



Sun Frontier Fudousan Co., Ltd.

Business Report 2013

Fiscal Year Ended March 31, 2013



To our shareholders



**We aim to become
“the company that customers
love and chose that most in the
world” of building management
and the property usage
industry.**

Summary of the Fiscal Year Ended March 31, 2013

3 consecutive years of increased sales and profits

The business results of our group for the 14th term are the feat of securing 3 consecutive years of increases in both sales and profits consisted of sales 10,580 million yen, operating income of 2,156 million yen, ordinary income of 2,039 million yen and net income of 2,483 million yen.

Having taken into consideration both our financial performance this fiscal year and our future business developments, per-share dividends will increase 500 yen over the amount of the previous year, yielding dividends of 850 yen per share.

Following the formation of a new government last year, the Bank of Japan has taken bold measures of monetary easing, resulting in a depreciation of the yen and rise in stock prices. At the same time, we see a recovery of the American economy and expectations that the Chinese economy will bottom out. Against this background, we feel that the Japanese

economy is headed for a steady revival. The world is in constant motion and both good times and bad times come and go, but as we transition from a period of recovery to a period of growth, some presidents standing at the top of the corporate ladder become susceptible to various vices such as greed, arrogance, carelessness and egoism. I constantly warn myself that these are the greatest risks to management. As they say, “the last drop makes the cup run over,” and it can be better to fall a little short than to go too far. Our management style is therefore to produce growth by proceeding step by step, steadily and surely increasing our usefulness for our clients without overextending ourselves.

This fiscal year, we made the decision to increase capital in order to strengthen our ability to flexibly purchase real estate in our replanning business. We were able to raise roughly 5.7 billion yen through a public stock offering. We will make effective use of these funds, not only to steadily grow our replanning business, but also to expand our services to our clients and bring new business opportunities into view, thereby bringing about further growth.

Our Businesses

Our clients: building owners, property owners, and wealthy people

Our group operates as a **one-stop shop providing all manner of building management and real estate utilization services to building owners, property owners and wealthy people** in central Tokyo (especially the five central cities of Chiyoda, Chuo, Minato, Shinjuku and Shibuya). We work with small-to-mid-size office buildings and commercial buildings.

We will find solutions to the building owner's every concern related to real estate and property, tackling everything from reducing vacancies and addressing tenants to making effective use of land, recombining properties and dealing with inheritances. As a one-stop shop taking on all of these issues, our goal is to develop a business model that is convenient for the building owners.

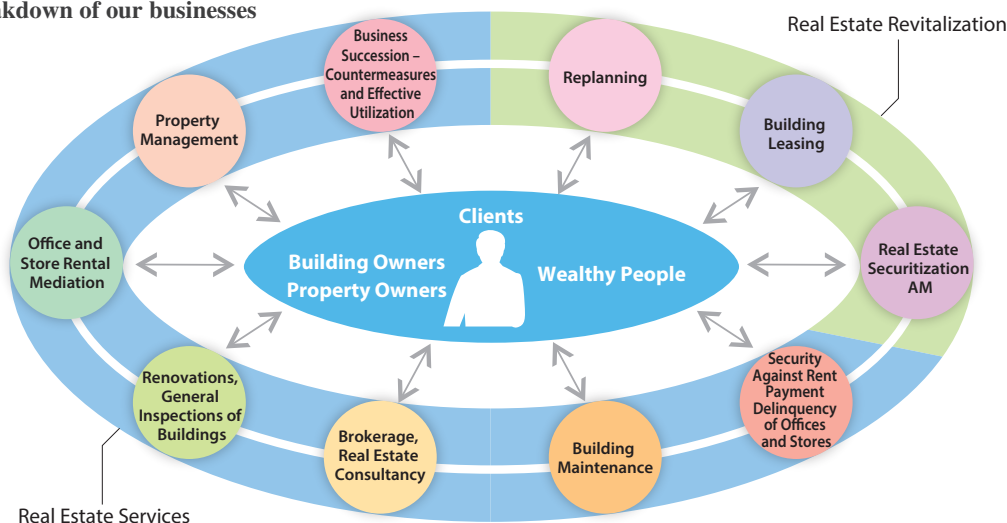
As seen in Figure 1, our group's current service lineup can be broadly divided into two categories, namely our real estate services and our real estate revitalization businesses. Our real estate services focus on resolving various problems related to

the administration of buildings, such as property management (maintenance, occupancy and accounting of buildings), rental agency services, sale and purchasing, renovation, and security against rent payment delinquency. In our real estate revitalization business we purchase low occupancy or unoccupied buildings and turn those buildings into high-earning buildings by applying our knowhow of real estate services to create added value, and then sell the buildings.

Looking at it from a different perspective, one could say that real estate services are businesses that produce relatively continual and stable income, whereas real estate revitalization follows the market and pursues high income.

Because we bring together and integrate these many different services, **our group understands the breadths of real estate-related problems that building owners face**. By taking on maintenance, sales and purchasing, construction, revitalization and other needs that arise from rental mediation, we can create diverse business opportunities and produce lasting growth.

Figure 1: Breakdown of our businesses



Efforts on the Replanning Business

Among the many businesses our group undertakes, we will introduce the replanning business (real estate revitalization) which is a generator of high revenue.

We have divided the replanning business into three categories depending on the scale of the property in question, and established clear policies for our undertakings.

As you can see from Figure 2, when working with small-scale revitalization projects of 500 million yen or less, we emphasize speed in order to adapt to changes in the market. When we work with mid-scale projects of 2 billion yen or less, we make sure to have a solid overview of the project and focus on proper, careful construction.

When it comes to the large-scale revitalization projects, in addition to careful construction, we also disperse risk by engaging joint investors and making use of special purpose companies (SPCs), etc. to compile the project.

Furthermore, with some of the mid-scale revitalization projects, we acquire property and hold onto it over the

medium term with the goal of receiving steady rental fees.

On the next page, you will see some concrete examples.

The building shown in Example 1 was to be completed into a building with high added value. We carefully scrutinized the trends in the rental market, and over the course of one year converted it from an office building into a capsule hotel (change of use).

We acquired the building shown in Example 2 this year, and we plan to keep it in our possession for 1 to 3 years in order to find ways to raise the level of rental income of the building.

Having clarified our business policies and exit strategies, we investigate the strong points and appealing factors of each individual building, take regional characteristics into consideration, and devise business projects that properly match both the market conditions and the building itself.

[Figure 2] Varieties of the Replanning Business

	Scale	Points of Emphasis	Method	Project Length
I	Small (500 million yen or less)	Quick return to a state of high occupancy (emphasis on speed)	Our own funds	3 to 6 months
II	Medium (500 million to 2 billion yen)	Project overview and proper construction	Our own funds	6 months to 2 years
III	Large	Through joint investment, we bring out the strengths and limit risks	Joint enterprise (use of SPCs)	1 to 3 years

Depending on the building, we may keep it in our possession over the medium term and try to raise the level of its steady rental income.

Example 1



Location : Soto Kanda, Chiyoda-ku, Tokyo

Construction, Scale : Steel reinforced concrete. 8 floors above ground, 1 floor below ground.

Total floor space : 1385.07 m²

Project Overview

- Conversion from office building to capsule hotel
- At the time of purchase, only the basement and 1st floor were occupied. The 2nd to 8th floors were vacant.
- Negotiated to move stores out of the basement and 1st floor.
- Purchased in April 2012
⇒Opened as a capsule hotel in April 2013

Location : Ginza, Chuo-ku, Tokyo

Construction : Steel reinforced concrete. 9 floors above ground, 2 floors below ground.

Use : Offices, shops, parking

Site area : 460.13 m²

Total floor space : 3890.71 m²

Project Overview

- Operating at full capacity
- Rooftop garden made, currently planning to mend seals in the outer walls

Example 2



A New Company in Our Group: Tokyo Yoko Fudousan (fully owned overseas subsidiary)

Tokyo Yoko Fudousan was set up to provide investors in Taiwan with our group's services for wealthy people. Through the cooperation of 3 staff members in Tokyo and 2 staff members in Taiwan, this company will assist investors in their asset formation efforts, helping them with everything from purchasing investment properties to operating the buildings (tenant leasing, building maintenance, etc.), and even exchanging properties afterwards.

The number of wealthy people is booming overseas, and by bringing these people into our client base, we can further increase the competitiveness of our entire group.

Company Profile

Name : Tokyo Yoko Fudousan Co., Ltd.

Location : No. 200-4, Section 1, Jilong Road, Xinyi District, Taipei, Taiwan

Date established: March 1, 2013

Capital : 10 million Taiwanese dollars

Representative : Chairman Tomoaki Horiguchi



The building that will house the company headquarters

How We Strive to Operate

Help to solve the customer's problems from their perspective

As in previous years, our group will continue to powerfully push forward its one stop services for wealthy people.

As you can see in Figure 3, **with our one stop services, building owners can simply discuss the problems they face on a day-to-day basis with one of our representatives. The representative will then make full use of all of the specialized departments in our group to resolve all of the building owners' problems.** Through this system, we remove the need for building owners to speak to several different companies, representatives and consultants, explaining their problems over and over. It is therefore a very convenient service.

In addition, we also continue our commitment to pursuing a **high degree of satisfaction from the building owners' clients, namely the building tenants.**

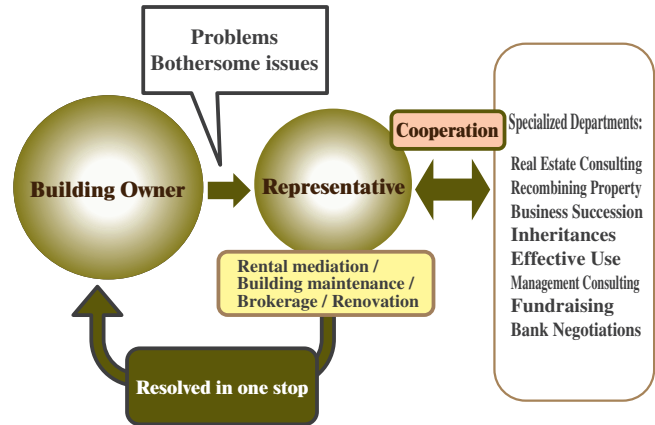
Once every month, our property managers visit the buildings entrusted to us to speak to all of the tenants. By addressing their complaints and responding to their demands, we take the “dis” out of “dissatisfaction.” With service such as this, it is no wonder that the buildings entrusted to us have such a high rate of rental contract renewals from the tenants.

Furthermore, we have a team of around 60 people specialized in leasing operations in both urban and regional areas. They work night and day to find tenants who will fill up all of the vacancies for the building owners.

Due to our **high renewability and strong ability to find tenants**, buildings entrusted to us have **maintained a high occupancy rate** roughly 5% higher than the market average.

Through our one stop services made possible by the strong cooperation of elements within our group, we distinguish ourselves from other companies in the same business.

Figure 3: One Stop Services for Wealthy People



Our Direction This Year

1. Active investment in the replanning business

With our eyes fixed on the global currents of financial easing and the developing trends in the Japanese economy, **we will proactively increase the procurement of replanning projects.**

There will be no changes in the structure of our replanning business (as laid out on Page 3).

From our self-funded small scale revitalization projects to the large scale ones using SPCs, **we will aggressively pursue replanning projects without missing any opportunities.** In addition, we will **control risk** by establishing limits to the amounts of capital that can be used and clarify our policies.

2. Specialize in urban office buildings and hone our strengths

As the real estate market recovers and improves, we expect that the procurement of properties will grow increasingly competitive.

In order to become a company that is needed by our clients, we will therefore focus on our strengths and **specialize in urban office buildings**, improve our tenant mediation skills, and **deepen and expand our one stop services for high net worth clients**.

Furthermore, when it comes to purchasing real estate properties, rather than competing on market returns and prices, we will employ a procurement strategy based on relationships with our clients. We will **hew close to our clients and solve their problems**, and through the diverse undertakings of this process, we will create new opportunities for purchasing properties.

3. Improving our problem solving abilities

As we deepen and expand our services for wealthy people and hone our strengths, we will reinforce our problem-solving abilities and **focus on people (protecting and increasing our clients' capital)** rather than properties.

We will increase our expertise and skills in order that we may provide a variety of consulting services. In addition, we will develop personnel who can provide our clients with added value and high-quality service so that we can approach our problem-solving tasks with sincerity and completely from the client's point of view.

In Conclusion

As someone who has grown accustomed to the stagnation of the economy, when I look at the recent conditions of the real estate market, I feel like the world has truly changed.

The greatest challenge of the last 4 years following the Lehman Shock has been the overcoming of hardship. Within

the company, we focused on establishing four bases, namely the client base, the financial base, the business base and the training-dependent HR base. I feel that our employees place great importance on the 3 elements of speed, sincerity and added value, and are strengthening their motivation to take on ever larger consulting challenges “for our clients.” They are expanding and deepening their individual scope of business activities.

I would like to express my deepest gratitude to all of our shareholders for their warm support. In order to repay this debt, we will maintain sound finances, increase our earning power by growing our businesses, and strive for continual increases in our corporate value.

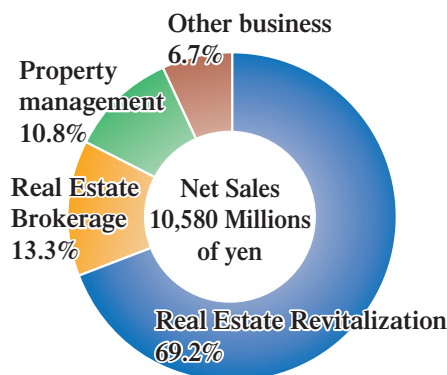
Thank you for your continued support.

President & Chief Executive Officer **Tomoaki Horiguchi**



From left: Executive Vice – president Seiichiro Saito, President & Chief Executive Officer Tomoaki Horiguchi, Senior Managing Director Kunihiko Kotaki, Managing Director Izumi Nakamura

Overview of Each Business Segments



In this consolidated fiscal year, the Japanese economy was weakened due to the slowdown of the global economy, but since the new government in the end of last year there have been signs of a correction to the high value of the yen and increasing stock prices, bringing increasing hopes for an economic recovery after the turn of the year.

In the real estate industry, the supply of large office buildings that peaked in 2012 has settled down, putting a brake on vacancy rates and decreases in rent for the office building market in Tokyo. In the real estate investment market, there has been clear signs of recovery for the market with an increase in real estate investment needs for the wealthy and active trading, on the background of hopes that easing of monetary policy will lead to an influx of capital into real estate.

In this circumstance, the Group continued to improve approaches to building owners in central Tokyo. By responding to a wide variety of issues building owners face with property, from rental negotiations to sales, construction and revitalization, the Company worked on creating a range of business opportunities.

As a result, our operating results for the fiscal year ending March 2013 were as follows:

sales of ¥10,580 million (up by 52.8% from the previous fiscal year), operating income of ¥2,156 million (up by 150.5%), and ordinary income of ¥2,039 million (up by 155.1%). Net income was ¥2,483 million (up by 167.7%).

Real Estate Revitalization

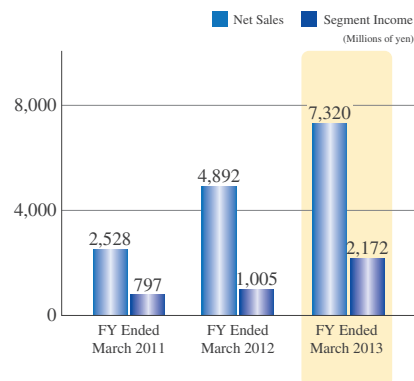
In the replanning business, 10 buildings were sold. Because the scale of each building increased while the number of buildings sold was the same as the previous year, sales increased as compared to the previous year. Further, as we put various ideas into the process of merchandizing the enticement of tenants and remodeling, etc., the buildings were occupied quickly, and adding to this the backing from the real estate market conditions, the results were a great increase in income.

In the rental building business, despite selling one of our rental buildings in September of last year, both sales and income increased as compared to the previous year due to the increase in rental income from the replanning properties undergoing merchandizing.

In real estate securitization business, in addition to the asset management fees from existing items, there was investment distribution income from the sale of large scale properties that were handled as joint investment items.

Because of this, both sales and income increased a great deal as compared to the previous year.

As a result of the above activities, sales were ¥7,320 million (up 49.6% from the previous fiscal year) and segment income was ¥2,172 million (up by 116.1%).



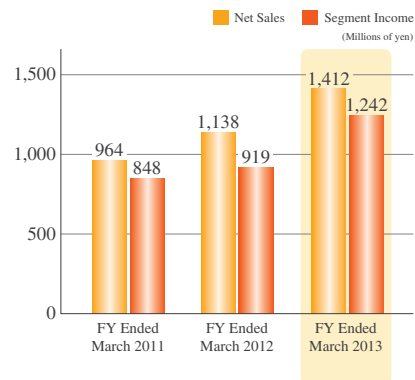
The "segment income" under the Results of Operation by Segment is computed after deducting the cost inherent to each segment such as paid interest generated in each segment from the total sales profit.

Real Estate Brokerage

In our sales brokerage business, we strengthened our efforts to take on property introductions from internal 4 departments and financial institutions, etc. Due to the recovery of the real estate investment market, etc., the number and amount of transactions increased this fiscal year and sales and income increased from the previous year.

In the rental brokerage business, we focused our efforts on building owners. By cooperating with internal departments, and putting our efforts into resolving the various concerns held by owners regarding building management, we worked to increase fee income including peripheral business.

As a result of the above activities, sales were ¥1,412 million (up by 24% from the previous fiscal year) and segment income was ¥1,242 million (up by 35.0%).



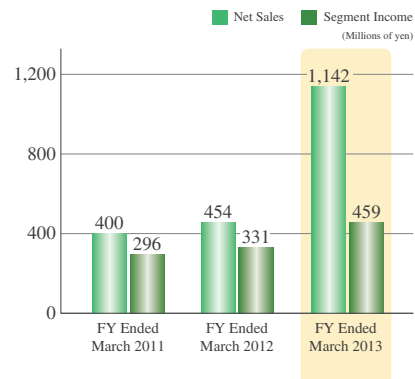
Property Management

In the property management business, we aimed to create business opportunities from taking on the sales, construction, and revitalization needs arising from administrative tasks, and put our efforts in increasing the number of rental properties. Also, adding to the increase in rental operations, we put our efforts into increasing the occupancy rate of rental properties as well as preventing vacancies by aiming to increase customer satisfaction through smooth tenant communications.

Regarding building maintenance business that is run by Yubi Co., Ltd. which we acquired at the end of the previous fiscal year, we put our efforts into increasing the number of properties in cooperation with the existing business, particularly the property management business. Also, by focusing on high-rise cleaning business that is our expertise, we saw an increase in profitability.

As a result, in the current fiscal year, the profits and losses of building maintenance business consolidated, and by combining with this segment, sales and segment income expanded greatly.

As a result of the above activities, sales were ¥1,142 million (up by 151.1% from the previous fiscal year) and segment income was ¥459 million (up by 38.4%).

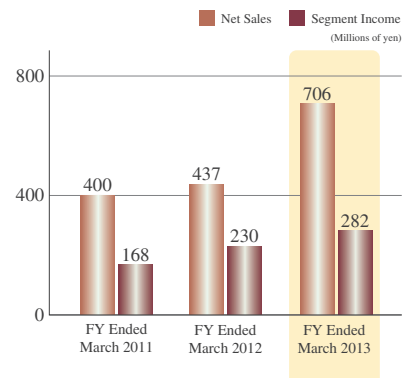


Other Businesses

In the construction planning field, as a result of proactively engaging in taking on construction management of building improvements through cooperation with internal departments of real estate brokerage business, both sales and income increased over the previous fiscal year.

In the delinquent rent guarantee business, adding to the existing service menu, we focused on digging up potential needs of customers through proposing new product plans with the result of both sales and income transitioning to steady.

As a result of the above activities, sales were ¥706 million (up by 61.6% from the previous fiscal year), and segment income was ¥282 million (up by 22.2%).



Consolidated Financial Statements

Consolidated Balance Sheets (Summary)

(Millions of yen)

	As of March, 31 2012	As of March, 31 2013
Current Assets	6,521	18,873
Cash and deposits	3,912	11,008
Real estate for sale	1,696	6,425
Other	912	1,440
Noncurrent Assets	4,726	2,391
Property, Plant and Equipment	3,849	1,627
Intangible Assets	451	399
Investments and Other Assets	425	364
Total Assets	11,247	21,265
Current Liabilities	1,378	1,847
Short-term borrowings※	288	404
Income taxes payable	22	114
Other	1,066	1,328
Noncurrent Liabilities	3,405	4,857
Long-term loans and bonds	2,957	4,246
Other	448	610
Total Liabilities	4,784	6,704
Shareholders' Equity	6,463	14,560
Others	0	0
Total Net Assets	6,463	14,561
Total Liabilities and Net Assets	11,247	21,265

Cash and deposits

Increased approximately 7 billion yen due to the public stock offering we did in March that raised funds of approximately 5.7 billion yen.

Inventory assets

Increased approximately 4.7 billion yen due to the purchasing of replanning properties.

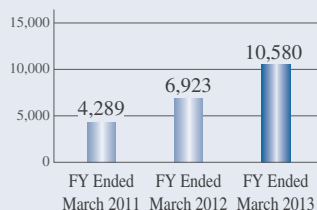
Property, plant and equipment

Decreased by approximately 2.2 billion yen because we sold one of the buildings we possess and transferred another one to inventory due to a change in the purpose of holding it.

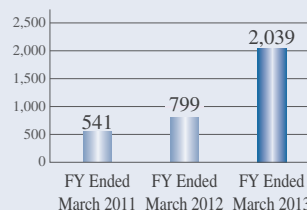
※Short-term borrowings / Total of short-term borrowings, and long-term debts, including bonds and borrowings, due within one year.

Financial Highlight

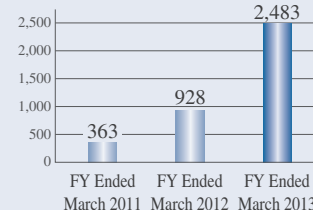
■ Net Sales (Millions of yen)



■ Ordinary Income (Millions of yen)



■ Net Income (Millions of yen)



Consolidated Statements of Income (Summary)

(Millions of yen)

	FY Ended March, 2012 (April 1, 2011 - March 31, 2012)	FY Ended March, 2013 (April 1, 2012 - March 31, 2013)
Sales	6,923	10,580
Cost of Sales	4,304	6,180
Gross Profit	2,618	4,399
Selling, General and Administrative Expenses	1,757	2,242
Operating Income	861	2,156
Non-operating Income	11	4
Non-operating Expenses	73	122
Ordinary Income	799	2,039
Extraordinary Income	21	301
Extraordinary Losses	43	24
Income before Income Taxes	777	2,315
Income taxes-current	19	106
Income taxes-deferred	△169	△274
Net Income	928	2,483

Net sales Ordinary income

Sales increased by 3.6 billion yen and working profits increased by 1.2 billion yen due to the expansion in the scale of properties for sale in the replanning business, the increase in the rate of return and the steady extension of the service businesses.

Extraordinary income

Increased by approximately 300 million yen due to the sale of one of the buildings we possessed.

Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

	FY Ended March, 2012 (April 1, 2011 - March 31, 2012)	FY Ended March, 2013 (April 1, 2012 - March 31, 2013)
Cash Flows from Operating Activities	743	△2,161
Cash Flows from Investing Activities	3,829	1,543
Cash Flows from Financing Activities	△2,694	6,991
Net increase (decrease) in cash and cash equivalents	1,878	6,371
Cash and Cash Equivalents at End of Year	3,619	9,991

Net increase (decrease) in cash and cash equivalents

Increased by approximately 6.3 billion yen due to the public stock offering that raised funds of approximately 5.7 billion yen.

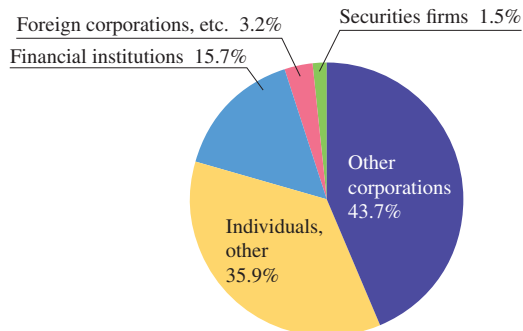
Share information

Number of authorized shares	912,000 shares
Number of shares issued	427,555 shares
Number of shareholders	11,200

Principal Shareholders

(Trade name)	(Number of the company's shares held)	(Voting rights)
Houon	179,575 shares	42.00%
Tomoaki Horiguchi	37,532 shares	8.78%
Japan Trustee Services Bank, Ltd.	27,860 shares	6.52%
The Master Trust Bank of Japan, Ltd.	16,349 shares	3.82%
Japan Securities Finance Co., Ltd.	10,959 shares	2.56%
Employee Stock Ownership Plan	4,079 shares	0.95%
Kouji Ohno	4,000 shares	0.94%
Keiko Horiguchi	3,990 shares	0.93%
Inter X	2,719 shares	0.64%
Kabu.com Securities Co., Ltd.	2,357 shares	0.55%

Breakdown of Shareholders



Information

Financial Year	April 1 to March 31
Annual shareholder's meeting	June
Date of record	March 31
Stock listing	Tokyo stock exchange 1st section
Code number	8934

Corporate Profile

Name	Sun Frontier Fudousan Co.,Ltd.	
Headquarters	14F, Toho Hibiya Building, 1-2-2, Yurakucho, Chiyoda-ku, Tokyo 100-0006	
Branches	Ginza, Kanda, Shinjuku, Yokohama, Shibuya	
Paid-in capitals	¥8,387 million	
Number of employees	206 (consolidated)	
Board of Directors and Corporate Auditors	President	Tomoaki Horiguchi
	Executive Vice President	Seiichi Saito
	Senior Managing Director	Kunihiro Kotaki
	Managing Director	Izumi Nakamura
	Full-Time Outside Auditor	Shinji Ohsawa
	Outside Auditor	Mizue Akita
	Outside Auditor	Koichi Kase
Group Companies	SF Building Support Inc. Sun Frontier Real Estate Investment Advisors Inc. K.K. Yubi Tokyo Yoko Fudousan Co., Ltd.	



Sun Frontier Fudousan Co., Ltd.

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