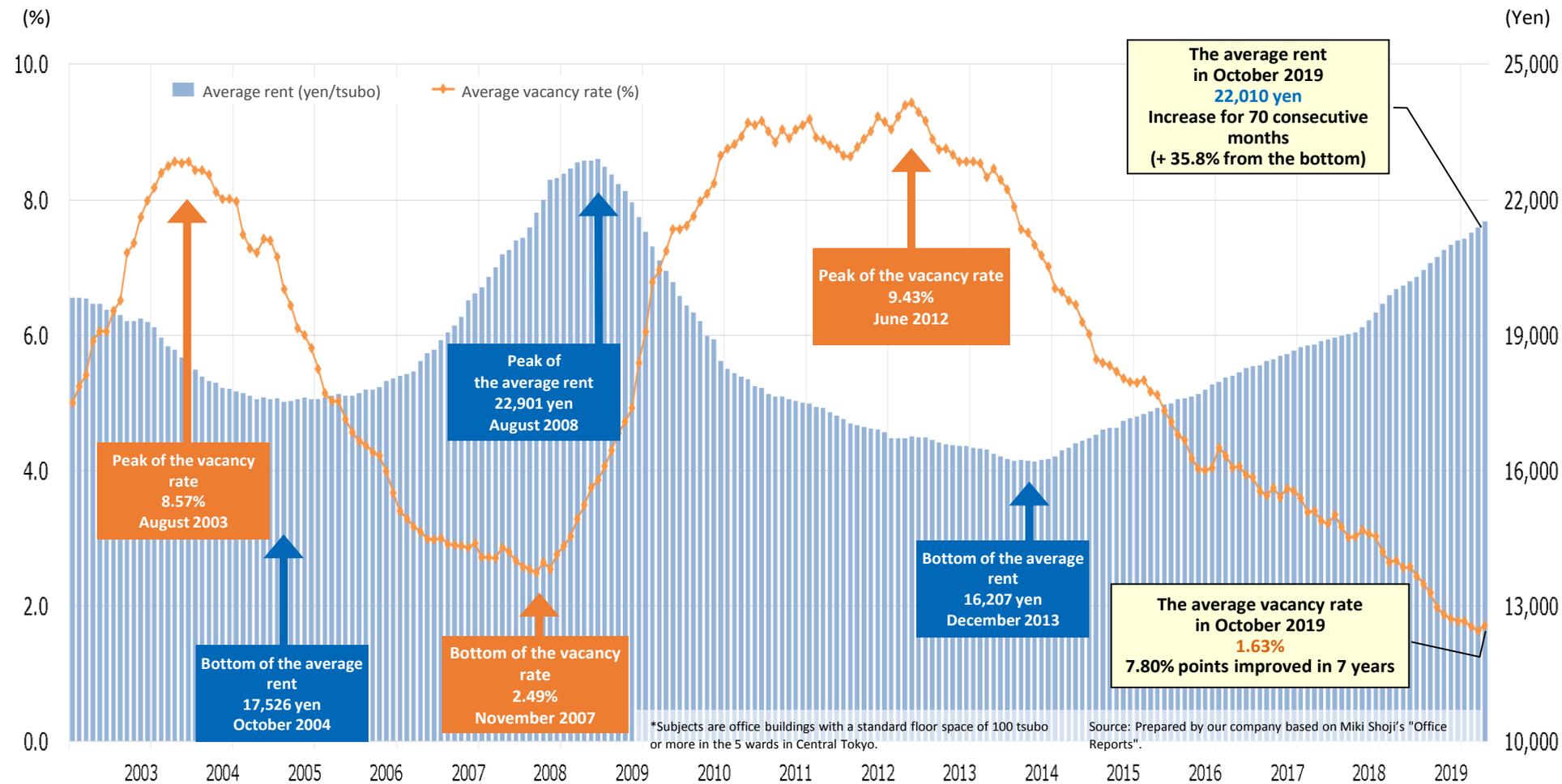
3. As for the office building market in central Tokyo, its vacancy rate is in the historically low level and the rising trend of room rents continues.

◆ **Demand for office space has been robust** due to the increasing number of shared offices and workers as well as investments in recruitment.

◆ **The vacancy rate is in the lowest level for the first time in 28 years since 1991** and the shortage of office spaces still continues.

◆ While financial institutions' **lending attitudes toward real estate have become cautious partly**, willingness to invest in real estate remains firm among funds and other financial organizations.

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

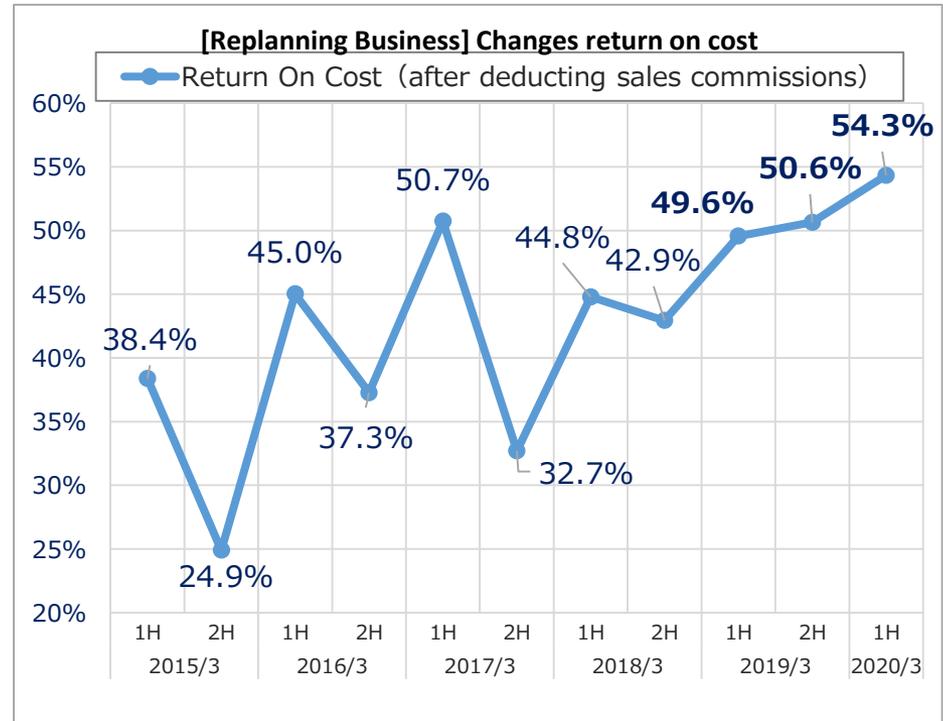
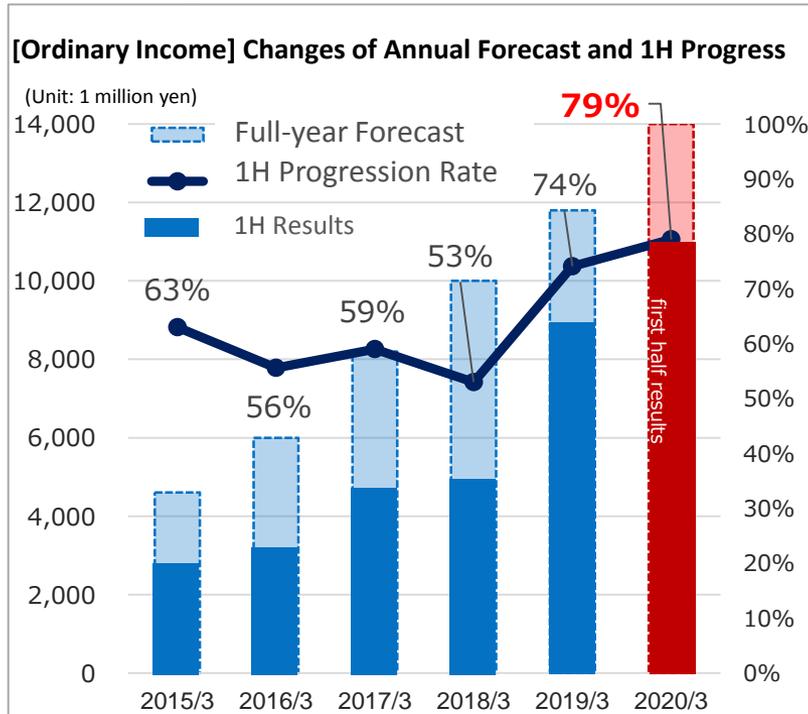


*Source: Prepared by our company based on Miki Shoji's "Office Reports." Subjects are office buildings with a standard floor space of 100 tsubo or more in the 5 wards in the Central Tokyo.

3) Initiatives in the First Half of the FY Ending March 2020

We aim for solid growth while maintaining our highly profitable structure

The number of buildings sold in RP Business has been progressing the full-year sales plan ahead of the schedule. Also, Net Sales and Incomes renewed the all-time high due to further improvement in profit margin.

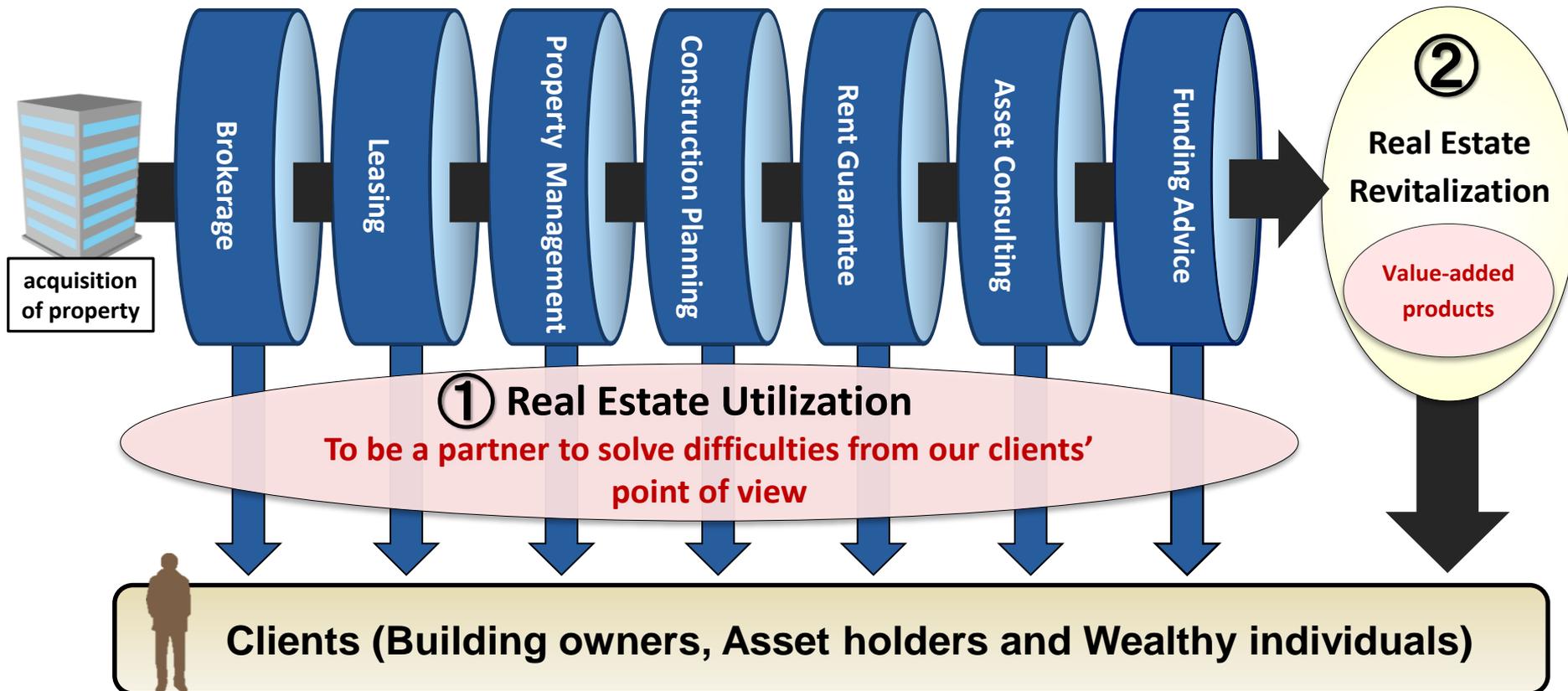


The results of the First Half are ahead of the full-year sales plan, preparing for possible market fluctuations.

We will concentrate on our management to realize both the growth and stability of our business by making bold challenges and, at the same time, by managing risks while developing our capability not to grow in short-time but to improve the values of real estate substantially for a long-term period.

Consistent Office Building Business

- ① **In vertical real estate utilization business**, we survey and solve difficulties by listening to our clients' concerns.
- ② **In horizontal real estate revitalization business**, we put together our know-hows and our clients' needs learned from the process above, and apply this knowledge to transform the existing buildings that we purchased into higher value products, and then to re-sell them.



We changed ordinary buildings to inspiring office spaces where up-and-coming companies can make a dream come true for their bright future.

This property was originally an elegant granite-finished building. In its revitalization, we inherit the history and atmosphere of Kanda Kon'yacho, a town of textile industry lined with dyeing ateliers that engaged in indigo dyeing as our revitalization concept and we renovated it to luxurious spaces which have a stylish "Japanese" taste. The building is revitalized as office spaces where IT companies, our main target for tenants can envision their growth and success, enjoying their comfortable working environments.



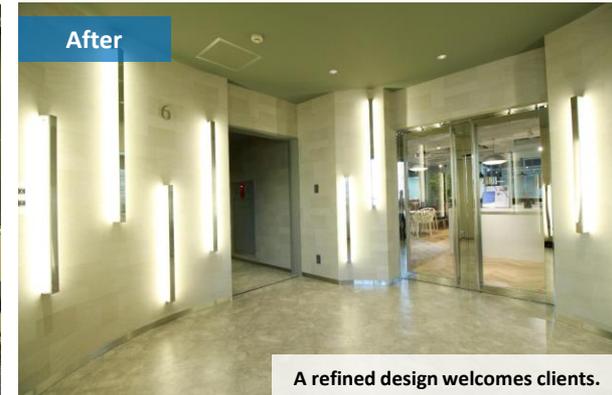
▲ Open space



▲ Entrance hall



▲ Conference room



▲ EV hall

[Outline of property]

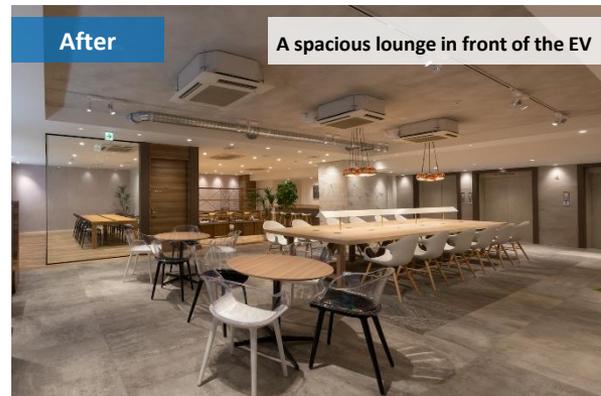
- Address: Kanda Kon'yacho, Chiyoda-ku, Tokyo
- Structure: Steel-framed reinforced concrete
a 10-story building with a deck roof and a basement
- Original completion: 1993 (26 years old)
- Usage: Office spaces
- Site area: about 496 m² (150 tsubo)
- Total floor area: about 3,950 m² (1,195 tsubo)

We created spaces where both workers and visitors can relax naturally.

In the renewal of this property, we provided a large and full renovation over 1,000 tsubo spaces including extension. The large lounge for a non-territorial office is designed to create a spacious interior space to encourage communication among employees. Offices furnished with wood-grain furniture and interior goods create a comfortable and relaxing atmosphere for both workers and visitors.



Before



After

A spacious lounge in front of the EV

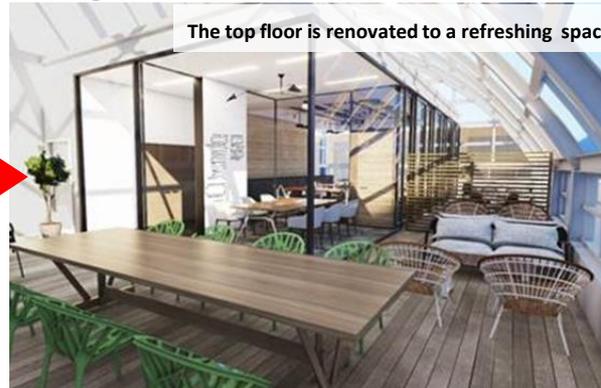


Interior with a high-quality and relaxing atmosphere



▲ Lounge

▲ Office space



The top floor is renovated to a refreshing space.

▲ Rooftop common space for refreshing (* Image drawing)

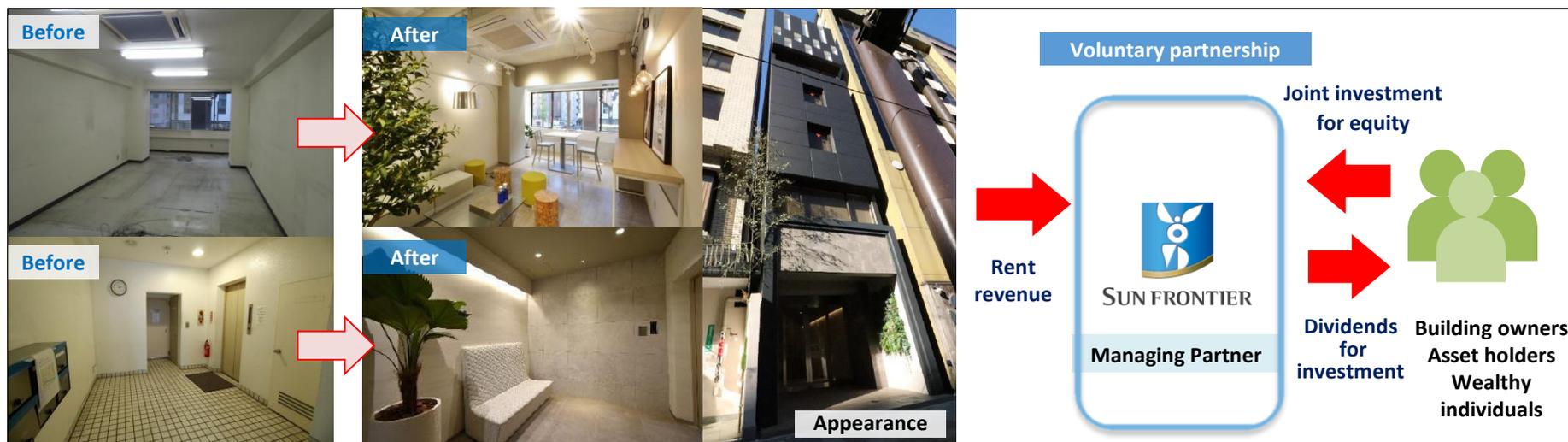
[Outline of property]

- Address: Daikyo-cho, Shinjuku-ku, Tokyo
- Structure: Steel-framed reinforced concrete
a 9-story building with a deck roof and a basement
- Original completion: 1986 (32 years old)
- Usage: Office spaces and a parking lot
- Site area: about 1,078 m² (326 tsubo)
- Total floor area: about 5,481 m² (1,658 tsubo)

In the renewal of this property, **we extended and renovated its double-height space which had not been used after the tenant left, by applying the extra building volume so that the building increased its floor space by 45 tsubo to improve its profitability.** We will increase the value of real estate by finding and utilizing hidden potential of buildings.

Completion of sales of the first investment product in sub-divided real estate

Based on **Act on Specified Joint Real Estate Ventures**, we sold out the high-quality and highly profitable building we have revitalized in Replanning Business (Product No. 1: Shiba Daimon Square) as our first investment product of sub-divided real estate. We sell investors a safety and hassle-free **real estate asset in kind** as a sub-divided real estate investment product for **¥1 million per unit** to open up a new market.



(Key Points of a sub-divided real estate investment product)

- ① **It allows investors to invest in high-value real estate with a little capital** and to have the same benefits as they own real estate in kind.
- ② As a managing partner, our company handles the management and operation of the property thoroughly so that **the investors can own it without any trouble or worry.**
- ③ As the investors need no borrowing, **they have few interest-rate and bankruptcy risks** but they can expect a long-term and stable investment on real estate.

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



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

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

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

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

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

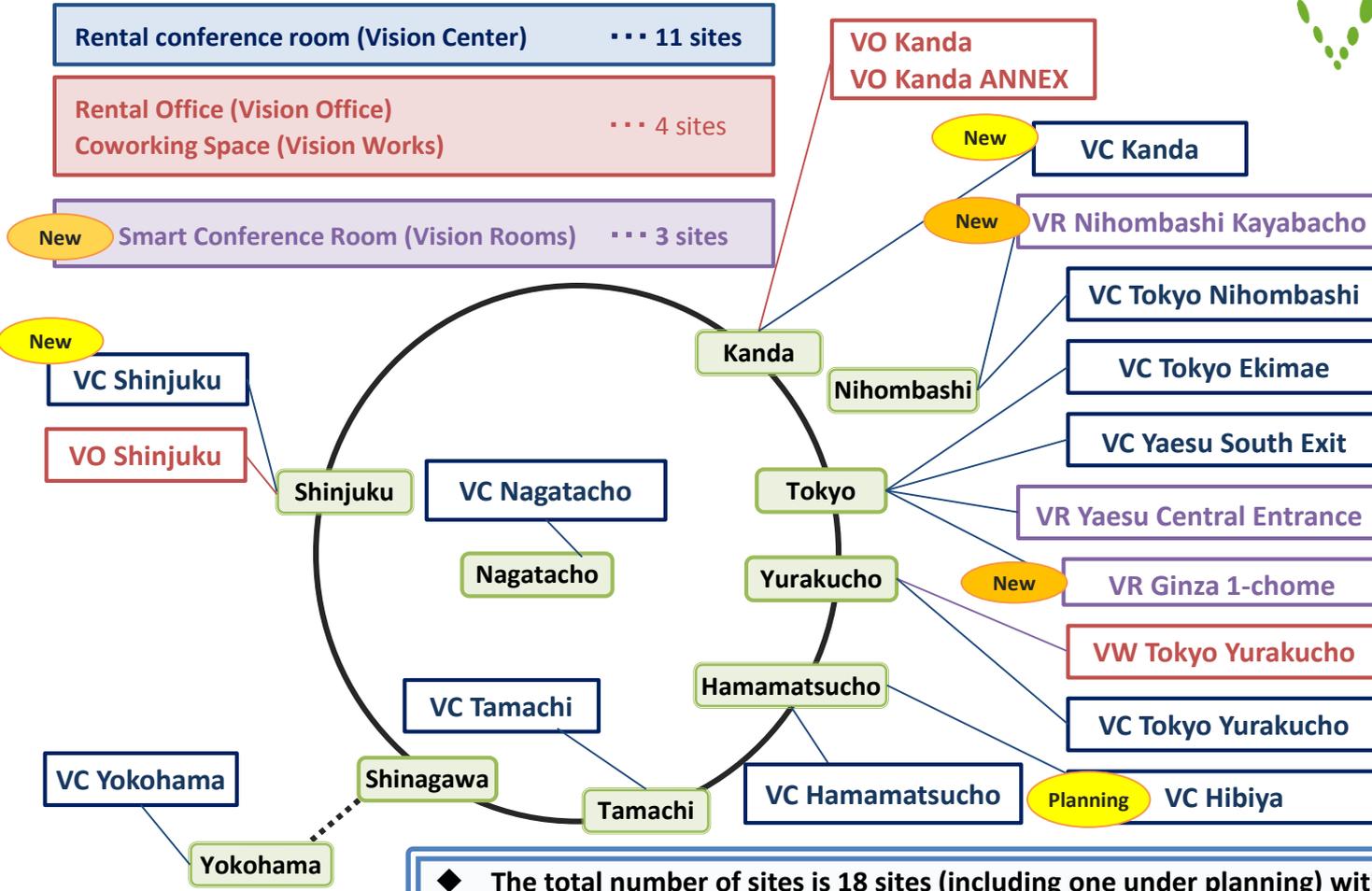
3. **We meet tenant's needs by understanding their needs and constantly changing our company according to their voice.**

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



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

We **launched a new management brand "Vision Room"** in August



● VR Ginza 1-chome



● VC Hibiya

◆ The total number of sites is 18 sites (including one under planning) with 7,000 seats as of today.
 *The seat number of rental conference rooms is calculated, using the school format (three-seat per desk.)
 Seats allocated in a square shape are calculated for the rooms to which the school format cannot be applied.

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

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

Tightening Requirements for Personal Guarantees

[Major Changes]

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

-> **Lessors will have to bare a greater burden due to a trend of protecting of individual guarantors.**

Strengthening Seminars for Lessors

[Result of seminars held]

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



We remove anxieties of building owners by throwing ourselves into a role of their building management advisor. As the most selected institutional guarantee company, we will contribute to the implementation of a fair and just leasing market.

- Hotel Business -

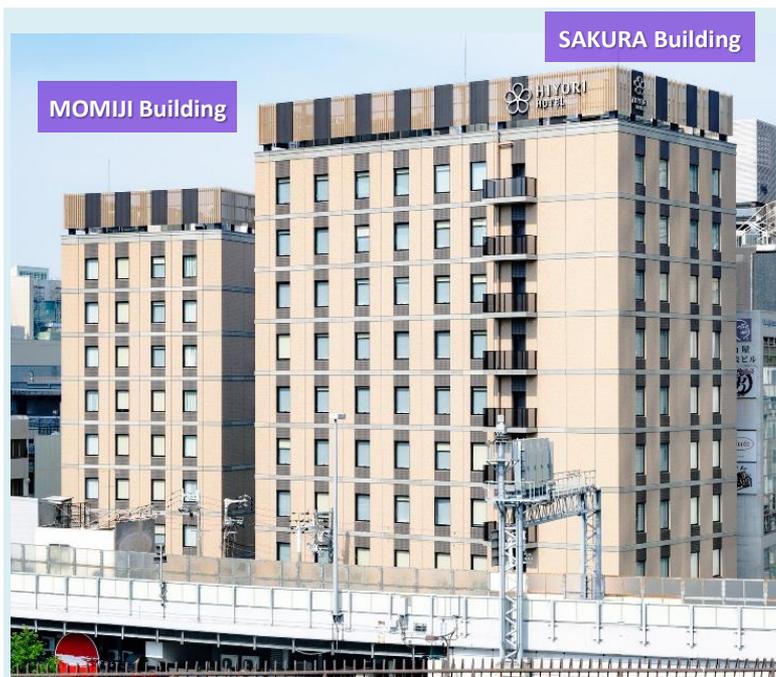
“A warm-hearted Hotel” located 2-minute walk from Namba Station on the Nankai Line, convenient for both sightseeing and business

Grand opening of HIYORI Hotel Osaka Namba Ekimae

The hotel is located at the most convenient place for both sightseeing and business just in front of Namba Station on the Nankai line, only a 38-minute train ride from Kansai International Airport on the Limited Express rapid:t. As many foreign visitors come to Japan for the purpose of sightseeing in Kansai and Osaka areas, we have multilingual staff members to offer our guests a comfortable stay at the hotel.

We also have many artistic decorations which express images of Japanese hospitality here and there in the hotel building.

The SAKURA Building has a path with a series of torii gates made of natural wood while the MOMIJI Building has a tasteful entrance decorated with natural stones in the motif of Mt. Fuji and the moon. In the outdoor garden there are natural stones and trees which present the Japanese seasonal beauty, such as cherry blossoms, autumn leaves and so on. With this warm and relaxing atmosphere, we welcome our guests to offer them the most comfortable stay.



The hotel jointly operated with Marriott Brand, that is loved by guests from all over the world

Grand Opening of “COURTYARD BY MARRIOTT Osaka Honmachi”

Taking advantage of the location where the textile industry, such as textile wholesalers flourished, the hotel has the design concept inherited from the history of “textile” and welcomes guests with its appearance of lattice patterns which represent fabrics woven by warp and woof and its entrance with beautiful plants with Japanese atmosphere. 1-minute walk from "Sakaisuji Honmachi" Station and a 5-minute walk from "Honmachi" Station, the hotel with total 193 rooms is located in the most convenient place both for business and sightseeing, which enables its guests to visit major sightseeing spots on foot.



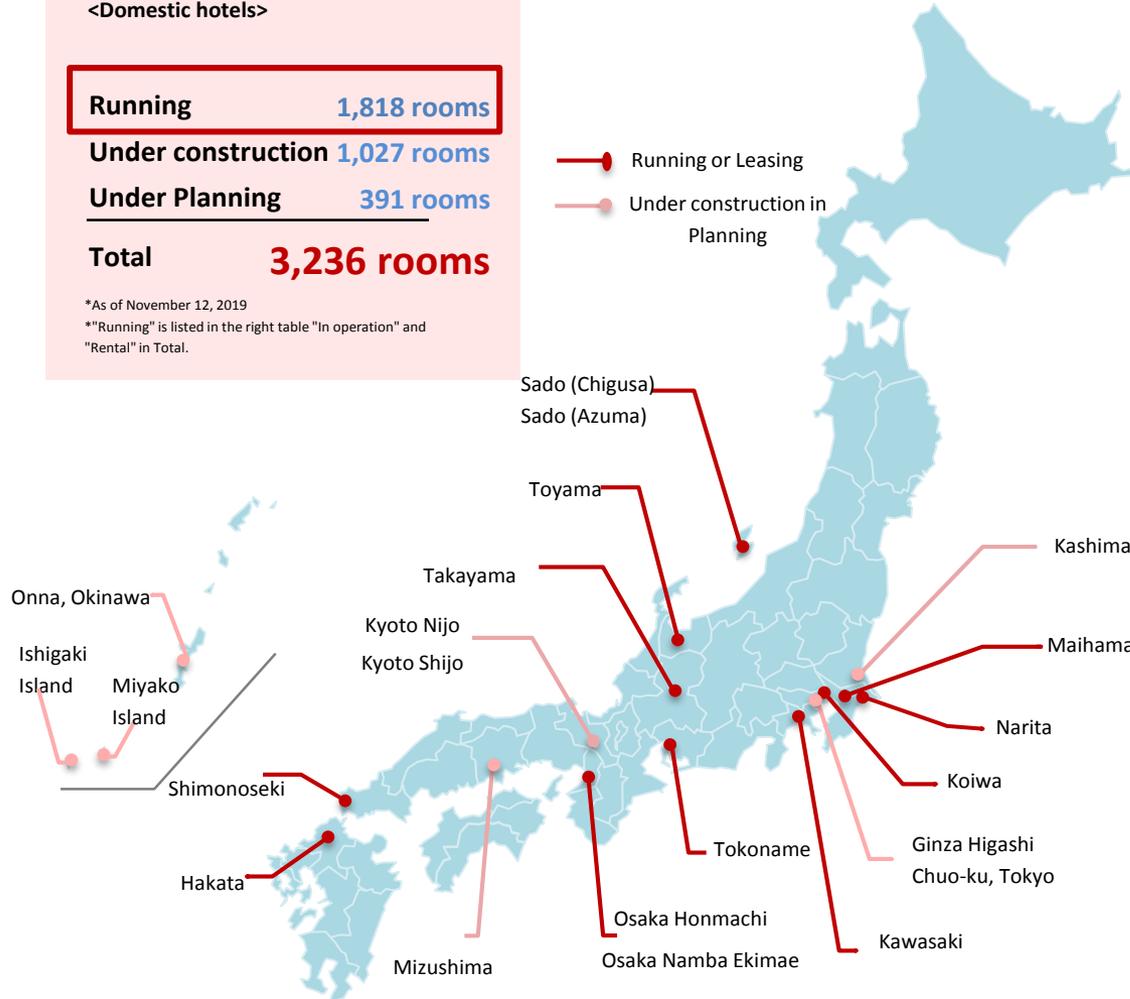
List of hotels under operation and development

Ongoing Development to equip 5,000 guest rooms in FY Ending March 2023

<Domestic hotels>

Running	1,818 rooms
Under construction	1,027 rooms
Under Planning	391 rooms
Total	3,236 rooms

*As of November 12, 2019
**"Running" is listed in the right table "In operation" and "Rental" in Total.



Status	Open (Plan)	Hotel Name Location	No. of Rooms
In operation	April 2016	SSH Nagoya Tokoname	194
In operation	-	Sky Heart Hotel Kawasaki	200
In operation	-	Sky Heart Hotel Koiwa	105
In operation	-	Sky Heart Hotel Narita	100
In operation	-	Sky Heart Hotel Hakata	159
In operation	April 2017	Hiyori Hotel Maihama	80
Renting	-	Toyama	210
In operation	-	Azuma Sado	57
In operation	May 2018	Tabino Hotel Takayama	80
In operation	-	Sky Heart Hotel Shimonoseki	105
In operation	July 2018	Tabino Hotel Sado	111
In operation	May 2019	Osaka Namba Ekimae	224
Under construction	October 2019	COURTYARD BY MARRIOTT Osaka Honmachi	193
Under construction	December 2019	HIYORI Hotel Tokyo Ginza Higashi	135
Under construction	February 2020	Tabino Hotel Kurashiki Mizushima	155
Under construction	March 2020	Tabino Hotel Kakojima	194
Under construction	October 2020	Onna, Okinawa	204
Under construction	January 2021	Kyoto Nijo Kawaramachi	205
Under construction	April 2022	Kyoto Shijo Kawaramachi	134
Under Planning	August 2021	Miyako-jima	111
Under Planning	April 2022	Ishigaki Island	132
Under Planning	May 2022	Tokyo Chuo-ku	148

*The schedule and scale are current plans and may change in the future.

4) Future Strategies

Our Belief

~ Not for profit, but for trust ~

Business is a competition of usefulness.

How many people can we be of service to?

We aim for steady achievements and sustainable growth.

we aim for not a temporal achievement but for
“sustainable and steady growth”
 and “steady achievements with profitability, safety and growth”

<Basic policy>

Development of business focusing on urban areas and growth markets

<Three Policies>

- ① To deepen and expand “office building business in central Tokyo” which has strong influences
- ② To focus on growth markets of “hotels and Asia”
- ③ To actively utilize “M&A” to accelerate a growth of our company



To achieve stable growth over the medium to long term, we will strengthen creation and management of real estate value and build our firm revenue structure based on “both Flow and Stock businesses”

<Quantitative Target>

Fiscal Year 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



Growth Strategies of 'Four Arrows'



1) Expansion of Core Business

To Deepen and Expand the Office Building Business



For Office Building Business, Net Sales target for FY ending March 2023: 80 billion yen

<Replanning Business>

We aim to **deepen and expand our Building Revitalization Business** by specializing in small and medium-sized office buildings in central Tokyo and improving our capacity to generate added values. We will also challenge new construction business.

<Real Estate Service Business (Leasing, Property Management, etc.)>

Being kind and polite, contributing to building owners with specialized services unparalleled by our competitors. By repeatedly delivering solutions to their small concerns, we deepen our bonds with them to become a trusted real estate partner with whom our clients feel free to consult on any topics.

Our strength lies in a client base of office building owners in central Tokyo.

<Conference Room Rental Business>

Leveraging our expertise and experiences to improve added values of office buildings, we are **rapidly expanding the sharing business, such as conference room rental business** that utilize vacant spaces and idle times.

Expansion of Main Business

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

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



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

2) The Hotel Business

Proactive Expansion into Growth Markets



<Theme> Warm-Hearted Hotels

1. Hotels that grow by their employees
2. Hotels that grow by listening to their guests
3. Hotels that grow and fit in with the community



Self-reliance, Cooperation with Others and Corporate Social Responsibility

We will continue to grow every day with these three important factors

Hotels provide a warm, high quality, comfortable and personal service by kind employees who work from the guests' viewpoint.

We are aiming to have 5,000 rooms in operation by FY ending March 2023.

Taking advantage of the increasing number of visitors to Japan, we are expanding into urban and regional tourism areas.

<Two Strategies to Increase the Number of Operating Rooms>

1 Our flagship hotel brand "HIYORI HOTELS & RESORTS" is developed from a vacant lot.

We are aiming to become a well-known brand among upper brands.

2) Utilizing revitalization, M&A, and brand change, we will increase the number of guest rooms in a flexible way to respond to diverse needs and markets.

3) Overseas Operations

PJ in Progress in Da Nang, Vietnam



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.

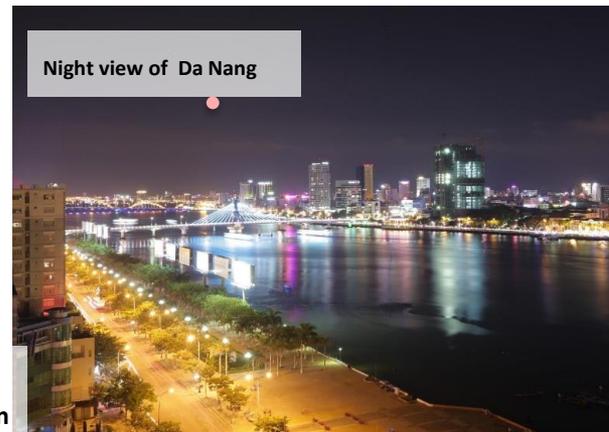
To be completed
in November 2019



Model Room (living room)



Model Room (bed room)



Night view of Da Nang

There are 7 direct flights a week from Narita Airport to Da Nang and also 7 direct flights a week from Kansai International Airport and further 7 direct flights a week from Haneda Airport as well.

There are 247 direct flights a week from Korea.
There are 24 direct flights a week from China.

This is the area where many companies are willing to expand their business and a resort which attracts many visitors from Asia.

Current Appearance without stages
Interior works are taking place for completion

Overview of construction at day time 2nd Nov

4) M&A

To Expand Existing Businesses And Invest in Start-up Business

Accelerate the growth of peripheral businesses by expanding optimal services in line with changes in the environment through the introduction of human resources, technologies and platforms in our Group.

<M&A and Business Acquisition Results>

	Year	Company name and business name	Overview of business
①	2010	Sonomamma (just like that) Office !	Specialized sites for furnished offices
②	2012	Yubi (Currently known as SF Building Maintenance)	Building maintenance
③	2016	Vision Center and Vision Office	Rental conference rooms and offices
④		Hotel AU Tokoname (Currently known as Spring Sunny Hotel Nagoya Tokoname)	Hotel
⑤		Sky Court Hotel (Currently Known as Skyheart Hotel)	Hotel
⑥	2018	Sado Resort Hotel Azuma	Long-established ryokan (Sado Island)
⑦		VIP Nangoku (Currently know as Sky Heart Hotel Shimonoseki)	Hotel
⑧		Okesa Kanko Taxi	Taxi and sightseeing bus (Sado Island)
⑨	2019	Kouwa Corporation	Interior finishing work for offices
⑩		Sado Biyori	Information site on Sado Island



=> Raise employees' spirit, motivate them, and revitalize the business by sharing and disseminating the Philosophy

5) ESG initiatives

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 old buildings without destroying them. We develop the Real Estate Revitalization Business, which grows in harmony with the environment. (382 buildings were revitalized as of the end of September 2019.)
- 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. (Please refer to an example on P.37.)
- We are promoting the use of Green Electricity (RE 100) in 4 buildings of our own.

Social

- In our Real Estate Revitalization Business, we promote the revitalization of buildings for purpose of the most suitable utilization that meets the needs of local communities and society, such as nursery schools, restaurants, etc.
- Under the slogan, “Cheer up Japan!” we develop Regional Revitalization Business from the aspect of tourism.
- With a belief that cultivation of human resources who can help the society is the base for a sustainable growth and the first step for social contribution, we make a strong effort to train up our employees. We have institutionalized various programs based on our philosophy education.

Governance

- When we acquire properties, we clarify their possible risks, improve their legal compliance and correct shoddy workmanship on them through the process of commercialization and then supply them to the market. We turn the properties into a real estate stock with high social values and sell them.
- We have established “Nomination and Compensation Committee” as a voluntary advisory body to the Board of Directors in order to improve objectivity and transparency of the procedures regarding appointment and dismissal of the directors and their compensations.
- We have improved our monitoring function for the corporate management by appointing 5 independent outside directors out of 10 directors.

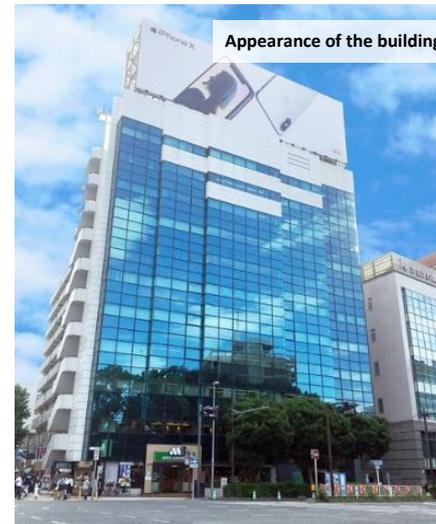
Through the Property Management, we engage in environmental contribution activities with our building owners [E]

As part of our efforts to improve the value of buildings, we propose the owners the replacement of facilities utilizing the Energy-saving Subsidy.

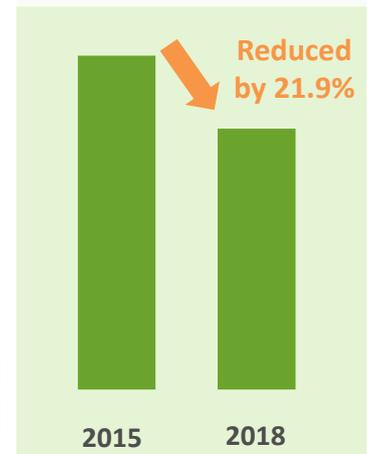
“Replacement to LED lights in a whole building”, “renewal to gas heat pump type air conditioning” and “introduction of energy management system” were adopted in the following case of a building renovation.

[Detailed works]

- All 1,472 fluorescent lights in a building replaced with LED lights.
- Air conditioning system was replaced with GHP (Gas Heat Pump).
- All 78 air conditioners are now monitored 24 hours a day with the introduction of an energy management system. They are automatically controlled for optimal energy efficient operation.
- In order to verificate of the effect of reducing energy consumption and to further promote environmental contribution activities, our energy consumption report is submitted on a monthly basis.



Electricity usage (Before and after energy-saving project)



Taking advantage our position that we can propose and promote the replacement of facilities to our clients through our management and revitalization work of many buildings, we will promote the efficient energy usage in business and introduce facilities that contribute to energy-saving, and thereby strive to enhance efforts to reduce CO₂ emissions through our real estate business.

Contribution to the Revitalization of Local Communities and Society [S]

- We promote the revitalization of buildings for the most suitable utilization that meets the needs of society

We rent the buildings to our clients who can support people's life at all stages. We revitalize them to meet the needs of the region.

Before



Originally, for office-use



After



Revitalization as a nursery school from the 1st basement floor to 4th floor, as an after school for elementary students on the 5th floor and a support center for cancer patients on the 6th floor.

In industry-government-academia cooperation we create a recreational waterfront space where local people can get together.

Before



We changed the usage of the first floor from a parking lot to a restaurant and connected it with a boardwalk along the canal, which creates an attractive waterfront scenery.



<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 springs, hospitality, etc.) 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 existing buildings which are disqualified, we first make them qualified enough to meet legal compliance requirements and sell 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.

Increase outside directors as board members (G)



In this fiscal year we have added 1 outside director to our Board of Directors in order to enhance our corporate governance. Our outside directors have been selected from those who have abundant experience and knowledge in various fields and who can fulfill their roles and responsibilities in improving our corporate value over the medium to long term.

Takahara Toshio (Outside Director)

- He has a track record of business expansion and a wealth of experience as the manager of **Unicharm Corporation**.
- He supervises our management in details from an independent standpoint from our management team who actually executes the operation, and gives us his unbiased, shrewd and effective advice in the decision-making process by the Board of Directors.

Kubo Yukitoshi (Outside Director)

- He is a former head of listing screening at the Tokyo Stock Exchange, a certified public accountant, and has extensive expertise and experience in the Financial Instruments and Exchange Act, Companies Act and finance.
- He gives us his unbiased and shrewd advice and suggestions as a leading expert on governance and disclosure for a listed company, from an independent standpoint from our management team who actually executes the operation.

Okubo Kazutaka (Outside Director)

- As a certified public accountant, he is well-versed in corporate auditing and has held various posts, such as a manager of an auditing firm, a member of many civil service groups of intellectuals, and an executive of several groups in the business community, and has a wealth of insight and experience in such fields as risk management, compliance, CSR and regional revitalization.
- He gives us his useful advice and suggestions for the management of our company and supervises it for the sustainable improvement of our corporate value.

Moriya Koichi (Outside Auditor)

- As a lawyer, he has extensive experience in real estate and financial fields, and gives us his shrewd advice for the enhancement of our legal compliance system.
- He also has extensive experience as an outside director of **Tamura Corporation** and **Samantha Thavasa Japan Limited**.

Tanaka Hidetaka (Outside Auditor)

- He is a U.S. certified public accountant and has extensive overseas business experience.
- Utilizing his rich expertise in the financial industry, his experience as head of overseas subsidiaries of the Industrial Bank of Japan, and his deep insight in such fields as ESG, he gives us his objective and shrewd advice for our future overseas development and management in general, including ESG disclosure.

6) Company Information and Reference Materials

Vision

As “professionals of real estate utilization”
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
To solve problems from the clients’ point of view
- To focus on people rather than property
- One-stop solutions to any and all problems

Strategy

Central
Tokyo

Office

Strength

Tenant
mediation

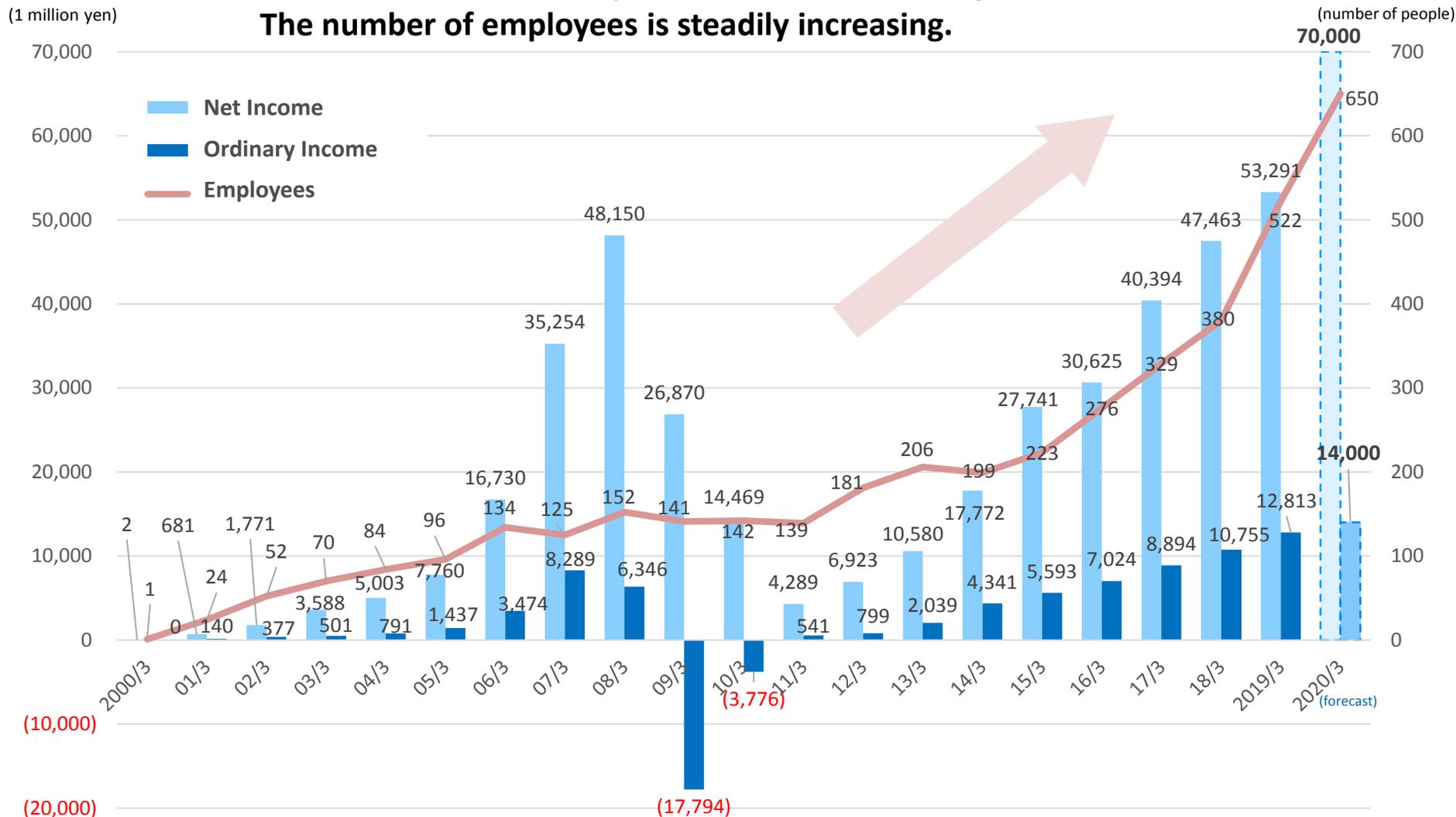
Real estate
revitalization

Effective operation

Creativity

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

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



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, President
Number of Consolidated Employees ※	594 full-time employees (1,013 including part-timers and temporary workers)
Average Age of Employees※	33.9 years old (※ As of September 30, 2019)
Business Profile:	<p>Real estate revitalization</p> <p>Real estate Services (Real estate management, brokerage, construction planning, non-payment guarantee, operation of rental buildings, asset consulting)</p> <p>Hotel development and management</p>
Accounting Month	March
Listed Market	Tokyo Stock Exchange, First Section (Code number: 8934)



We will appreciate your further supports.

- ◆ The purpose of this document is to provide information that can be used as a reference, not for soliciting or promoting you to purchase a specific product. Please make your decision by your own discretion and responsibility when you make an investment. If you want to purchase shares of our company, please contact securities companies.
- ◆ The information provided in this document is not necessarily in compliance with the Financial Instruments and Exchange Act, 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.

<Inquiries about this document>

Sun Frontier Fudousan Co., Ltd. IR Desk

Phone : +81-3-5521-1551

URL : <https://www.sunfrt.co.jp/>

Mail : ir-contact@sunfrt.co.jp



SUN FRONTIER