

Consolidated Financial Results for FY2022-3Q (Fiscal Year Ended December 31, 2021)

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 Stock listing: Tokyo Stock Exchange 1st Section
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Scheduled date of filing quarterly securities report: February 14, 2022
 Scheduled date of commencement 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 FY2022 3Q (April 1, 2021 to December 31, 2021)

(1) Consolidated Operating Results

(Percentage figures indicate year-on-year changes.)

	Net Sales		Operating Profit		Ordinary Profit	
	Million yen	%	Million yen	%	Million yen	%
3Q FY2022	¥61,618	32.7	¥12,151	72.8	¥11,983	82.6
3Q FY2021	¥46,442	(15.0)	¥7,032	(48.1)	¥6,562	(50.6)

(Note) Comprehensive income: For the nine months ended December 31, 2021: ¥7,786 million (+100.2 %)
 For the nine months ended December 31, 2020: ¥3,890 million (-56.4 %)

	Profit Attributable to Owners of Parent		Earnings per Share	Fully Diluted Earnings per Share
	Million yen	%		
3Q FY2022	¥7,519	85.3	yen ¥154.40	yen ¥154.26
3Q FY2021	¥4,059	(54.8)	yen ¥83.35	yen ¥83.31

(2) Consolidated Financial Position

("¥" indicates millions of yen)

	Total Assets	Net Assets	Equity Ratio
	yen	yen	
December 31, 2021	¥131,278	¥74,500	54.3 %
March 31, 2021	¥127,485	¥69,773	52.3 %

(Reference) Total Equity: As of December 31, 2021: ¥ 71,334 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
FY2021	-	0.00	-	42.00	42.00
FY2022	-	21.00	-		
FY2022 (Forecast)				21.00	42.00

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

3. Forecast for Consolidated Financial Results for FY2022

(April 1, 2021 to March 31, 2022)

(Percentage figures indicate year-on-year changes.)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Earnings per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
FY2022	¥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

※ 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 policies, estimates and restatement

- | | |
|--|------|
| 1) Changes in accounting policies due to changes in accounting standard: | Yes |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting estimates: | None |
| 4) Retrospective restatement: | None |

(4) Number of outstanding shares (common stock)

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

As of December 31, 2021: 48,755,500 shares

As of March 31, 2021: 48,755,500 shares

2) Number of s treasury stock at the end of the period:

As of December 31, 2021: 56,644 shares

As of March 31, 2021: 56,644 shares

3) Average number of shares for the period:

As of December 31, 2021: 48,698,856 shares

As of March 31, 2021: 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 special matters

Forward-looking statements, such as forecast of consolidated financial performance, stated in this document are based on information currently possessed by the Company as well as certain assumptions deemed rational. It does not mean that the Company assures that the contents mentioned in these forward-looking statements will ever materialize. Actual financial performance may be significantly different from such expectations due to 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.

Accompanying Materials

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

(1) Explanation regarding operating results

Although the Japanese economy has shown signs of recovery since the state of emergency declaration was lifted, the number of infected people is rapidly increasing due to the impact of the COVID-19 variant. The business environment in Japan continues to be severe, especially in the accommodation and tourism industries. As for the world economy, while the impact of this new variant is spreading, various countries consider to remove Easy Monetary Policy and start tapering against the background of soaring prices. It is necessary to monitor interest rate trends in the future.

The deterioration in the average vacancy rate in the office building market in central Tokyo (5 districts of the Central Tokyo: Chiyoda, Chuo, Minato, Shinjuku, and Shibuya), where the Company operates its office building business, bottomed out in November 2021, and as of December 2021, the average vacancy rate was 6.33%, a slight improvement for the second consecutive month (approximately 0.12%) according to a survey by a private research institution. However, the overall office market remained weak, with the average rent falling for the 17th consecutive month (2,418 yen/ approximately 11%) to 20,596 yen (unit price per tsubo). In the real estate investment market, although institutional investors remain eager to invest, the market is approaching a phase of global monetary tightening, and the outlook for interest rates is unpredictable.

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, even in the pandemic of COVID-19, the Company's core business, Real Estate Revitalization Business, is resulting in steady sales of real estate due to the progression of commercialization with high-margin and high-quality. And Real Estate Service Business is maintaining in strong performance.

On the other hand, because of the great effect by the pandemic of COVID-19, Hotel Operation Business recorded a loss in the fiscal year under review due to the impact of the state of emergency declaration and the start-up expenses of new hotels.

As a result, net sales amounted to 61,618 million yen (up 32.7% YoY), operating profit amounted to 12,151 million yen (up 72.8% YoY), ordinary profit amounted to 11,983 million yen (up 82.6% YoY), and profit attributable to owners of parent amounted to 7,519 million yen (up 85.3% YoY).

Due to partial change in the report segment from the beginning of FY2022 1Q, actual results for FY2022 3Q 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, in order to utilizing the know-how in Hotel Operation Business for the "Hotel Development Business" and enhance profitability in an integrated manner, the Company changed the organizational structure by transferring Hotel Development Business from Sun Frontier Fudousan Co., Ltd. into Sun Frontier Hotel Management Inc. Accordingly, the business segment will reflect this change and is renamed the report segment "Hotel and Tourism Business." Also, in order to strengthen further the coordination of each business segment in the real estate services field, the Company consolidated 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 placement, sales, and subsequent support are offered in-house. During the nine months ended December 31, 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 determining trends 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 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 18, and both net sales and profit increased significantly compared with the same period of the previous year.

(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, compared with the same period of the previous fiscal year, both net sales and income decreased due to the sale of mid-to-long term large buildings with high utilization rates.

As a result, net sales amounted to 49,677 million yen (up 66.1% YoY) and segment profit amounted to 14,725 million yen (up 89.1% YoY) for the total of Real Estate Revitalization Business.

(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 December 2019	End of December 2020	End of December 2021
Number of Managing Buildings	391 buildings	404 buildings	413 buildings
Occupancy Rate	98.4%	95.7%	90.8%

(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, 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 building business 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 districts 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.

(5) In the Conference Room Rental Business, although the need for meeting rooms remains limited due to the impact of COVID-19, 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. During the pandemic of COVID-19, 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 the total of Real Estate Service Business amounted to 5,477 million yen (up 22.9% YoY) and segment profit amounted to 2,982 million yen (up 20.7% YoY).

(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 40 plots were completed (cumulative sales: 199 plots / total 203 plots). In the fiscal year under review, both net sales and profit decreased significantly due to a

reaction to the addition of sales and profit from 126 deliveries accompanying the completion of the Okinawa Condominium Hotel in the same period of the previous fiscal year.

(2) The Hotel Operation Business operates a total of 20 hotels (2,859 rooms). During the fiscal year under review, the Company recorded a loss despite an increase in net sales due to a significant decline in occupancy rate and unit prices, mainly for hotels in urban areas caused by voluntary restraint on tourism under the declaration of a state of emergency, and the recording of start-up expenses for newly-opened hotels.

As a result, net sales for total of Hotel and Tourism Business amounted to 5,637 million yen (down 37.3% YoY) and segment loss amounted to 1,227 million yen compared with the same period of the previous fiscal year (segment profit was 508 million yen).

(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 the Company 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 the total of Other Business amounted to 1,197 million yen (down 65.2% YoY) and segment profit amounted to 106 million yen (down 83.3% YoY).

“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 305 million yen during FY2022 3Q.

(2) Explanation regarding financial position

Total assets at the end of FY2022 3Q stood at 131,278 million yen, as increase of 3.0% compared to March 31, 2021. Liability at the end of FY2022 3Q stood at 56,777 million yen, as decrease of 1.6% compared to March 31, 2021 and net assets at the end of FY2022 3Q stood at 74,500 million yen, as increase of 6.8% compared to March 31, 2021.

The main factors behind the increase in total assets was mainly due to increases of 11,028 million yen in cash and time deposits, 1,244 million yen in real estate for sale, 1,523 million yen in buildings (net amount) of property, plant and equipment, 3,135 million yen in land of property, plant and equipment, and 1,393 million yen in construction in progress included in other (net amount), despite a decrease of 16,229 million yen in real estate for sale in process.

The main reason for the decrease in liabilities was mainly due to 1,969 million yen decrease in long-term borrowings, 755 million yen decrease in long-term deposits received in other of non-current liabilities, despite a 2,087 million yen increase in income taxes payable.

The main factor behind the increase in net assets was the recording of 7,519 million yen in profit attributable to owners of parent, despite the payment of year-end dividends of 2,047 million yen and 1,023 million yen in interim dividends.

Moreover, the equity ratio increased 2.1 percentage points to 54.3% as of December 31, 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 December 31, 2021
Assets		
Current assets		
Cash and time deposits	21,508	32,536
Notes, accounts receivable, and contract assets	1,532	1,637
Real estate for sale	13,601	14,845
Real estate for sale in process	72,282	56,052
Costs of uncompleted construction contracts	157	178
Supplies	46	73
Other	1,693	1,928
Allowance for doubtful accounts	(36)	(13)
Total current assets	110,785	107,238
Non-current assets		
Property, plant and equipment		
Buildings (net amount)	1,989	3,513
Land	6,821	9,956
Other (net amount)	1,717	3,849
Total property, plant and equipment	10,528	17,318
Intangible assets		
Goodwill	552	493
Other	149	152
Total intangible assets	701	645
Investments and other assets		
Guarantee deposits	3,997	4,731
Deferred tax assets	973	913
Other	500	439
Allowance for doubtful accounts	(1)	(9)
Total investments and other assets	5,470	6,075
Total non-current assets	16,700	24,039
Total assets	127,485	131,278

(Unit: million yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	1,634	1,766
Short-term borrowings	-	30
Current portion of long-term borrowings	5,530	5,420
Income taxes payable	901	2,988
Provision for bonuses	197	96
Provision for bonuses for directors (and other officers)	52	55
Provision for fulfillment of guarantees	53	53
Other	4,988	4,733
Total current liabilities	13,358	15,144
Non-current liabilities		
Long-term borrowings	41,991	40,021
Retirement benefit liability	11	6
Provision for share-based remuneration	56	65
Other	2,295	1,539
Total non-current liabilities	44,354	41,632
Total liabilities	57,712	56,777
Net Assets		
Shareholders' equity		
Share capital	11,965	11,965
Capital surplus	6,445	6,445
Retained Earnings	48,573	53,021
Treasury shares	(67)	(67)
Total shareholders' equity	66,916	71,364
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	3
Foreign currency translation adjustment	(292)	(33)
Total accumulated other comprehensive income	(289)	(30)
Share acquisition rights	16	30
Non-controlling interests	3,129	3,136
Total net assets	69,773	74,500
Total liabilities and net assets	127,485	131,278

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Unit: million yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Net sales	46,442	61,618
Cost of sales	34,021	44,098
Gross profit	12,421	17,519
Selling, general and administrative expenses	5,389	5,368
Operating profit	7,032	12,151
Non-operating income		
Interest income	34	24
Dividend income	0	0
Subsidy income	70	148
Other	20	80
Total non-operating income	126	253
Non-operating Expenses		
Interest expenses	371	329
Other	224	92
Total non-operating expenses	596	421
Ordinary profit	6,562	11,983
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on bargain purchase	-	115
Total extraordinary income	0	116
Extraordinary loss		
Settlement money	-	254
Other	9	14
Total extraordinary losses	9	268
Profit before income taxes	6,553	11,831
Income taxes - current	2,570	4,280
Income taxes - deferred	(44)	36
Total income taxes	2,526	4,317
Profit	4,027	7,514
Loss attributable to non-controlling interests	(31)	(5)
Profit attributable to owners of parent	4,059	7,519

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Profit	4,027	7,514
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	(0)
Foreign currency translation adjustment	(136)	272
Total other comprehensive income	(137)	272
Comprehensive income	3,890	7,786
Comprehensive income attributable to		
Owners of parent	3,929	7,778
Non-controlling interests	(38)	8

(3) Notes to Consolidated Financial Statements

(Notes to Assumption of Going Concerns)

Not applicable.

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

For FY2021 3Q (April 1, 2020 to December 31, 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 FY2021 3Q and the effective date is after the last day of FY2021 3Q.

Not applicable.

For FY2022 3Q (April 1, 2021 to December 31, 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
Board of Directors, November 9, 2021	Common shares	1,023	21.00	September 30, 2021	December 7, 2021	Retained earnings

Note: 1. 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. The total amount of dividends decided at the Board of Directors held on November 9, 2021, includes dividends of 1 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 FY2022 3Q and the effective date is after the last day of FY2022 3Q.

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 third 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 Fudousan Co., Ltd. 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 FY2021 3Q (April 1, 2020 to December 31, 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	Operation Business	Subtotal		
Net Sales						
Net sales to external customers	29,906	4,102	8,994	43,002	3,440	46,442
Internal sales or transfers	8	354	-	363	-	363
Subtotal	29,914	4,456	8,994	43,365	3,440	46,805
Segment profit	7,786	2,470	508	10,765	638	11,403

Note. The "Other" segment is a business segment that is not included in the reportable segment and includes overseas business, construction solutions 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	10,765
Profit in the "Other" category	638
Elimination of intersegment transactions	(17)
Corporate expenses (Note)	(4,823)
Ordinary Profit in the consolidated statement of income	6,562

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 FY2022 3Q (April 1, 2021 to December 31, 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	Operation Business	Subtotal		
Net Sales						
Revenue from contracts with customers	46,165	4,726	5,552	56,445	1,192	57,637
Other revenue (Note 2)	3,502	394	84	3,980	-	3,980
Net sales to external customers	49,667	5,120	5,637	60,425	1,192	61,618
Internal net sales or transfers between segments	9	356	-	366	4	371

Total	49,677	5,477	5,637	60,792	1,197	61,989
Segment profit (loss)	14,725	2,982	(1,227)	16,480	106	16,586

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	16,480
Profit in the "Other" category	106
Elimination of intersegment transactions	(0)
Corporate expenses (Note)	(4,602)
Ordinary Profit in the consolidated statement of income	11,983

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 FY2021 3Q (April 1, 2020 to December 31, 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 FY2022 1Q. 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 FY2022 3Q increased by 305 million yen compared with the previous method.

(Significant Subsequent Events)

Not applicable.