

Sun Frontier Fudousan Co.,Ltd.

Business Report 2014

Fiscal Year Ended March 31, 2014



Code Number: 8934



SUN FRONTIER



We aim to become
“the company that customers
rely on the most in the world.”

President Tomoaki Horiguchi

| Summary of 15th Term

Significantly increased sales and profits

The business results of the Group for the 15th term increased sales and profits significantly compared to the previous year, with sales of ¥17,772 million, operating income of ¥4,531 million, ordinary income of ¥4,341 million and net income of ¥4,020. This is thanks to shareholders, and we are grateful for your support.

Having taken into consideration both our financial performance this fiscal year and our future business developments, dividends will increase 5.0 yen (approx. 60%) over the amount of the previous year (8.5 yen), to 13.5 yen per share.

We would like to sincerely apologize for any inconvenience caused to shareholders by the cancellation of our public stock offering. We feel the market was giving us a warning about rapid growth relying on the power of funding. By focusing on long-term training of human

resources to steadily increase results and fulfilling the mandates of shareholders, we will work to regain trust.

This fiscal year saw the effects of the bold monetary easing by the government and the Bank of Japan, giving a real sense that the economy was recovering. In the real estate investment market, it is booming with new investment from overseas investors, with rents looking up in the office building market in Tokyo for the first time in years and indicating clear signs of improvement.

In these circumstances, the Group consolidated the specialties of all our companies to work on the real estate revitalization business based on the chain of additional values. During this year, our ability to create added value increased with even more extensive local knowledge, ability to grasp tenant trends, finding optimum uses, increasing the appeal of buildings and performing renewals with a sense of beauty.

Regarding the acquisition of properties, we expanded acquisition routes based on customer contact, such as purchasing from clients after helping them solve a variety of problems, and our network grew steadily.

Direction of Company

Vision, Policy

Building owners, investors and the wealthy are the Company's target clients, and it provides solutions to all manner of real estate issues faced by clients, with the goal of becoming "the company that customers love and choose the most in the world."

Vision	Aim to be the company that customers love and choose the most in the world
Clients	Building owners, investors, wealthy
Main business	Real estate revitalization
Policy	Solving problems from a client's perspective
Strategy	Focus on people, not property
Differentiation	Downtown Tokyo Offices Finding tenants Real estate revitalization

Become a company with stable growth, high added value and high profits based on developing people

In order to become the company that customers love and choose the most in the world, every employee must become the most reliable person in the world for the clients they deal with. The company aims to increase business results, add further value and expand the business by helping each employee develop as a person.

The key to employee development is our philosophy and amoeba management. The Company focuses not only on developing professional knowledge and skills, but also philosophical development such as pursuing life goals and considering how one should live. With amoeba management, its unique profitability metrics per division, every employee is involved in management directly impacted by the market, developing personnel as a base for the business.

This increase in individual business skills becomes the Company's unique added value of real estate revitalization and helps create high added value.

New Logo

With the 15th anniversary of the founding of the Company, as a demonstration of our goal to become a company that is more useful to and trusted by clients, the corporate logo was changed on April 1, 2014.



SUN FRONTIER

Meaning behind the logo [Work gaining trust]

In order to provide each client with the best personal service and help clients even more, our goal is to develop even further. The symbol mark shows how we would like to increase our trustworthiness and quality as professionals contributing to client happiness in addition to maintaining our altruistic spirit.

Shape

The curve of the emblem represents the spirit of altruism brightening the horizon and contributing to the progress of society and humanity. The human figure that does not fit into a box has been carried over from the previous logo, representing original solutions and continued growth.

Colors

Blue represents sincerity, gold represents wealth and dignity.

Typeface

Representing reliability from high technical skills, forward-thinking, and ability to take action.

| Company strengths, source of added value

The main business of the Company is real estate revitalization of office buildings in central Tokyo. The following five points regarding the Company's strength of added value will be explained:

1. Synergy and coherence of revitalization capabilities for added value of each function
2. Capability to find tenants taking advantage of local knowledge
3. Capability to consider customers in order to maintain high occupancy rates
4. Creativity to determine optimal uses and increase building appeal
5. Diverse acquisition routes created by all companies as a whole

1. Synergy and coherence of revitalization capabilities for added value of each function

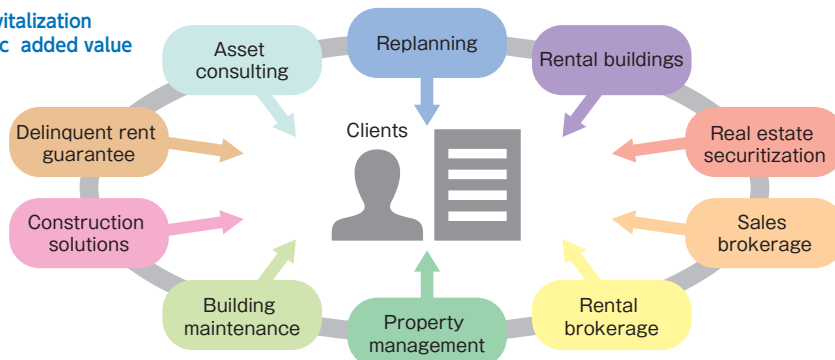
The Company offers a one-stop service for owners of buildings in central Tokyo by providing solutions to all manner of real estate issues faced by clients, and provides rental agency services, property management, security, renovation, and sales and purchasing. In specific, the trust from helping building owners find tenants quickly for vacant rooms has led to property management and renovation

contracts, or providing property management services to clients after they purchase replanning properties and then acting as an agent for sale of that property as well. In this way, the Company deals closely with each client various opportunities for profit are created.

With the opportunities and trust from solving client problems as a base, each internal division seriously considers things from a client perspective and works together to create synergistic added value for real estate revitalization. (See [Figure 1])

In general, real estate revitalization refers only to the hard aspects, i.e. the renovation of buildings, but the real estate revitalization the Company provides not only revitalizes hard aspects but also focuses on soft aspects, to carry out renovations with a sense of beauty and attachment. By creating green terraces for tenants to relax in and adding plants to walls and roofs, or providing furnished offices for rental, a variety of added value functions are combined to create an appealing building from a tenant perspective and achieve a high occupancy rate. For building management, tenants will be visited once a month in order to learn about problems before they become major, deal with them quickly and work together with all the companies to prevent the issue from recurring, working to maintain a high occupancy rate.

Figure 1 Real estate revitalization with synergistic added value



2. Capability to find tenants taking advantage of local knowledge

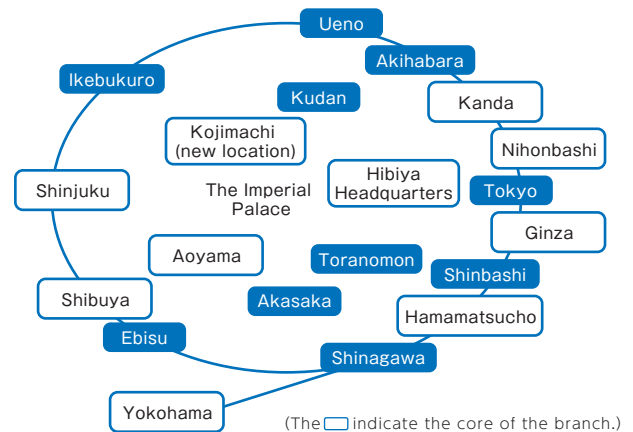
With ten offices specializing in central Tokyo, in particular the five central cities (Chiyoda, Chuo, Minato, Shinjuku, and Shibuya) and Yokohama, the 60 members in our rental brokerage team use their local knowledge to find tenants for office buildings (See [Figure 2]). They work not only on rental brokerage, but also function as consulting members to solve any problems facing building owners, knowing about the sales market and development projects based on on-site experience, in addition to the rental market and vacancy rates.

This capability to find tenants by taking advantage of local knowledge contributes to finding tenants quickly for real estate revitalization and is a source of added value. Also, by solving the problems of building owners the various connections made can lead to acquisitions, so they function for property acquisitions as well.

3. Capability to consider customers in order to maintain high occupancy rates

The greatest hope of building owners is to have a steady income over the long term. In other words, a low vacancy rate. As shown in [Figure 3], despite approx. 82% of properties managed being 20 years or older, the occupancy rate is 97.33% (as of April 30, 2014), which is

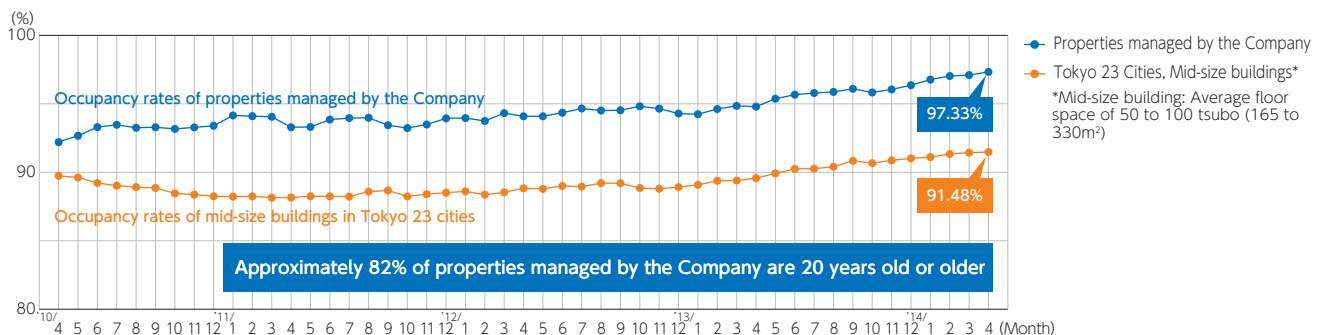
Figure 2 Focal areas



6% above the average occupancy rate for mid-size buildings in the 23 cities of Tokyo.

This is due to the rental brokerage team of 60 using their local knowledge to find tenants and eliminate vacancies. At least once every month, property managers visit all tenants to address their complaints and eliminate any dissatisfaction promptly before it becomes a concern, which is another reason for high occupancy rates. By working on both finding and maintaining tenants, a long-term relation of trust between building owners and tenants can be made.

Figure 3 Occupancy rates of properties managed by the Company



Source: For occupancy rate of mid-size buildings in Tokyo 23 cities, made by the Company based on Sanko Estates "Monthly Office Market Data Reports"

4. Creativity to determine optimal uses and increase building appeal

Example 1 Conversion for optimal uses (Shiba, whole building)

The first floor was converted from office space to a supermarket, the owner residence on the 6th floor was converted into an office with natural light on five sides thanks to seven skylights. By watching market trends and seeking optimal usage for location, buildings can be

revitalized so both tenants and the local community will be happy.

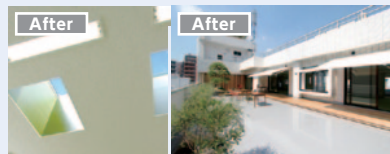
As a result, instead of 3 out of 6 rooms being vacant, full occupancy was achieved and usage changes led to an 18% increase in rental floor space, so rental income increased by approximately 93%.



Exterior



1st floor- supermarket



6th floor- terrace office

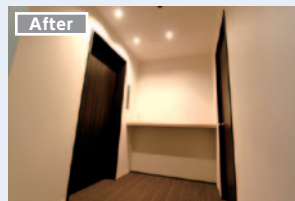
Example 2 Set-up office with complete interior (Nihonbashi, whole building)

An example of a set-up office, furnishing part of the interior before renting it to a tenant. For office building rentals, it is standard for the tenant to provide the interior themselves. However, our Company uses its local knowledge to see tenant trends and furnish interiors for

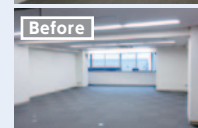
building revitalization from a tenant perspective before seeking tenants. This makes it possible for tenants to save time and money when changing offices, and can be a deciding factor in choosing a location. As a result, 4 vacant rooms out of 8 were rented out for 15% increased rental fee and full occupancy was achieved within two months.



Exterior



Reception installation



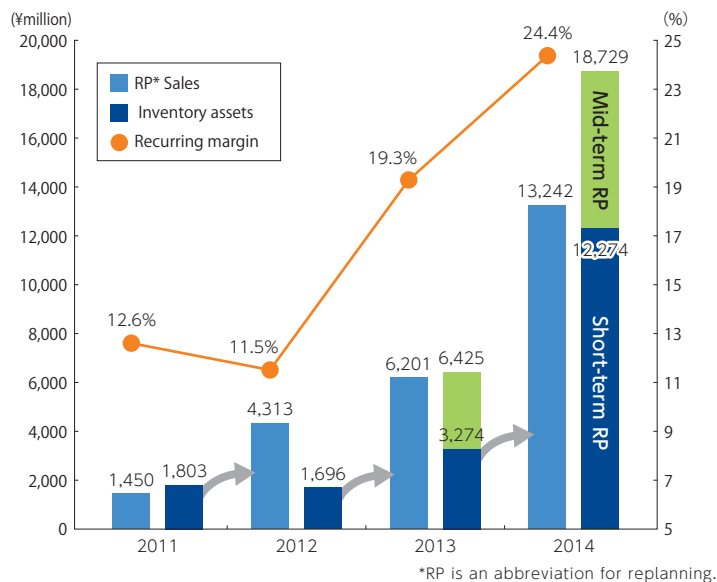
Meeting space installation

5. Diverse acquisition routes created by all companies as a whole

[Figure 4] displays the sales and year-end inventory assets of the replanning business for the past four years. Inventory assets at the end of the fiscal year ended March 31, 2013 were ¥6.4 billion, but were ¥18.7 billion at the end of the fiscal year ended March 31, 2014, as we managed to triple them in one year. This is due to all employees developing diverse acquisition routes by sincerely working with clients to solve their problems, and other efforts to expand acquisition routes.

With the recover of the real estate market, acquisition competition is expected to become fiercer in the future. By continuing to expand acquisition routes and strengthen relations with clients, instead of acquisition focused on market profit and competitive pricing, we will expand acquisitions based on dealings with clients. We believe this will lead to higher added value and the creation of a high-income business model.

Figure 4 Sales and year-end inventory assets of the replanning business



In conclusion

For the fiscal year ending March 31, 2015, forecast sales are ¥26 billion (46.3% increase year-over-year), operating income of ¥5 billion (10.3% increase YOY), ordinary income of ¥4.6 billion (6.0% increase YOY) and net income of ¥4.3 billion (7.0% increase YOY). We will continue to solve problems and revitalize real estate based on the chain of additional values, for a business with high added value.

Dividends are planned to increase by 0.5 yen per share to 14.0 yen per share. We plan to create a company that will continue to grow in the long term and share in our clients' joy.

We will continue to persevere and work together to contribute to society. We ask you for your continued support.

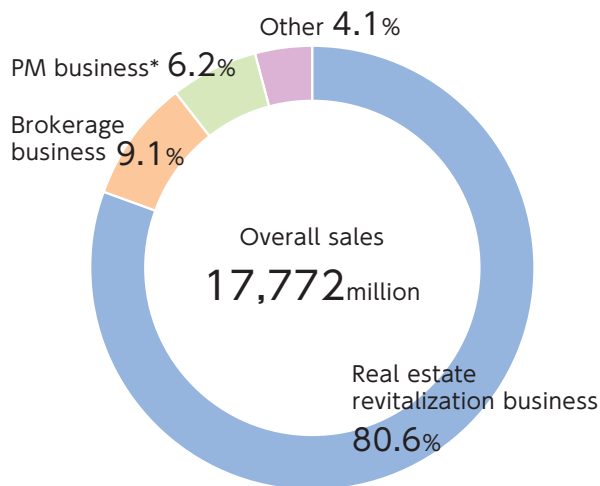


From left to right, Executive Vice President Seiichi Saito, President Tomoaki Horiguchi, Senior Managing Director Kunihiro Kotaki, Managing Director Izumi Nakamura

With the real estate revitalization business in the lead, profits and income increased significantly. The business established itself in solving problems and real estate revitalization.

The Group has continued to provide solutions to all manner of real estate issues faced by clients and offered a one-stop service for owners of buildings in central Tokyo, providing rental agency services, property management, security, renovation, and sales and purchasing. By combining the specialties of these services and running the business from a client perspective, we worked to add synergistic value to real estate revitalization. With local knowledge to find tenants, finding optimal uses, improving building appeal, and renovating with a focus on beauty, synergistic added value was created and know-how gained for office building revitalizations in Tokyo.

As a result of the above, results for this consolidated fiscal year were sales of ¥17,772 million (68.0% increase YOY), operating income of ¥4,531 million (110.1% increase YOY), ordinary income of ¥4,341 million (112.9% increase YOY) and net income of ¥4,020 million (61.9% increase YOY).



*PM is an abbreviation for property management.

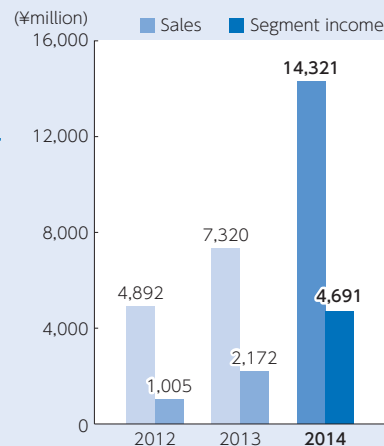
Real estate revitalization business

The replanning business had sales and profit double
With more mid-term contracts acquired, rental income increased

In the replanning business, 19 buildings were sold (10 buildings in the previous year). In addition to the backing of market conditions, we put various ideas into the process of merchandising and the enticement of tenants and so significantly increased profitability. We also put effort into acquisitions and merchandising for sales in the next year and beyond.

In the rental building business, in addition to continued income of ¥2-3 billion per building from mid-term revitalization projects, the rental income from replanning properties undergoing merchandising increased.

As a result, sales were ¥14,321 million (95.7% increase YOY) and segment income was ¥4,691 million (115.9% increase YOY).



The segment income listed for segment results is calculated by deducting interest costs, sales fees, goodwill amortization and other fixed costs from gross profit on sales.

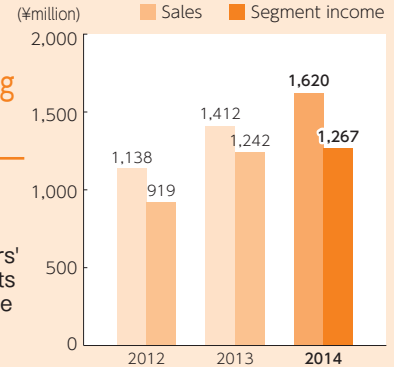
Brokerage business

Sales and profit increased by double-digit for brokerage business
Rental brokerage put effort into finding tenants for properties waiting for replanning, contributing greatly to income for the Group.

In the sales brokerage business, we strengthened our efforts to take on property introductions. Real estate transactions were carried out frequently, with both their scale and number increasing.

In the rental brokerage business, we focused our efforts on solving building owners' concerns by cooperating with internal departments. Putting effort into finding tenants for company properties and properties awaiting replanning contributed greatly to the income of the Group.

As a result, sales were ¥1,620 million (14.8% increase YOY) and segment income was ¥1,267 million (2.1% increase YOY).



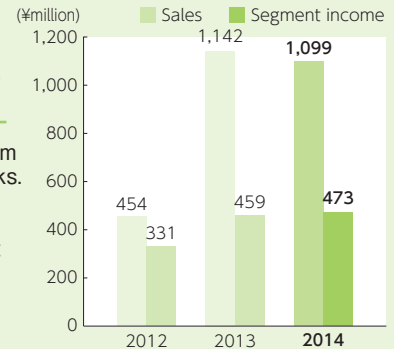
Property management

The number of properties managed increased by 44 from the previous year to 227, operating at over 97% occupancy

In the property management business, we aimed to create business opportunities from taking on sales, construction and revitalization needs arising from administrative tasks. Also we put effort into increasing occupancy rate using local knowledge for rentals and by increasing customer satisfaction through smooth tenant communication.

In the building maintenance business, we reduced the number of bid contracts that have low profitability and worked on increasing the number of properties in cooperation with the existing businesses.

As a result, sales were ¥1,099 million (3.7% decrease YOY) and segment income was ¥473 million (3.1% increase YOY).



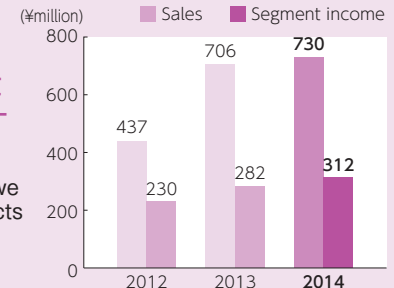
Other

Delinquent rent guarantee business contracts increased 1.5 times, sales and income increased by double-digit

In the construction solutions business, sales and income remained level with the previous year.

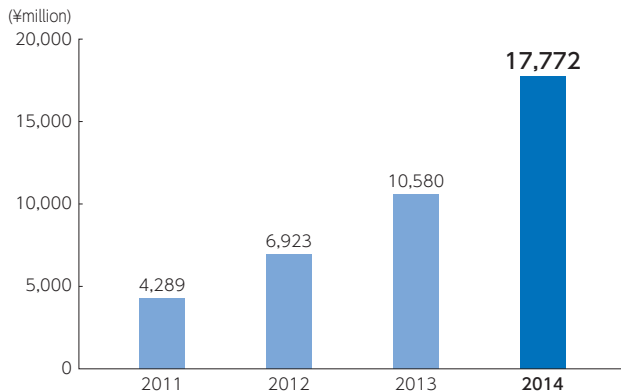
In the delinquent rent guarantee business, in addition to the existing service menu we focused on finding potential client needs by proposing new product plans and contracts handled increased steadily.

As a result, sales were ¥730million (3.4% increase YOY) and segment income was ¥312 million (10.8% increase YOY).



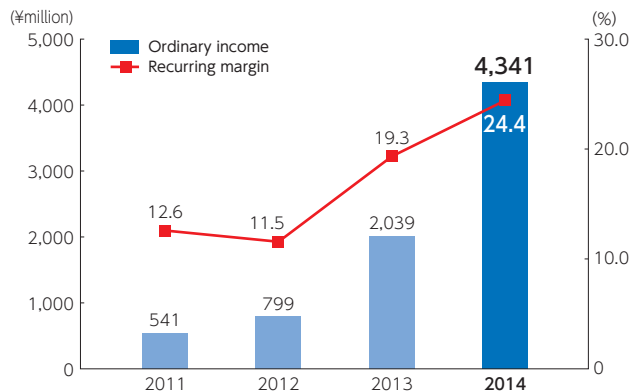
Financial Highlights

Sales



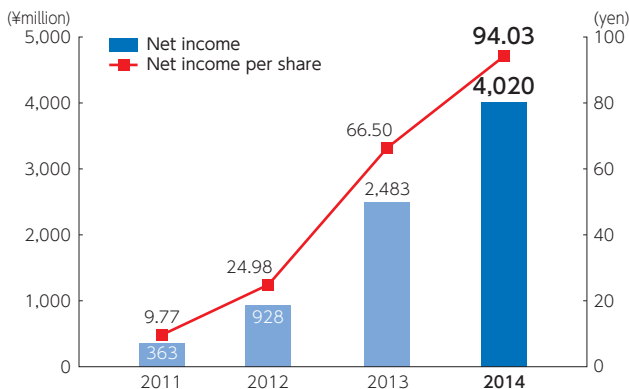
68% increase YOY to ¥17.7 billion, third consecutive increase

Ordinary income, Recurring margin



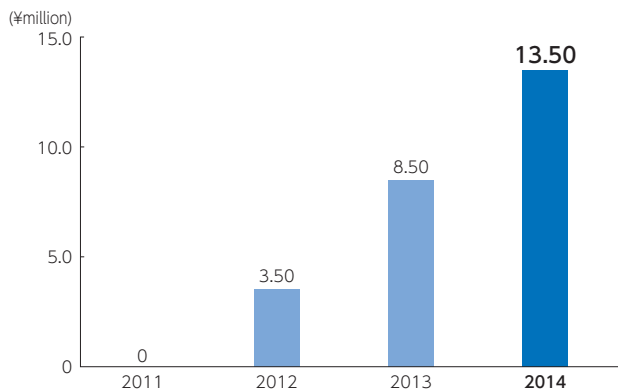
With the replanning business in the lead, ordinary income was double the previous year Business with high added value increased recurring margin to 24%

Net income, Net income per share*1



62% increase YOY to ¥4 billion, third consecutive increase

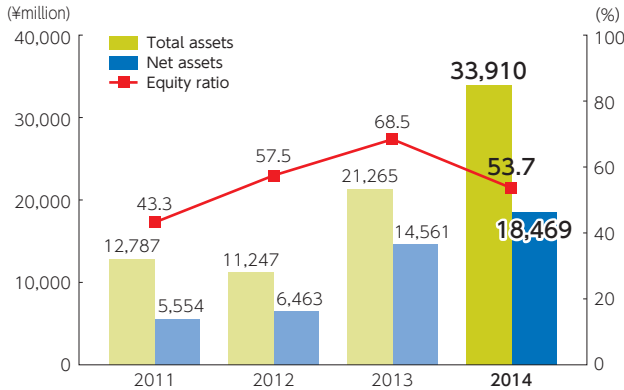
Dividends per share *1



Dividends increased to 13.5 yen per share, a 60% increase YOY, second consecutive increase

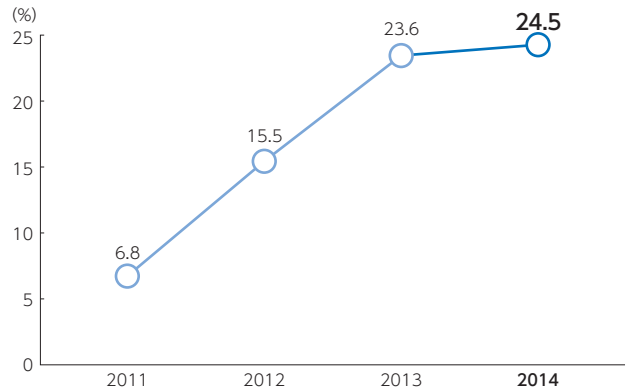
*1 Since the Company split each share into 100 shares as of October 1, 2013, for the ease of calculation 1/100 is used to calculate net income per share and dividends per share.

Total assets, Net assets, Equity ratio



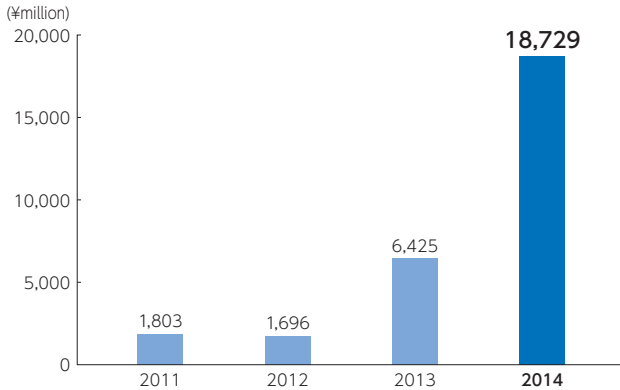
With the increase in inventory of replanning properties, total assets have increased. However, an equity ratio of 50% was maintained for a continued muscular financial state

Return on equity (ROE*2)



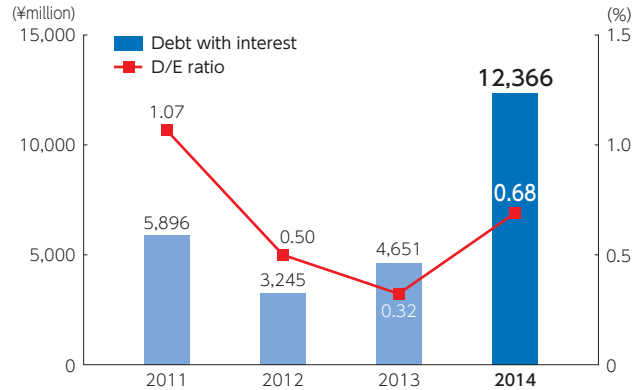
With efforts for early high occupancy revitalization, income was increased and funds used effectively, with ROE increasing to 24.5%

Inventory assets



Properties planned for sale next year or later increased, year-end inventory tripled from the previous year to ¥18.7 billion (21 buildings)

Debt with interest, D/E ratio*3



The increase in inventory assets led to an increase in debt with interest. However, the D/E ratio was kept within 1 to maintain a healthy financial state

For details on financial information, see the website (search Sun Frontier IR)

*2 ROE is calculated with net income/equity capital (average of year start and end) × 100, and is an indicator for capital efficiency.

*3 D/E ratio is calculated with debt with interest/equity capital, and is an indicator of financial soundness.

(As of March 31, 2014)

Share information

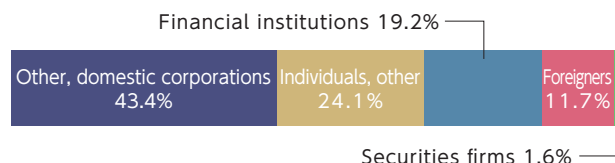
Number of authorized shares	91,200,000
Number of shares issued	42,755,500
Number of shareholders	7,351

Principal Shareholders(Top 10)

Shareholder name	Number of shares held	Ownership ratio*
Houon	17,957,500	42.00%
Tomoaki Horiguchi	3,755,300	8.78%
Japan Trustee Services Bank, Ltd.	3,323,700	7.77%
The Master Trust Bank of Japan, Ltd.	1,323,100	3.09%
The Nomura Trust and Banking Co., Ltd.	1,041,600	2.44%
Trust and Custody Services Bank, Ltd.	735,500	1.72%
BNYML-NON TREATY ACCOUNT	542,277	1.27%
Kouji Ohno	465,900	1.09%
Japan Securities Finance Co., Ltd.	457,100	1.07%
Keiko Horiguchi	399,000	0.93%

*Numbers displayed are rounded off to the second decimal place.
Ownership ratio is calculated after deducting treasury shares (100 shares).

Breakdown of Shareholders (by share number)



Share splitting and adoption of unit share system

The Company respects the goals of the Action Plan for the Consolidation of Share Trading Units announced by Japanese stock exchanges on November 27, 2007, and as of October 1, 2013 each share was split into 100 shares and 100 shares was adopted as the unit of exchange.
This changes requires no paperwork by shareholders.

Shareholder memo

Fiscal year	From April 1 to March 31 of the following year
Annual shareholder meeting	June
Date of record	March 31
Announcement listing method	Electronic public notice (the Company homepage)
(As of June 20, 2014)	If an electronic public notice is not possible for any reason, the notice will be listed in the Nihon Keizai Shimbun.
Shareholder registry administrator	Mizuho Trust and Banking Co., Ltd. 1-2-1 Yaesu, Chuo-ku, Tokyo
Location for handling this business	Mizuho Trust and Banking Co., Ltd. Security Agency Department
Contact address	[Number for inquiries only] ☎ 0120-288-324

Company overview

Name	Sun Frontier Fudousan Co., Ltd. (Code number: 8934)
Headquarters	Toho Hibiya Building, 1-2-2, Yurakucho, Chiyoda-ku, Tokyo 100-0006 Tel.03-5521-1301 https://www.sunfrt.co.jp
Branches	Ginza, Kanda, Shinjuku, Shibuya, Aoyama, Yokohama
Capital	¥8,387 million
Number of employees	199 (consolidated)

Executives	President	Tomoaki Horiguchi	Vice President	Seiichi Saito*
(As of June 20, 2014)	Executive Vice President	Seiichi Saito	Executive Officer	Kunihiro Kotaki*
	Senior Managing Director	Kunihiro Kotaki	Executive Officer	Izumi Nakamura*
	Managing Director	Izumi Nakamura	Executive Officer	Ichiro Mizuno
	Outside Director	Toshio Takahara	Executive Officer	Yasushi Yamada
	Full-time Auditor	Shinji Ohsawa		Kenji Honda
	Outside Auditor	Koichi Kase		Mitsuhiro Ninomiya
		Hirokazu Moriya		

*Also hold director positions.

Principal Consolidated Subsidiaries	SF Building Support Inc. Sun Frontier Real Estate Investment Advisors Inc. K.K. Yubi SUN FRONTIER FUDOUSAN TAIWAN CO., LTD.
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