

Consolidated Financial Results for the Six Months Ended September 30, 2021

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 Stock listing: Tokyo Stock Exchange 1st Section
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Scheduled date of quarterly securities report: November 10, 2021
 Scheduled date of dividend payable: December 7, 2021
 Supplemental materials for quarterly results: Yes
 Presentation on quarterly results to be held: Yes

*Amounts are rounded down to million yen.

1. Consolidated Performance for the Six Months Ended September 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 | |
|--|-----------|------------|------------------|------------|-----------------|------------|
| | Amount | Change (%) | Amount | Change (%) | Amount | Change (%) |
| For the six months ended September 30, 2021 | ¥45,326 | 40.9 % | ¥9,400 | 65.9 % | ¥9,285 | 72.5 % |
| For the six months ended September 30, 2020 | ¥32,164 | (20.8)% | ¥5,667 | (49.4)% | ¥5,384 | (51.2)% |

(Note) Comprehensive income: For the six months ended September 30, 2021: ¥6,082 million (up 80.4%)
 For the six months ended September 30, 2020: ¥3,370 million (down 54.3%)

| | Profit Attributable to Owners of Parent | | Earnings per Share (yen) | Fully Diluted Earnings per Share (yen) |
|--|--|------------|-----------------------------|--|
| | Amount | Change (%) | Amount | Amount |
| For the six months ended September 30, 2021 | ¥5,862 | 69.4 % | ¥120.37 | ¥120.26 |
| For the six months ended September 30, 2020 | ¥3,459 | (54.1)% | ¥71.04 | ¥71.01 |

(2) Consolidated Financial Position

(“¥” indicates millions of yen)

| | Total Assets | Net Assets | Equity Ratio (%) |
|--------------------------|--------------|------------|------------------|
| As of September 30, 2021 | ¥133,197 | ¥73,817 | 53.0 % |
| As of March 31, 2021 | ¥127,485 | ¥69,773 | 52.3 % |

(Reference) Total Equity: As of September 30, 2021: ¥ 70,653 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 | - | 21.00 | | | |
| FY Ending March 31, 2022 (Forecast) | | | - | 21.00 | 42.00 |

(Note) Changes from the latest released dividend forecasts: None

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 | % Change | Amount | % Change | Amount | % Change | Amount | % Change | 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 September 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 September 30, 2021: 56,644 shares

As of March 31, 2021: 56,644 shares

3) Average number of shares for the period:

For the six months ended September 30, 2021: 48,698,856 shares

For the six months ended September 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 5.

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 six months

(1) Explanation regarding operating results

During the six months ended September 30, 2021, the Japanese economy remained stagnant for a long time, mainly in the lodging and restaurant industries, due to the impact of COVID-19. However, the number of new infections has declined sharply, partly due to the effects of vaccination, and the economy has been on a moderate recovery trend. In the global economy, uncertainty is increasing as the gap between developed and developing countries widens and supply chains are disrupted during the recovery phase from the downturn caused by COVID-19. As the Federal Reserve explores the process of normalizing monetary policy, it is necessary to monitor market uncertainty over future interest rates.

In the real estate market, the average rent in the Tokyo business area (5 Wards of Central Tokyo: Chiyoda, Chuo, Minato, Shinjuku and Shibuya Ward) was 20,858 yen per tsubo, down for the 14th consecutive month (2,156 yen/approximately 9%), and the average vacancy rate was 6.43%, down for the 19th consecutive month (approximately 5%) according to a survey conducted by a private research institution. While the pace of deterioration slowed, the office market remained weak overall. On the other hand, in the real estate investment market, institutional investors' willingness to invest is still strong due to a certain outlook for the office market in Tokyo and the continued low interest rate environment.

Based on this business environment, the Company is developing its business based on the medium-term management plan announced in May 2021. During the fiscal year under review, the Company's core business during the COVID-19 pandemic was Real Estate Revitalization Business, where sales of high-margin, high-quality commercialization progressed, resulting in steady sales of real estate for sale. In addition, the Company maintained strong performance in Real Estate Service Business.

On the other hand, in Hotel Operation Business, which has been greatly affected by COVID-19 pandemic, we recorded a loss in the fiscal year under review due to the impact of the declaration of a state of emergency and the start-up expenses of new hotels.

As a result, net sales increased 40.9% to 45,326 million yen from the same period of the previous fiscal year, operating profit increased 65.9% to 9,400 million yen from the same period of the previous fiscal year, ordinary profit increased 72.5% to 9,285 million yen from the same period of the previous fiscal year, and profit attributable to owners of parent increased 69.4% to 5,862 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 six months ended September 30, 2021 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 six months ended September 30, 2021, sales are making steady progress against the backdrop of strong investment appetite among investors. On the other hand, the Company carefully selects and purchases properties while carefully monitoring developments in the leasing market.

In commercialization, we aim to create an office that can be chosen among the new state 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 with high-added value which 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 14, 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 utilizing the operational capabilities cultivated in the Real Estate Service division while maintaining the number of properties in commercialization in Replanning Business. However, 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 45.9% to 37,472 million yen from the same period of the previous fiscal year and segment profit increased 53.4% to 11,138 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 working with the leasing brokerage division to attract tenants and revise the conditions for appropriate rent. At the same time, we are working with the building maintenance division and the construction division to quickly support the recovery of building facilities in the event of earthquakes, typhoons, and other disasters, thereby providing safe and secure building management for owners and tenants. Although the number of buildings under management was maintained, 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 September 2019 | End of September 2020 | End of September 2021 |
|---------------------------------|--------------------------|--------------------------|--------------------------|
| Number of Managing Buildings | 381 buildings | 403 buildings | 403 buildings |
| Occupancy Rate | 98.9% | 96.8% | 91.6% |

(2) In the Building Maintenance Business, we are promoting business based on our strengths in cleaning high places using swings for exterior windows and exterior walls, waterproofing work, and exterior wall repair work. 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 due to the impact of COVID-19 pandemic, 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 11 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. 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 to clients' needs through close contact with local communities and implemented flexible proposal-based marketing, we were able to capture demand albeit on a limited scale. As a result, although both net sales and profit increased compared with the same period of the previous fiscal year, profit slightly decreased due to the impact of opening a new site.

(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 for Real Estate Service Business as a whole increased 28.4% to 3,777 million yen compared with the same period of the previous fiscal year and segment profit increased 30.4% to 2,130 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 25 plots were completed (cumulative sales: 184 plots / total 203 plots). As a result, both net sales and profit increased compared with the same period of the previous fiscal year.

(2) In the Hotel Operation Business, we opened Tabino Hotel lit Matsumoto in July of the current fiscal year, operating 20 hotels (2,859 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 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 309.1% to 3,300 million yen compared with the same period of the previous fiscal year and segment loss was 970 million yen compared with segment loss of 867 million yen the same period of the previous fiscal year.

(Other Business)

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

(1) In Overseas Development 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 for Other Business as a whole decreased 65.2% to 1,050 million yen compared with the same period of the previous fiscal year and segment profit decreased 85.5% to 86 million yen compared with the same period of the previous fiscal year.

“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.

Moreover, as a result of the application of Revenue Recognition Accounting Standard, net sales in the Construction Business of the “Other Business” segment increased by 410 million yen during the six months ended September 30, 2021.

(2) Explanation regarding financial position

Total assets increased 4.5% to 133,197 million yen as of September 30, 2021 compared to March 31, 2021. Liability increased 2.9% to 59,380 million yen as of September 30, 2021 compared to March 31, 2021 and net assets increased to 5.8% to 73,817 million yen as of September 30, 2021 compared to March 31, 2021.

The main factors behind the increase in total assets was mainly due to increases of 9,180 million yen in cash and time deposits, 3,134 million yen in land of property, plant and equipment, 1,568 million yen in buildings (net amount) of property, plant and equipment and 1,874 million yen in real estate for sale, despite a decrease of 11,728 million yen in real estate for sale in process.

The main reason for the increase in liabilities was a 2,567 million yen increase in income taxes payable and a 602 million yen increase in long-term borrowings, despite a 624 million yen decrease in long-term deposits received in other of non-current liabilities, a 456 million yen decrease in accrued consumption tax in other of current liabilities and a 425 million yen decrease in advances received in other of current liabilities.

The main factor behind the increase in net assets was the recording of 5,862 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 0.8 percentage points to 53.0% as of September 30, 2021 compared to March 31, 2021.

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

As for the results for the fiscal year ending March 31, 2022, there are no changes 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 September 30, 2021 |
|---|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and time deposits | 21,508 | 30,688 |
| Notes, accounts receivable, and contract assets | 1,532 | 1,107 |
| Real estate for sale | 13,601 | 15,475 |
| Real estate for sale in process | 72,282 | 60,553 |
| Costs of uncompleted construction contracts | 157 | 134 |
| Supplies | 46 | 63 |
| Other | 1,693 | 1,135 |
| Allowance for doubtful accounts | (36) | (29) |
| Total current assets | 110,785 | 109,129 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings (net amount) | 1,989 | 3,558 |
| Land | 6,821 | 9,955 |
| Other (net amount) | 1,717 | 3,892 |
| Total property, plant and equipment | 10,528 | 17,407 |
| Intangible assets | | |
| Goodwill | 552 | 513 |
| Other | 149 | 147 |
| Total intangible assets | 701 | 660 |
| Investments and other assets | | |
| Guarantee deposits | 3,997 | 4,586 |
| Deferred tax assets | 973 | 963 |
| Other | 500 | 450 |
| Allowance for doubtful accounts | (1) | (1) |
| Total investments and other assets | 5,470 | 6,000 |
| Total non-current assets | 16,700 | 24,068 |
| Total assets | 127,485 | 133,197 |

(Unit: million yen)

| | As of March 31, 2021 | As of September 30, 2021 |
|--|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 1,634 | 1,708 |
| Current portion of long-term borrowings | 5,530 | 5,659 |
| Income taxes payable | 901 | 3,468 |
| Provision for bonuses | 197 | 207 |
| Provision for bonuses for directors (and other officers) | 52 | 37 |
| Provision for fulfillment of guarantees | 53 | 52 |
| Other | 4,988 | 3,912 |
| Total current liabilities | 13,358 | 15,045 |
| Non-current liabilities | | |
| Long-term borrowings | 41,991 | 42,593 |
| Retirement benefit liability | 11 | 8 |
| Provision for share-based remuneration | 56 | 61 |
| Other | 2,295 | 1,670 |
| Total non-current liabilities | 44,354 | 44,334 |
| Total liabilities | 57,712 | 59,380 |
| Net Assets | | |
| Shareholders' equity | | |
| Share capital | 11,965 | 11,965 |
| Capital surplus | 6,445 | 6,445 |
| Retained Earnings | 48,573 | 52,388 |
| Treasury shares | (67) | (67) |
| Total shareholders' equity | 66,916 | 70,731 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2 | 3 |
| Foreign currency translation adjustment | (292) | (80) |
| Total accumulated other comprehensive income | (289) | (77) |
| Share acquisition rights | 16 | 30 |
| Non-controlling interests | 3,129 | 3,133 |
| Total net assets | 69,773 | 73,817 |
| Total liabilities and net assets | 127,485 | 133,197 |

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Income

(Unit: million yen)

| | For the six months ended September 30, 2020 | For the six months ended September 30, 2021 |
|--|--|--|
| Net sales | 32,164 | 45,326 |
| Cost of sales | 23,153 | 32,337 |
| Gross profit | 9,010 | 12,988 |
| Selling, general and administrative expenses | 3,343 | 3,587 |
| Operating profit | 5,667 | 9,400 |
| Non-operating income | | |
| Interest income | 28 | 16 |
| Dividend income | 0 | 0 |
| Subsidy income | 42 | 98 |
| Other | 16 | 45 |
| Total non-operating income | 87 | 161 |
| Non-operating Expenses | | |
| Interest expenses | 259 | 211 |
| Other | 111 | 65 |
| Total non-operating expenses | 370 | 276 |
| Ordinary profit | 5,384 | 9,285 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 0 | 0 |
| Negative goodwill gain | — | 122 |
| Total extraordinary income | 0 | 122 |
| Extraordinary loss | | |
| Settlement money | — | 254 |
| Other | 6 | 0 |
| Total extraordinary losses | 6 | 254 |
| Profit before income taxes | 5,378 | 9,154 |
| Income taxes - current | 2,033 | 3,301 |
| Income taxes - deferred | (107) | (6) |
| Total income taxes | 1,925 | 3,295 |
| Profit | 3,452 | 5,858 |
| Profit attributable to non-controlling interests | (6) | (3) |
| Profit attributable to owners of parent | 3,459 | 5,862 |

Consolidated Statement of Comprehensive Income

(Unit: million yen)

| | For the six months ended September 30, 2020 | For the six months ended September 30, 2021 |
|---|--|--|
| Profit | 3,452 | 5,858 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1) | 0 |
| Foreign currency translation adjustment | (81) | 223 |
| Total other comprehensive income | (82) | 223 |
| Comprehensive income | 3,370 | 6,082 |
| Comprehensive income attributable to | | |
| Owners of parent | 3,381 | 6,074 |
| Non-controlling interests | (10) | 7 |

(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 six months ended September 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 six months ended September 30, 2020 and the effective date is after the last day of the six months ended September 30, 2020

Not applicable.

II For the six months ended September 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 six months ended September 30, 2021 and the effective date is after the last day of the six months ended September 30, 2021

| Resolution | Type of shares | Total dividends (million yen) | Dividends per share (yen) | Base date | Effective date | Source of dividends |
|---|----------------|----------------------------------|------------------------------|--------------------|------------------|------------------------|
| Board of Directors, November 9, 2021 | Common shares | 1,023 | 21.00 | September 30, 2021 | December 7, 2021 | Retained earnings |

(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)

1. 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 (Significant Accounting Estimates) in the Annual Securities Report for the previous fiscal year.

2. 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.

(Segment Information, etc.)

[Segment Information]

I For the six months ended September 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 | 25,686 | 2,652 | 806 | 29,146 | 3,018 | 32,164 |
| Internal sales or transfers | 4 | 289 | - | 293 | - | 293 |
| Subtotal | 25,691 | 2,942 | 806 | 29,440 | 3,018 | 32,458 |
| Segment Income (loss) | 7,262 | 1,632 | (867) | 8,028 | 596 | 8,624 |

Note: The "Other" segment is a business segment that is not included in the reportable segment and includes Overseas Development 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)

| Profit | Amount |
|---|---------|
| Reportable Segment Total | 8,028 |
| Profit in the "Other" category | 596 |
| Elimination of intersegment transactions | (8) |
| Corporate expenses (Note) | (3,231) |
| Ordinary Profit in the consolidated statement of income | 5,384 |

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 six months ended September 30, 2021

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

(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 | 35,391 | 3,250 | 3,244 | 41,886 | 1,046 | 42,933 |
| Other revenue (Note 2) | 2,074 | 262 | 56 | 2,393 | - | 2,393 |

| | | | | | | |
|--|--------|-------|-------|--------|-------|--------|
| Net sales to external customers | 37,465 | 3,512 | 3,300 | 44,279 | 1,046 | 45,326 |
| Internal net sales or transfers between segments | 6 | 264 | - | 271 | 3 | 275 |
| Total | 37,472 | 3,777 | 3,300 | 44,550 | 1,050 | 45,601 |
| Segment income (loss) | 11,138 | 2,130 | (970) | 12,297 | 86 | 12,384 |

Note 1. The "Other" segment is a business segment that is not included in the reportable segment and includes Overseas Development 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 | 12,297 |
| Profit in the "Other" category | 86 |
| Elimination of intersegment transactions | (0) |
| Corporate expenses (Note) | (3,098) |
| Ordinary Profit in the consolidated statement of income | 9,285 |

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.

4. Items regarding 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 "Sub-lease Business" previously disclosed as "Real Estate Revitalization Business" and "Conference Room Rental Business" previously disclosed as "Operation Business" and "Rent Guarantee Business" previously disclosed as "Other Business" are now disclosed as "Real Estate Service Business".

Segment information for the six months ended September 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 six months ended September 30, 2021 increased by 410 million yen compared with the previous method.

(Significant Subsequent Events)
Not applicable.