

The First Quarter Financial Statements of the FY ending March 31, 2016

Our goal is to be a real estate company most loved and chosen by customers in the world.

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Aug. 6, 2015



SUN FRONTIER

Securities code: 8934

Corporate profile



Corporate name	Sun Frontier Fudousan Co., Ltd.
Location of the headquarters	1-2-2 Yuraku-cho, Chiyoda-ku, Tokyo
Date of establishment	Apr. 8, 1999
Capital	8,387 million yen
Representative	President, Representative Director: Tomoaki Horiguchi
No. of employees	267 consolidated base (average age: 33.2 years old)
Business contents	Revitalization of real estate Realty services (Real estate management, brokerage, construction planning, rent guarantee, property management asset management)
Fiscal year end	March
Listed in	First Section of the Tokyo Stock Exchange (securities code: 8934) (as of the end of Jun. 2015)



Executive Summary
Summary of the 1st Quarter Financial
Statements of the FY ending Mar 31, 2016

Summary of the 1st Quarter Financial Statements of the FY ending Mar 31, 2016



1st Quarter Financial Statements of the FY ending Mar 31, 2016

Firm grows of business performance

	Results	YoY	Growth rate
Sales	6,060 million yen	+ 1,398 million yen	+30.0%
Operating income	1,423 million yen	+ 396 million yen	+38.7%
Ordinary income	1,367 million yen	+ 410 million yen	+42.8%
Net income ^(※)	1,183 million yen	+ 296 million yen	+33.4%

(※) Net profit attributable to the parent company's shareholders

Outcome in the 1st quarter

1) The results for the 1st quarter marked a record high for two consecutive years.

From the same period of the previous year
 Sales: up by 30% (+ 1,300 million yen)
 Operating income: up by 39% (+ 300 million yen)
 Ordinary income: up by 43% (+ 400 million yen)

2) Thanks to the revitalization business, profit margin increased.

By grasping the needs of tenants, we were able to improve the ability to create additional values. Then, ordinary income margin increased to 22.6%. (full-year ordinary income margin in the previous year: 20.2%)

3) Aggressive business operation Growth strategy: "3 arrows"

We launched a hotel business, while expanding our current businesses, conducting M&A, and operating overseas businesses. We proceed steadily with the development of a new foundation for earning profit.

Summary of the results for the first quarter



[unit: million yen]

	Apr. to Jun. in the FY ended Mar 31, 2015	Apr. to Jun. in the FY ending Mar 31, 2016	Profit margin to sales	Increase from the same period of the previous year	Initial forecast for the FY ending Mar 31, 2016	Progress rate with respect to the initial forecast
Sales	4,661	6,060	—	+30.0%	33,000	18.4%
Operating income	1,026	1,423	23.5%	+38.7%	6,300	22.6%
Ordinary income	957	1,367	22.6%	+42.8%	6,000	22.8%
Net income	887	1,183	19.5%	+33.4%	5,300	22.3%

Consolidated profit-and-loss statement SUN FRONTIER

[unit: million yen]

	Apr. to Jun. in the FY ended Mar 31, 2015	Apr. to Jun. in the FY ending Mar 31, 2016
Sales	4,661	6,060
Real estate revitalization	3,206	4,665
Real estate securitization	403	0
Rental building business	421	497
Brokerage	222	405
Property management	307	358
Other businesses	101	133
Gross profit on sales	1,754	2,191
Real estate revitalization	733	1,323
Real estate securitization	403	0
Rental building business	224	271
Brokerage	178	368
Property management	143	166
Other businesses	70	62
Selling and general administrative expenses	727	768

	Apr. to Jun. in the FY ended Mar. 2015	Apr. to Jun. in the FY ending Mar. 2016
Operating income	1,026	1,423
Non-operating income	4	3
Non-operating expenses	74	59
Ordinary income	957	1,367
Extraordinary loss/income	6	▲10
Corporate income tax, etc.	75	172
Net income	887	1,183

The profit margin of the Revitalization business increased, improving ordinary income margin

- The gross profit margin of the Revitalization business for the 1st quarter is 28.4%, which is higher than the profit margin for the 1st quarter of the previous year (22.9%) and the full-year profit margin for the previous year (25.4%).

Stable income structure covering SG&A

- The income from rental building and realty service businesses (868 million yen) exceeds the SG&A(732 million yen), excluding Revitalization sales commissions.

Consolidated balance sheet -Assets-



[unit: million yen]

	End of Mar. 2014	End of Mar. 2015	End of Jun. 2015	Increase/decrease (from the end of Mar. 2015)
Current assets	31,446	37,452	36,639	▲813
Cash and deposits	11,180	12,686	12,010	▲676
Inventory assets	18,729	23,479	23,305	▲174
Other current assets	1,536	1,285	1,322	+36
Noncurrent assets	2,464	2,971	3,585	+614
Property plant and equipment	2,164	2,483	3,056	+573
Intangible assets	11	76	92	+16
Investments and other assets	287	412	436	+24
Total assets	33,910	40,424	40,225	▲199

The balance of inventory assets has remained on a plateau (5 buildings sold, 4 buildings and 1 piece of land procured in this quarter). Additionally, the real estate property in the process of procurement contract, amounts to 12.2 billion yen including fixed assets, as of the end of July.

The amount of deposit for purchasing noncurrent assets (rental buildings) increased, and then cash and deposits decreased with it.

Consolidated balance sheet—Liabilities and net assets-



[unit: million yen]

	End of Mar. 2014	End of Mar. 2015	End of Jun. 2015	Increase/decrease (from the end of Mar. 2015)
Current liabilities	3,023	3,550	3,855	+305
Short-term loans payable, etc.	1,006	1,004	1,117	+113
Income taxes payable, etc.	266	221	177	▲43
Other current liabilities	1,750	2,324	2,560	+235
Noncurrent liabilities	12,417	14,172	13,187	▲984
Long-term loans and bonds payable	11,359	12,988	12,129	▲859
Other noncurrent liabilities	1,057	1,183	1,058	▲125
Total liabilities	15,440	17,723	17,043	▲679
Shareholders' equity	18,217	22,693	23,171	+478
Others	252	8	9	1
Total net assets	18,469	22,701	23,181	+480
Total capital and liabilities	33,910	40,424	40,225	▲199

Variation in capital-to-asset ratio

End of Mar. 2014	End of Mar. 2015	End of Jun. 2015
53.7%	56.2%	57.6%

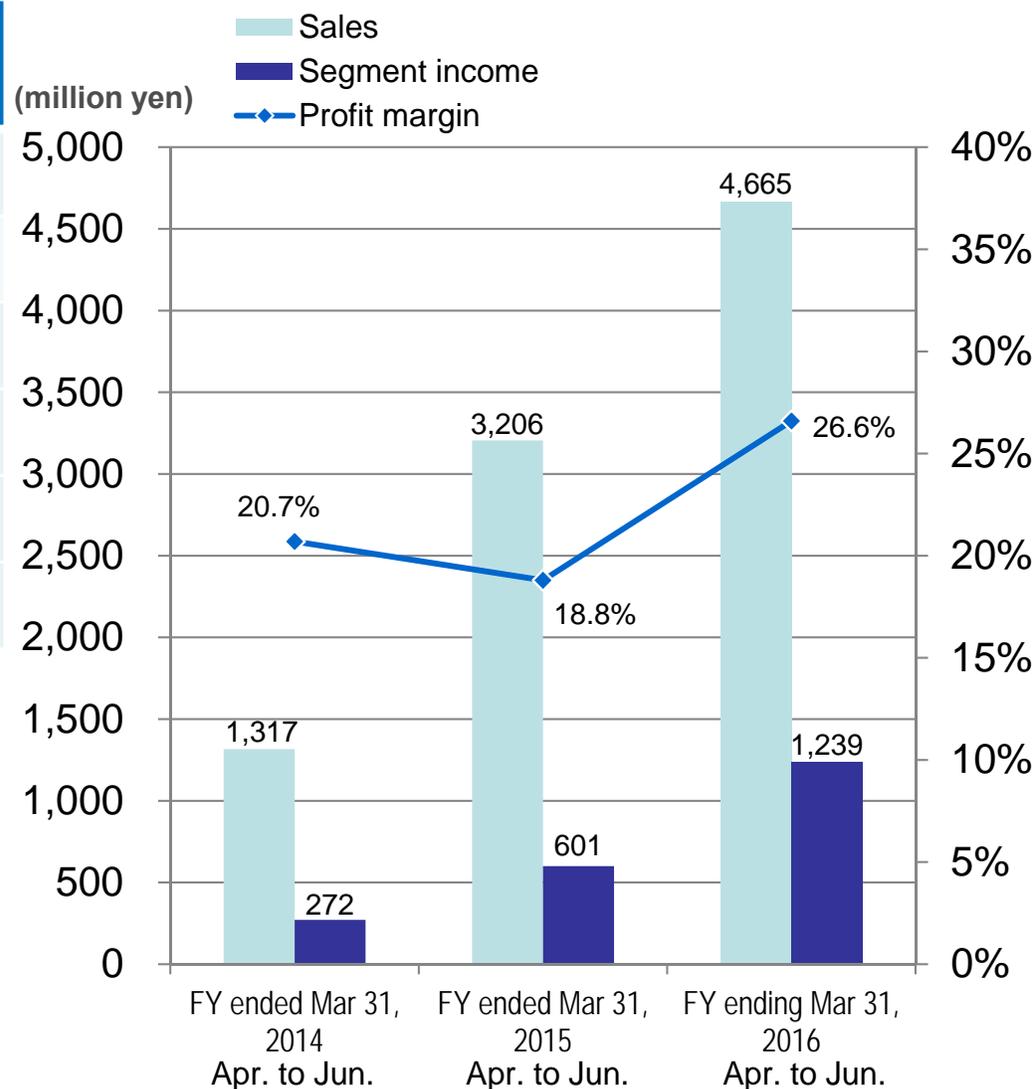
As the sale of revitalized property progressed, the interest-bearing liabilities decreased from 13.9 billion yen as of the end of the previous year to 13.2 billion yen.

Retained earnings increased due to the difference between quarterly net income (+ 1.18 billion yen) and term-end dividend payment (-700 million yen).

Performance of Revitalization business



[unit: million yen]	Apr. to Jun. in the FY ended Mar 31, 2015	Apr. to Jun. in the FY ending Mar 31, 2016	Increase/decrease
Sales	3,206	4,665	+45.5%
Segment income ^(Note 1)	601	1,239	+106.2%
Profit margin	18.8%	26.6%	+7.8%p
No. of procured buildings	7	5	▲2
No. of sold buildings	6	5	▲1
No. of buildings in stock as of the end of the term	22	25 ^(Note 2)	+3



■ Both sales and profit grew, and profit margin increased considerably.

■ 4 buildings (for Revitalization) and 1 piece of land (for a hotel) procured; 5 buildings sold

■ The average business day for selling a property is 224.

■ The stocks of revitalization property as of the end of the first quarter are 25 buildings, worth 22.1 billion yen^(Note 2)

※As of the end of July, the real estate in the process of procurement contract was 4 buildings for revitalization, worth 3.8 billion yen. In addition, there were 1 building and 2 pieces of land for hotels, 1 rental building as noncurrent assets, which are worth 8.4 billion yen. The total amount is 12.2 billion yen.

(Note 1) "Segment income" is calculated by subtracting the expenses for respective businesses, such as interest paid, sales commission, and goodwill amortization, from gross profit on sales.

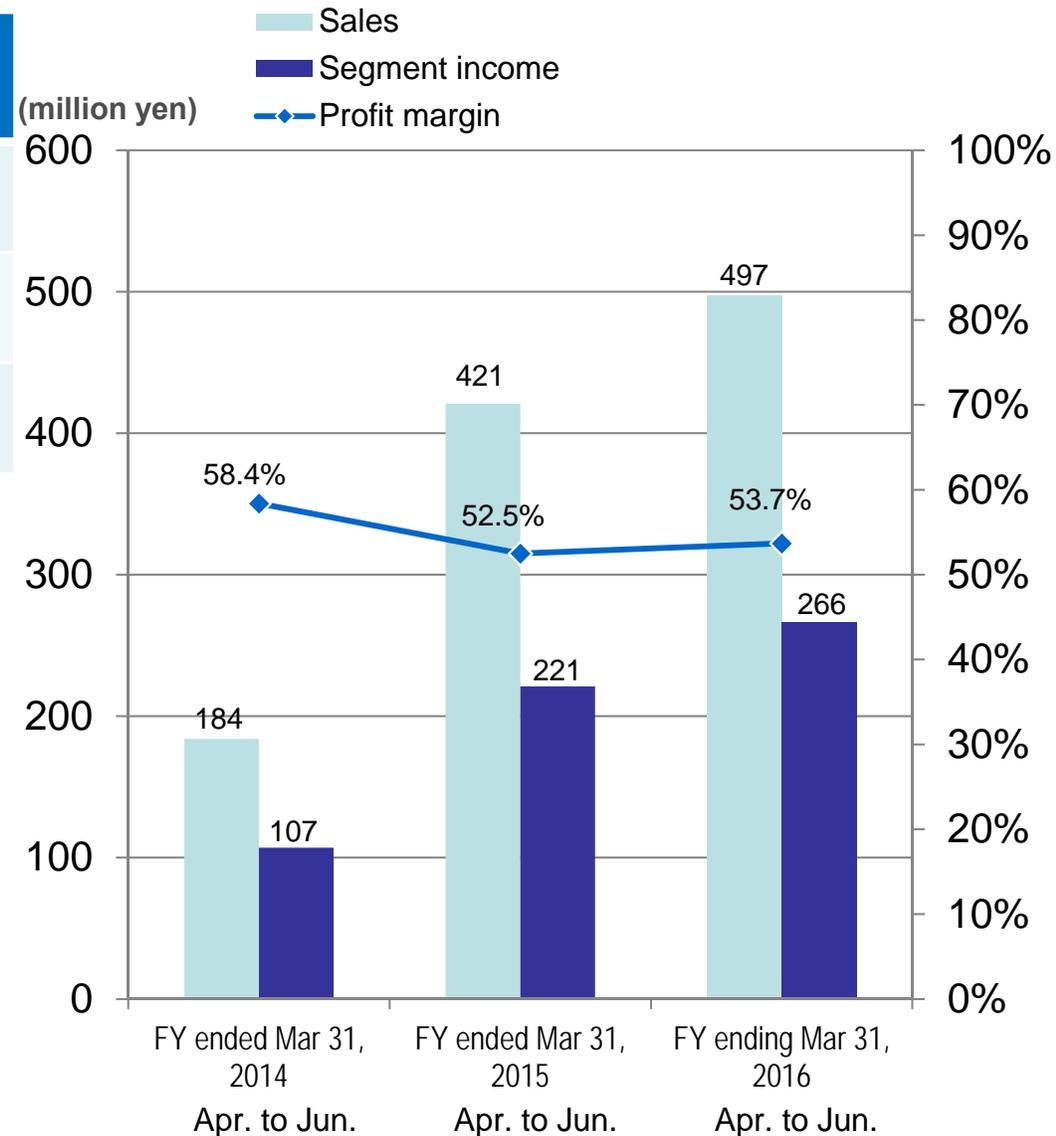
(Note 2) Projects for procuring and developing land are included in Revitalization stocks.

Performance of Rental building business



[unit: million yen]	Apr. to Jun. in the FY ended Mar 31, 2015	Apr. to Jun. in the FY ending Mar 31, 2016	Increase/decrease
Sales	421	497	+18.0%
Segment income	221	266	+20.7%
Profit margin	52.5%	53.7%	+1.2%

- Increasing stable income, as a result of steady growth of sales and profit.
- The increase in income from rents of mid to long-term revitalized properties contributed.

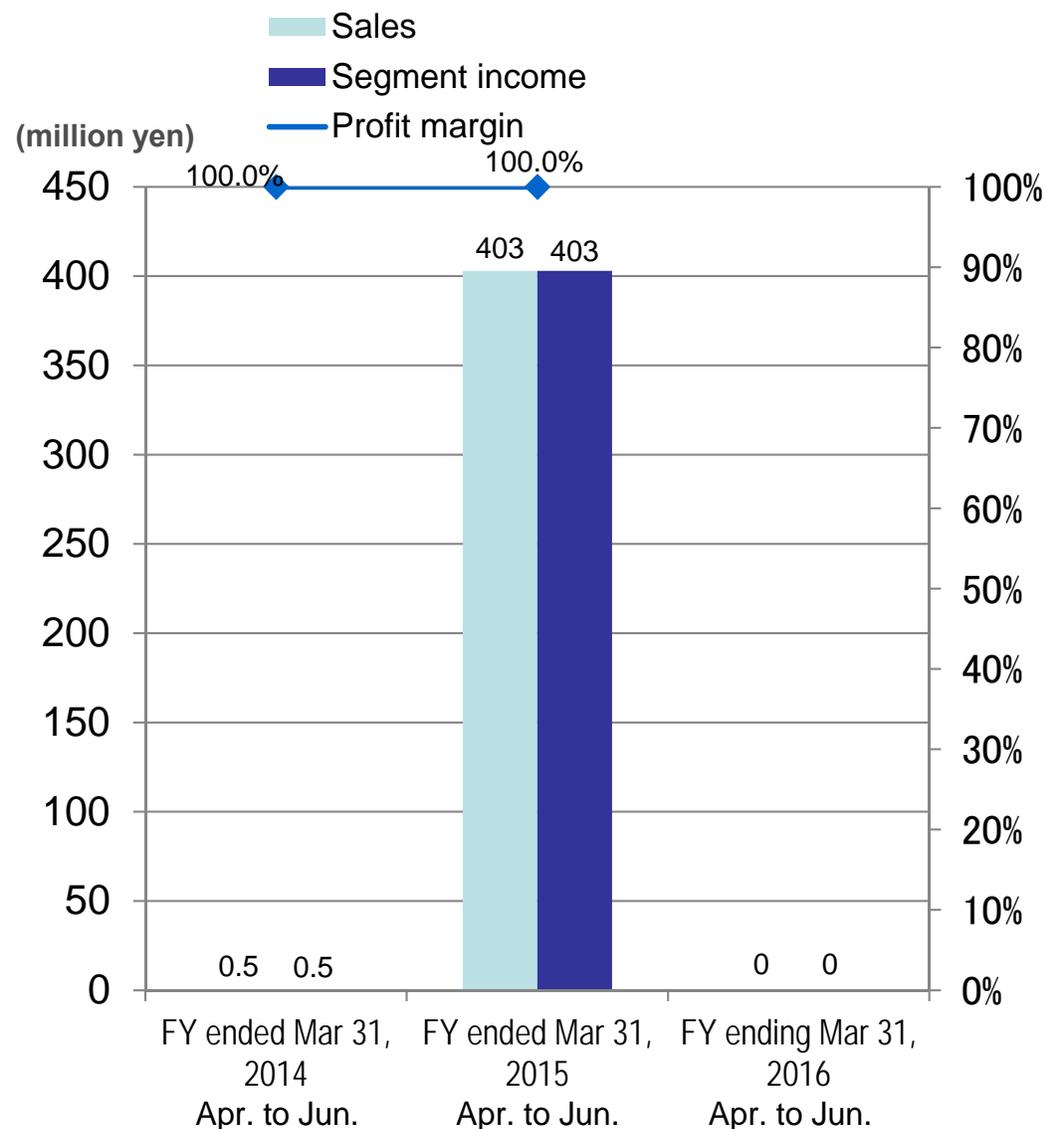


Performance of Real estate securitization business



[unit: million yen]	Apr. to Jun. in the FY ended Mar 31, 2015	Apr. to Jun. in the FY ending Mar 31, 2016	Increase/decrease
Sales	403	0	▲100.0%
Segment income	403	0	▲100.0%
Profit margin	100.0%	—	—

- In the same period of the previous year, there was the income from investment allocation in conformity with the sale of collaborative investment projects, but in the current first quarter, there were no such projects.



Performance of Brokerage business

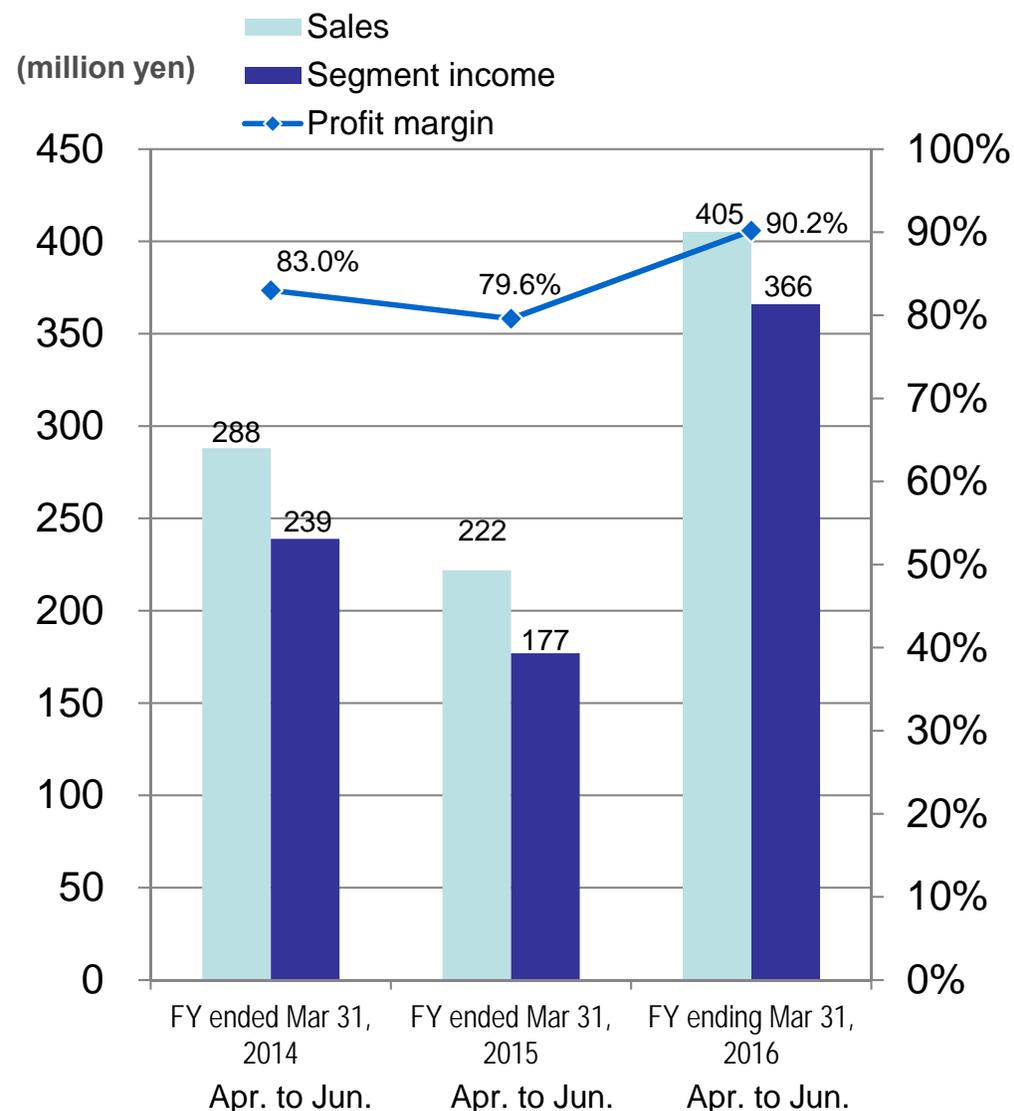
[unit: million yen]	Apr. to Jun. in the FY ended Mar 31, 2015	Apr. to Jun. in the FY ending Mar 31, 2016	Increase/decrease
Sales	222	405	+82.5%
Segment income	177	366	+106.8%
Profit margin	79.6%	90.2%	+10.6%

< Sales brokerage >

- As the property market has been vibrant, the number of successful transactions increased, and the scale of projects got larger. Consequently, both sales and profits grew considerably.
- The transactions with overseas investors, mainly from Taiwan are increasing.

< Rental brokerage >

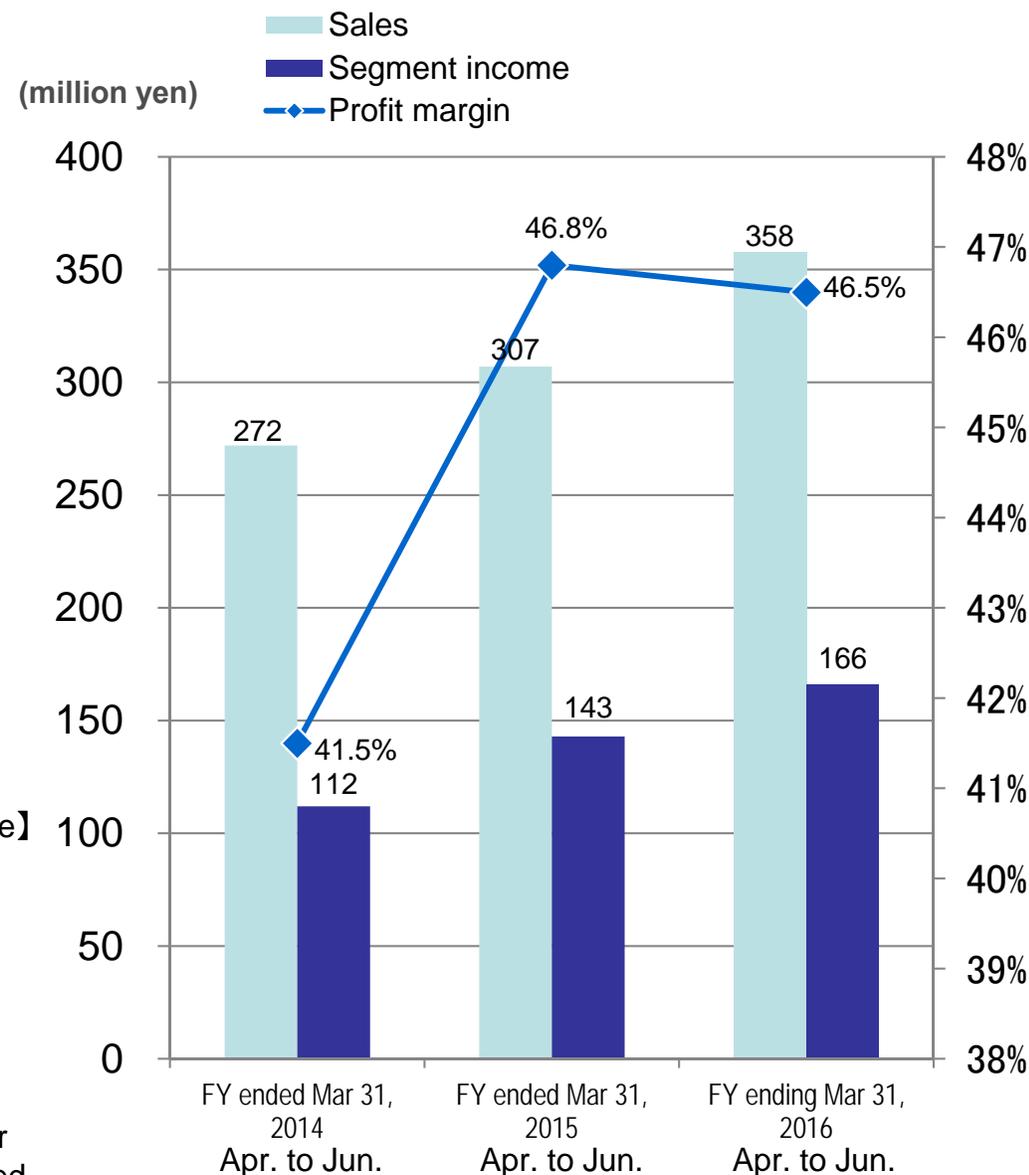
- Both sales and profits were on a plateau, but we concentrated on solving the worries and difficulties of owners and finding tenants for revitalized buildings, which is generating to the creation of the future profits for the entire company.



Performance of Property management business



[unit: million yen]	Apr. to Jun. in the FY ended Mar 31, 2015	Apr. to Jun. in the FY ending Mar 31, 2016	Increase/decrease
Sales	307	358	+16.6%
Segment income	143	166	+15.9%
Profit margin	46.8%	46.5%	▲0.3%



<Property management business>

- Both sales and profits increased by over 15%.
- No. of entrusted buildings: 292 (up 50 compared to the same period of the previous year)
- Occupancy rate: 96.1% (down by 1.2%)

【Variations in the number of entrusted buildings and occupancy rate】

	No. of entrusted buildings	Occupancy rate
End of Jun. 2013	190	95.7%
End of Jun. 2014	242	97.3%
End of Jun. 2015	292	96.1%

<Building maintenance business>

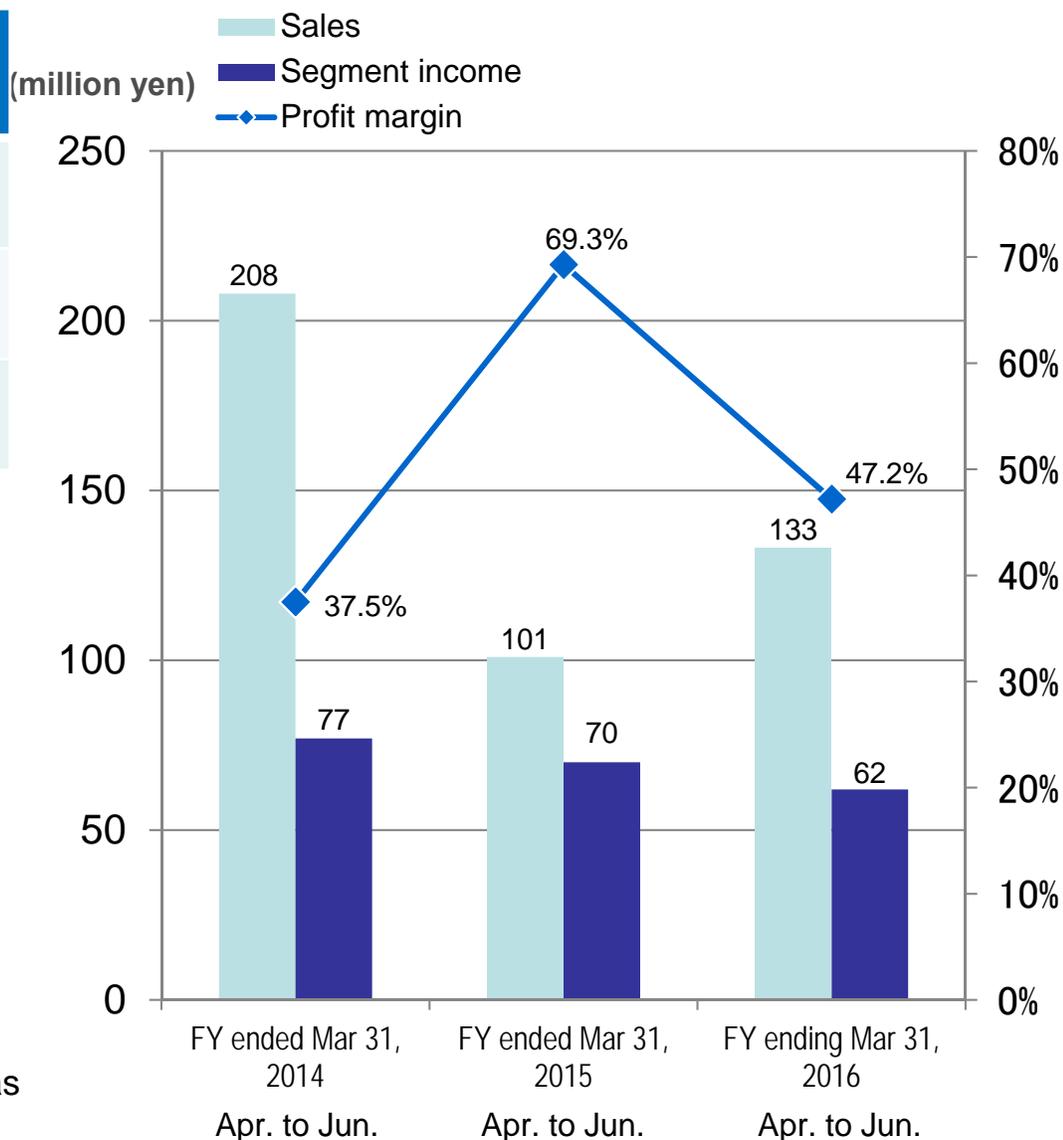
- We made efforts to increase projects in cooperation with other business divisions. As a result, both sales and profits increased.

Performance of Other Business

(delinquent rent guarantee, construction solution, space rental)



[unit: million yen]	Apr. to Jun. in the FY ended Mar 31, 2015	Apr. to Jun. in the FY ending Mar 31, 2016	Increase/decrease
Sales	101	133	+31.7%
Segment income	70	62	▲10.4%
Profit margin	69.3%	47.2%	▲22.1%



< Delinquent rent guarantee business >

- We concentrated on in-house introduction and cooperation with influential companies. As a result, the ratio of successful transactions exceeded by 40%, compared to the previous FY, which increased both sales and profits.

<Construction solution business>

- The contract amount per construction was raised, increasing both sales and profits.

<Space rental business>

- The number of users of "Vision Office Tokyo," which was started as a new business in April this year, is increasing, but it is still in the red.

Target managerial indexes

[Value-added Management]

1) Ordinary profit margin: over 20%

[Financial stability]

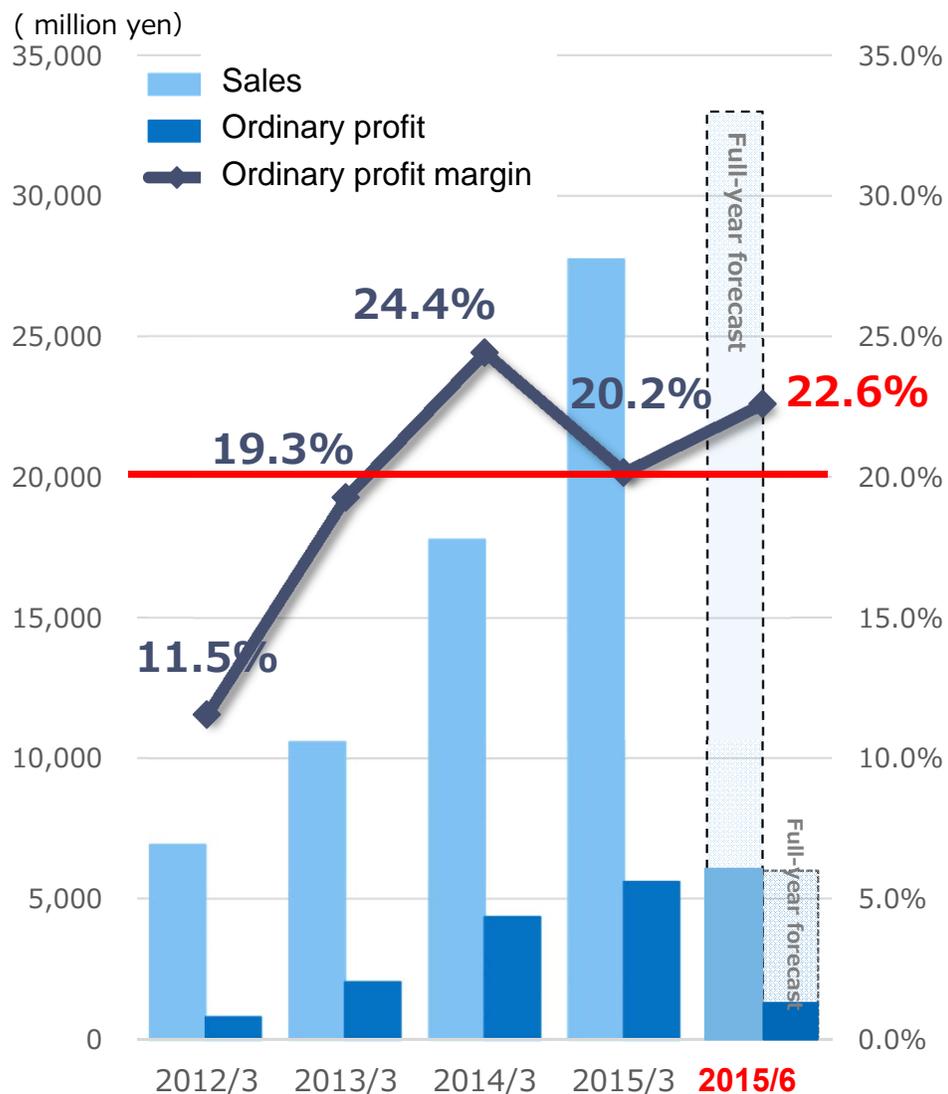
2) Capital adequacy ratio: over 50%

To research the values and interests of clients, adopt bold schemes, improve the quality of services and products with high added values, **evolve by ourselves and make progress while emphasizing profits rather than sales, and managing risks.**

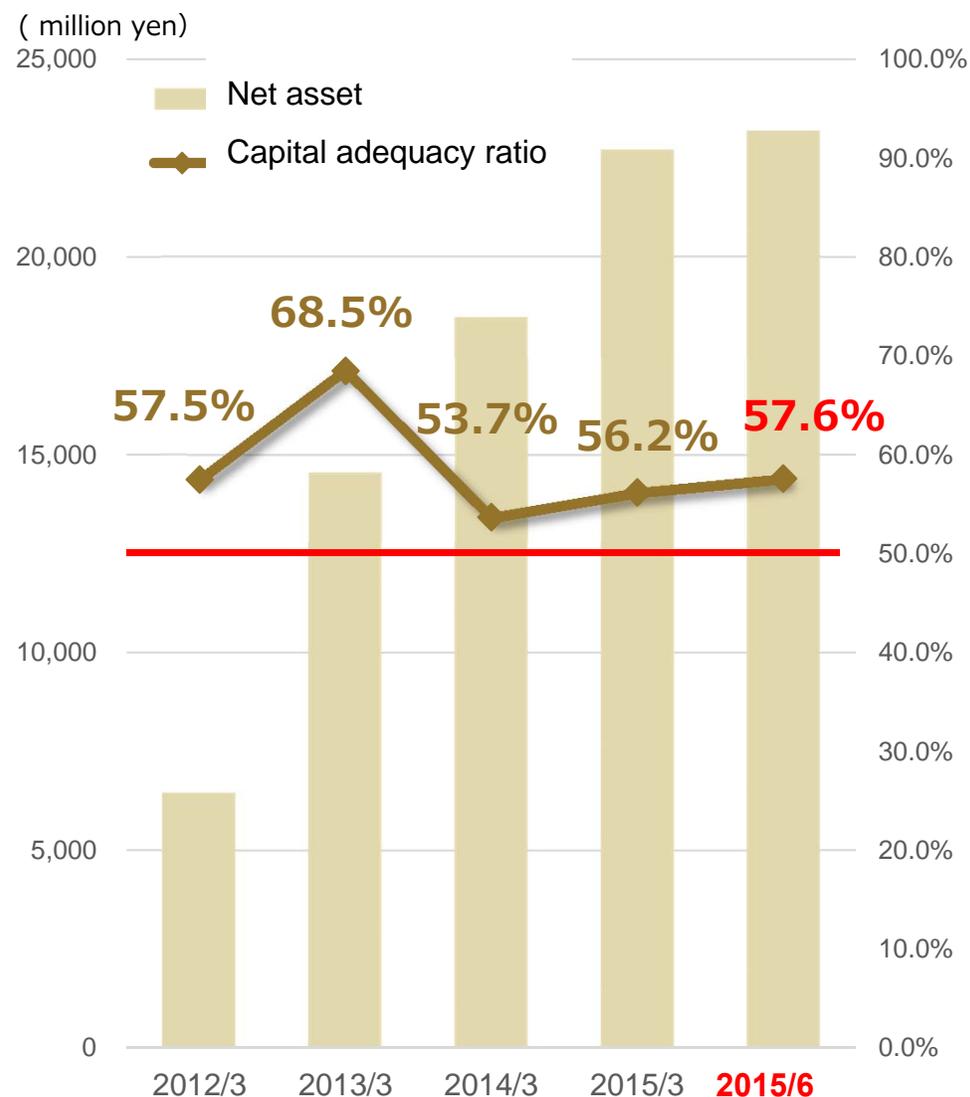
Variations in target managerial indexes



Variation in ordinary profit margin



Variation in capital adequacy ratio



Future activities

- 1) **Business environment**
- 2) **Managerial policies and business models**
- 3) **Growth strategies**

The global economy moderates to a sustainable growth.

The global economy is expected to grow moderately, because of low oil prices and the healthy U.S. economy, but we need to pay attention to the sluggish growth of the Chinese economy, the downturn of Europe, the hike in interest rates in the U.S., etc.

The Japanese economy will keep recovering sustainably for getting out of deflation, as corporate performances, employment situations, and incomes are being improved, thanks to the monetary easing policy, the yen depreciation, etc.

Under the vision with Tokyo Olympics 2020 being a springboard, urban infrastructure will be upgraded, and “the world’s best city Tokyo” in the aspects of the environment, safety, convenience, etc. is about to be actualized.

Financial and human inflow from inside and outside Japan

As population is aging and the fund procurement environment is favorable because of low interest rates, there is a growing demand for the purchase of real estate, for coping with inheritance tax, managing assets, and bracing for inflation.

The inflow of funds from overseas investors will become remarkable, because of Japan’s growth strategies, the yen depreciation, and the economic growth in Asia, and then the needs for the acquisition of real estate will grow.

The consumption by foreign visitors to Japan will increase, and the demand for commercial and accommodation facilities will expand.

The urban office building market is improving.

Based on healthy corporate performance, the transaction of relocating to a larger office, enlarging the office spaces etc. becomes more achieve than before. In the five wards of Tokyo, the demand-supply balance will be tightened due to the decline in supply, and this leads the rent upward and vacancy rate downward.

Mainly for urban office buildings in good locations, the advertised rents will be raised, or rent increase negotiation at the renewal of contract is necessary. This enhances the advantage of lessors.

GDP ranking among cities in the world

Tokyo is the huge market that has the highest GDP among cities in the world, surpassing New York. Its market scale is larger than the real GDP of South Korea (1.2 trillion dollars), and so Tokyo is our main competition field.

city name	GDP [unit: billion dollars]	city name	GDP [unit: billion dollars]
1 Tokyo (Japan)	1,616.8	16 Hong Kong	416.0
2 New York (the U.S.)	1,403.5	17 Dallas (the U.S.)	412.7
3 Los Angeles (the U.S.)	860.5	18 Mexico city (Mexico)	403.6
4 Seoul-Incheon (South Korea)	845.9	19 Guangzhou (China)	380.3
5 London (the U.K.)	835.7	20 Tianjin (China)	372.0
6 Paris (France)	715.1	21 Singapore (Singapore)	365.9
7 Osaka-Kobe (Japan)	671.3	22 Nagoya (Japan)	363.8
8 Shanghai (China)	594.0	23 Shenzhen (China)	363.2
9 Chicago (the U.S.)	563.2	24 Boston (the U.S.)	360.1
10 Moscow (Russia)	553.3	25 Istanbul (Turkey)	348.7
11 Beijing (China)	506.1	26 Philadelphia (the U.S.)	346.5
12 Koln-Dusseldorf (Germany)	485.2	27 Suzhou (China)	339.0
13 Houston (the U.S.)	483.2	28 San Francisco (the U.S.)	331.0
14 Washington (the U.S.)	442.2	29 Taipei (Taiwan)	327.3
15 Sao Paulo (Brazil)	430.5	30 Jakarta (Indonesia)	321.3

* Source: Produced by our company based on the reference materials released by the Brookings Institute. "GDP ranking among cities in 2013-2014" (based on purchasing power parity)
 <<No. of outbound bullet trains from Tokyo>> ...17 trains/hour (1 hour from 8:00 am in the season) *The number of seats of N700 series is 1,323 (22,491 seats/hour)

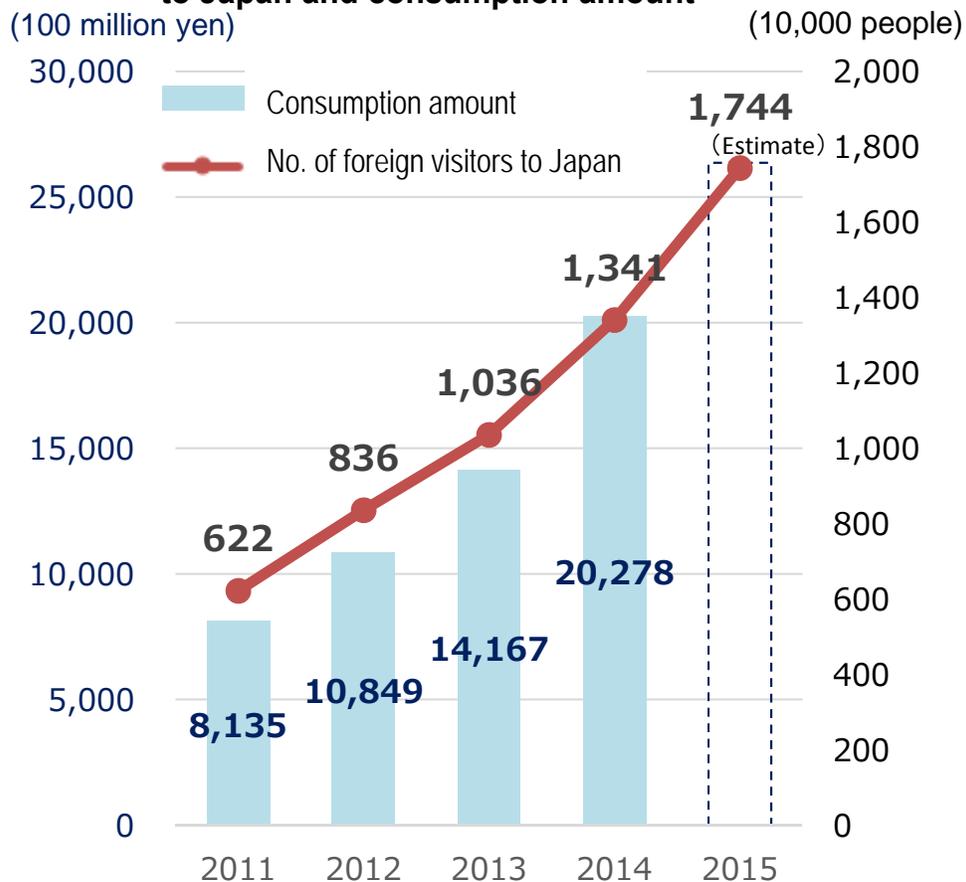


車両形式	N700系	700系	N700系	700系	700系	N700系	N700系	700系	N700系	N700系	N700系	700系	700系	700系	N700系	700系	700系	N700系	700系	N700系	700系	N700系	700系	700系	
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運転日注意	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇
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東 京発	800	803	810	813	813	820	...	823	826	830	833	...	840	840	840	...	847	850	...	853	856	900	905	910	913

No. of foreign visitors to Japan and consumption amount in Japan

The visitors from mainly Asian countries to Japan and their consumption amount in Japan have increased steeply, because of the economic growth in Asia, the decline in relative prices due to the yen depreciation, the easing of regulations for visas, etc., the enhance of outward promotion, the development of towns comfortable to foreign people, the establishment of systems for welcoming foreign visitors, etc. In 2020, the number of visitors is expected to reach 25 million, much larger than the governmental goal: 20 million.

Variations in the number of foreign visitors to Japan and consumption amount



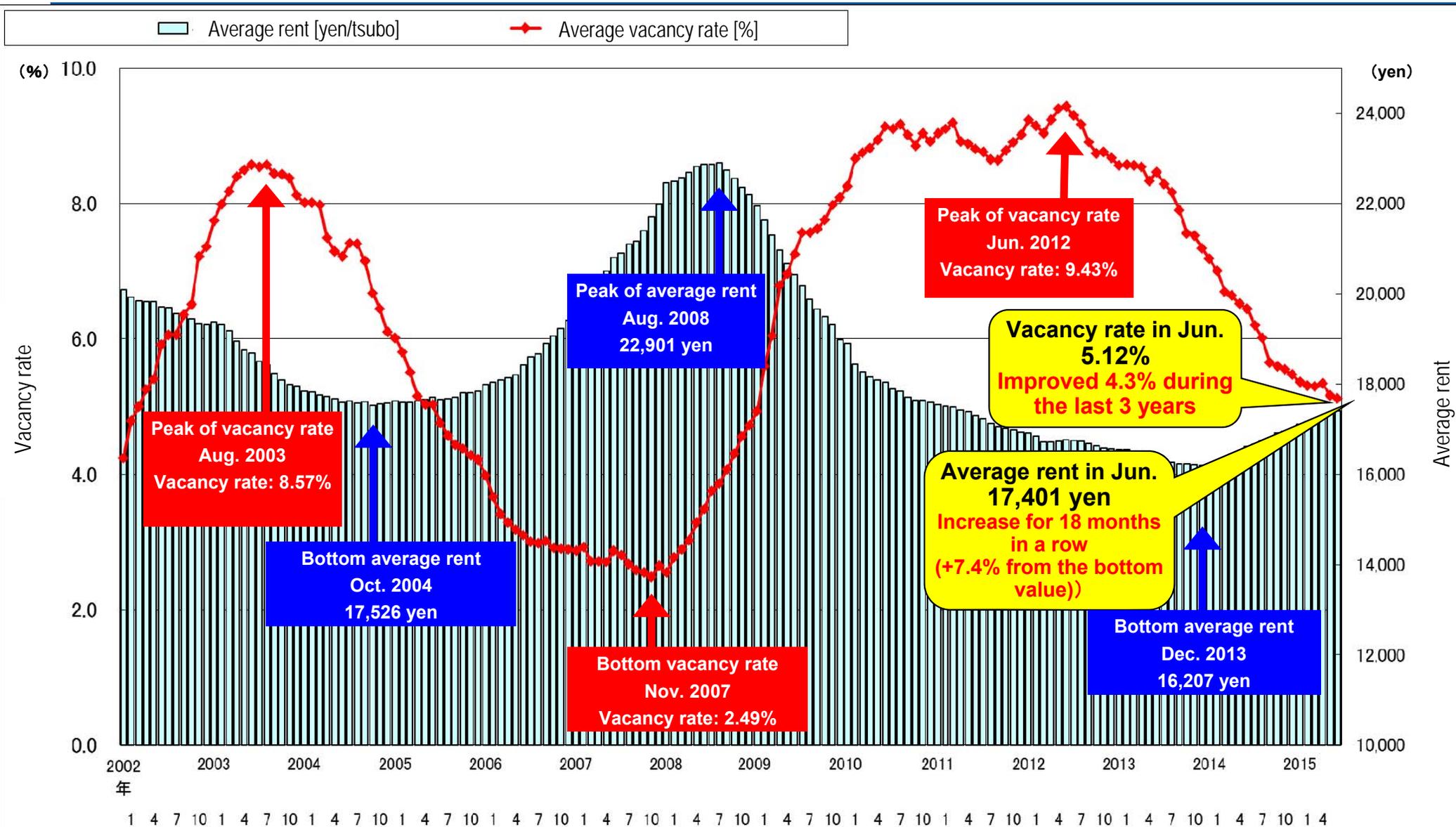
No. of visitors from top 10 countries and consumption (2014)

Rank	Nationality/region	No. of visitors to Japan		Consumption during travel [100 million yen]		Travel expense per person [yen/person]
1	Taiwan	2,829,821	21.1%	3,544	17.5%	125,248
2	South Korea	2,755,313	20.5%	2,090	10.3%	75,852
3	China	2,409,158	18.0%	5,583	27.5%	231,753
4	Hong Kong	925,975	6.9%	1,370	6.8%	147,958
5	The U.S.	891,668	6.6%	1,475	7.3%	165,381
6	Thailand	657,570	4.9%	960	4.7%	146,029
7	Australia	302,656	2.3%	690	3.4%	227,823
8	Malaysia	249,521	1.9%	363	1.8%	145,466
9	Singapore	227,962	1.7%	355	1.8%	155,792
10	The U.K.	220,060	1.6%	412	2.0%	187,239
Total for top 10 countries		11,469,704	85.5%	16,842	83.1%	

*Source: produced by our company based on the reference material released by Japan Tourism Agency

※Source: Our company produced the data till 2014 based on the reference material released by JNTO and the estimated number of foreign visitors to Japan in 2015 based on the reference material released by Nomura Securities.

Variations in office rent and vacancy rate in 5 wards in Tokyo



* Source: Produced by our company based on the "office report" of Miki Shoji. This researched the office buildings whose reference floor's area is over 100 tsubo in 5 wards in Tokyo.

2) Managerial policies and business models

Vision and policies of Sun Frontier



Vision

We aim to become the real estate company loved and chosen the most by clients in the world as **“professionals in real estate utilization”**

Clients

Building owners, asset holders, and wealthy individuals

Core business

Real estate revitalization (utilization)

Policies

To focus on people, rather than property
To keep the viewpoint of customers, and solve any real estate-related difficulties

Strategies

Urban center

Office

Strength

Tenant finding capability

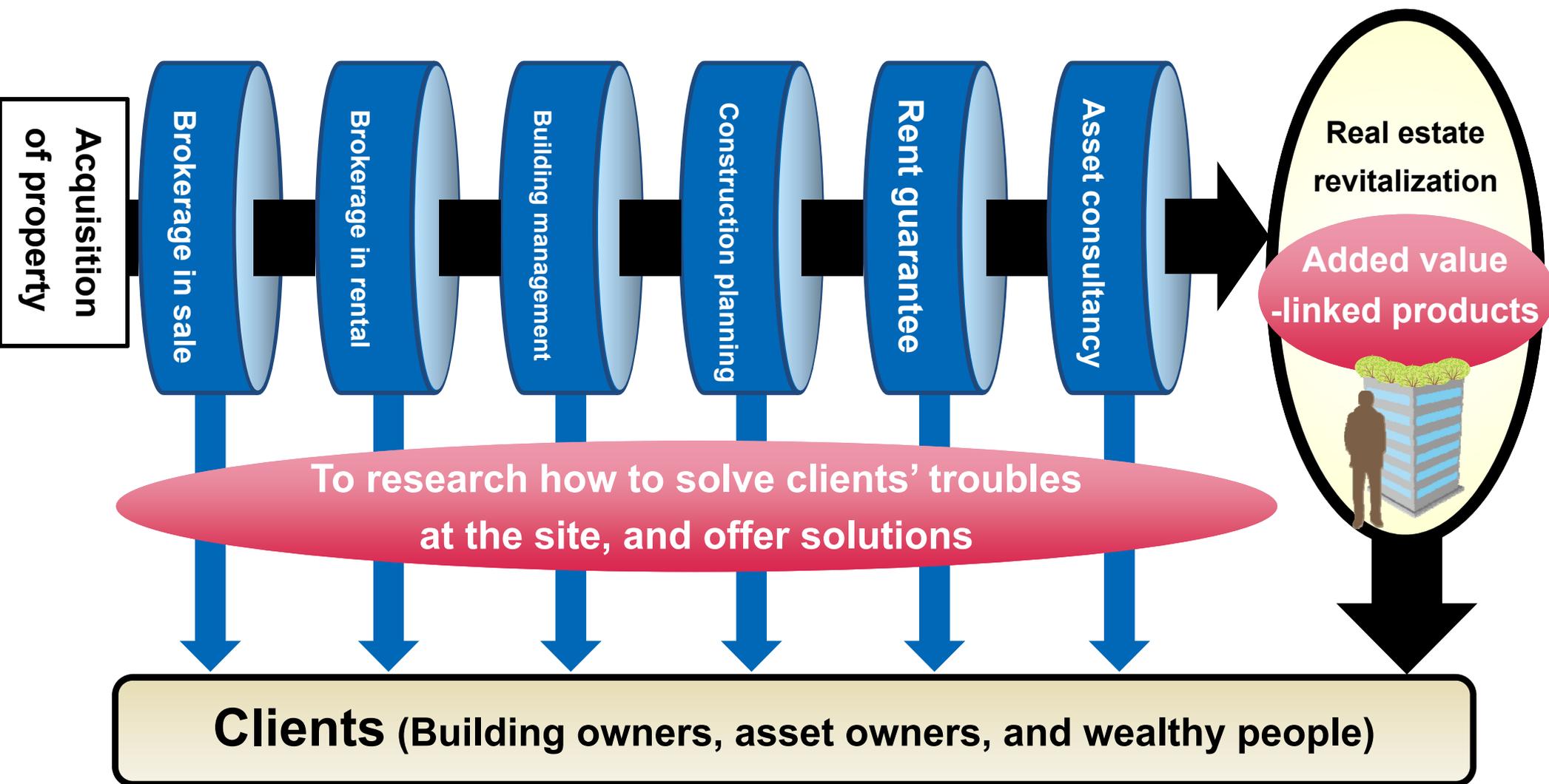
Real estate Revitalization capability

Building operation capability

Business structure of Sun Frontier



- ① **In the vertical service business**, we survey and solve complaints, inconveniences, and discomforts, while listening to clients' voices. We combine the know-how and grasped needs, and apply them to used buildings we acquired, and then
- ② revitalize the real estate with added values in **the horizontal real estate revitalization business**, and sell them.



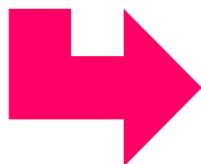
By utilizing space, we offer comfortable office lives.



Appearance **Before**



Appearance **After**



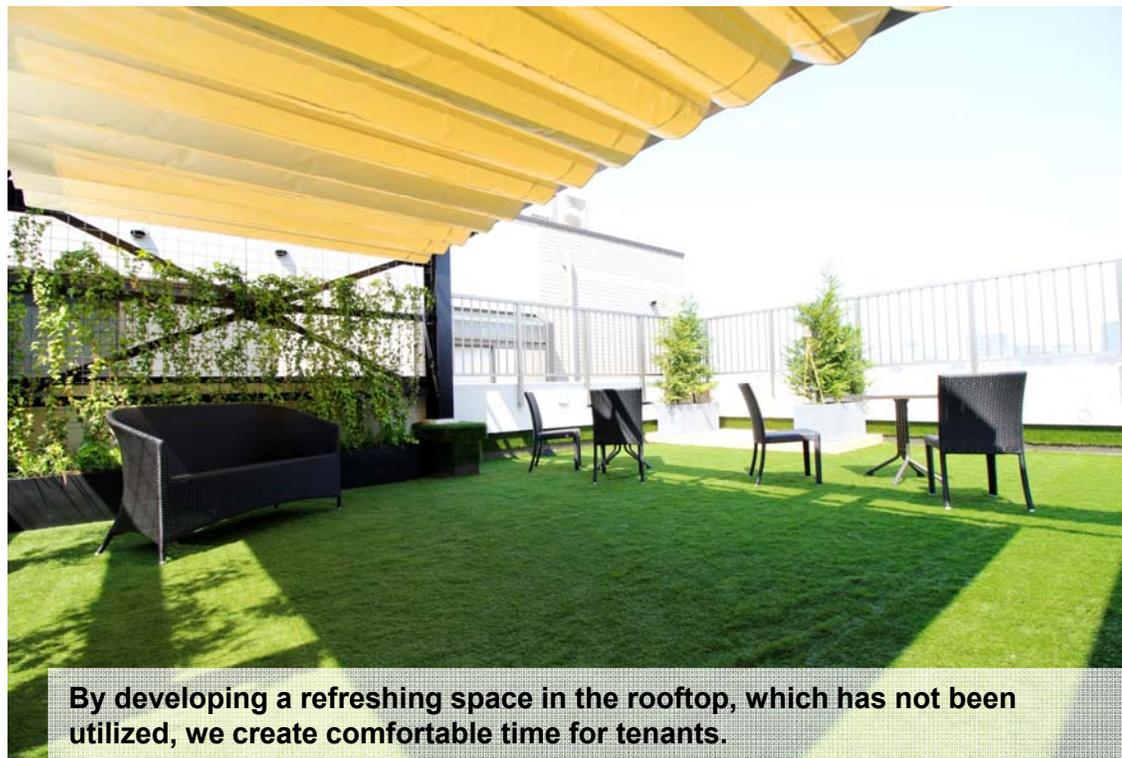
【Property outline】

- Location: Hirakawa-cho, Chiyoda-ku, Tokyo
- Structure: a steel reinforced concrete and light-gauge steel flat-roofed 9-story building with one basement
- Date of completion: 1984 (31 years old)
- Purposes of use: store, office, apartment, garage, residence
- Land area: 186.17 m² (56.31 tsubo)
- Gross floor area: 1,222.53 m² (369.81 tsubo)



“Setup office” whose interior finish work is conducted before occupation

Renovation from the viewpoint of applicants
 Lease contracts have been signed with rent being **about 30% higher than the market value.**



By developing a refreshing space in the rooftop, which has not been utilized, we create comfortable time for tenants.

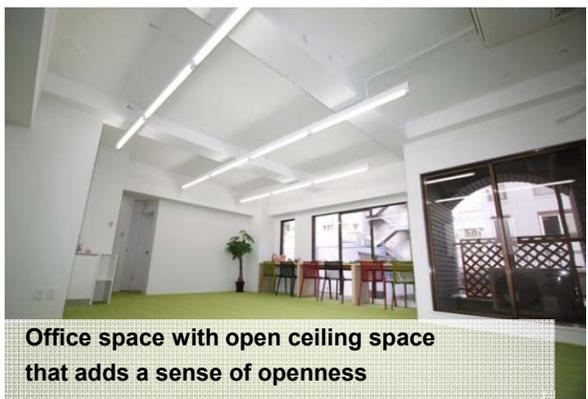
Case of real estate revitalization

New renovation style

PSO—Premium setup office



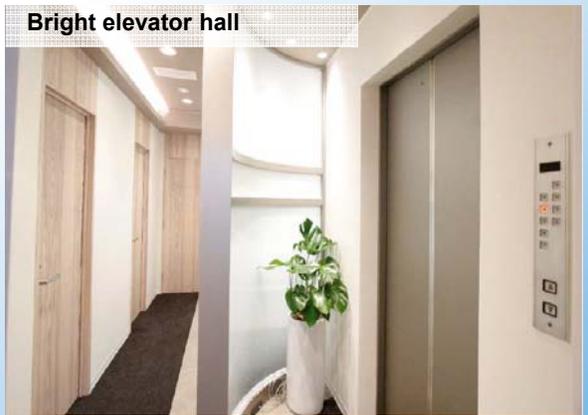
We plan renovation based on the characteristics of locations and market trends, for tenants considering.
We produce topnotch space in small to medium-sized buildings.



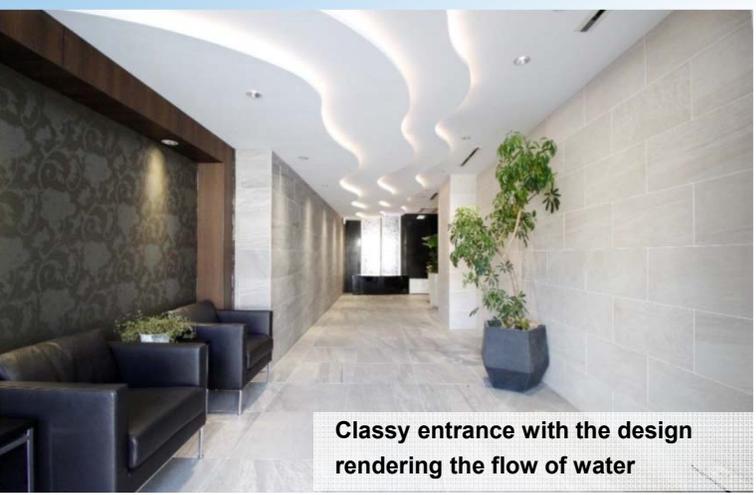
Office space with open ceiling space that adds a sense of openness



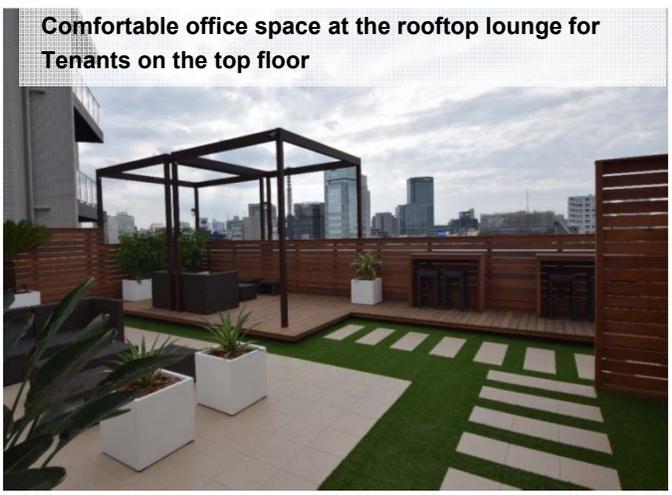
Serene office with downlights



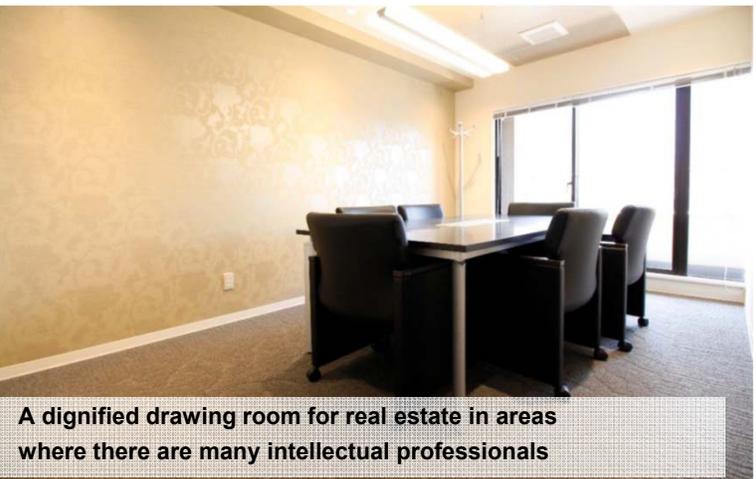
Bright elevator hall



Classy entrance with the design rendering the flow of water



Comfortable office space at the rooftop lounge for Tenants on the top floor



A dignified drawing room for real estate in areas where there are many intellectual professionals



Bathroom like a hotel's

--Ginza Buildings A and B

《Appearance》



《Access》

5 min. on foot from “Ginza” Station of Tokyo Metro Ginza Line, Hibiya Line, and Marunouchi Line

5 min. on foot from “Yurakucho” Station of JR lines

10 min. on foot from “Tokyo” Station of JR lines

2 min. on foot from “Ginza 1-chome” Station of Tokyo Metro Yurakucho Line



Location that has the brand of Ginza and can strongly appeal to the enterprises that pursue commercial prosperity

《Map》

■Location: 1-6-5 Ginza, Chuo-ku, Tokyo

■Structure: a steel reinforced concrete and reinforced concrete flat-roofed 9-story building with one basement

■Date of completion: 1982 (33 years old) *Aseismic reinforcement completed

■Purposes of use: store and office

■Area of premises: 740.37㎡ (223.96 tsubo)

■Gross floor area: 5,277.05㎡ (1,596.30 tsubo)

We improve the efficiency of utilization of real estate through conversion by using our strengths, and **contribute to the growth of local community.**

To offer services to nearby owners with our branch network specialized in the urban center



Prioritized districts

1. **Specializing in the center of Tokyo**

10 footholds in Chiyoda, Chuo, Minato, Shinjuku Shibuya Wards, and Yokohama

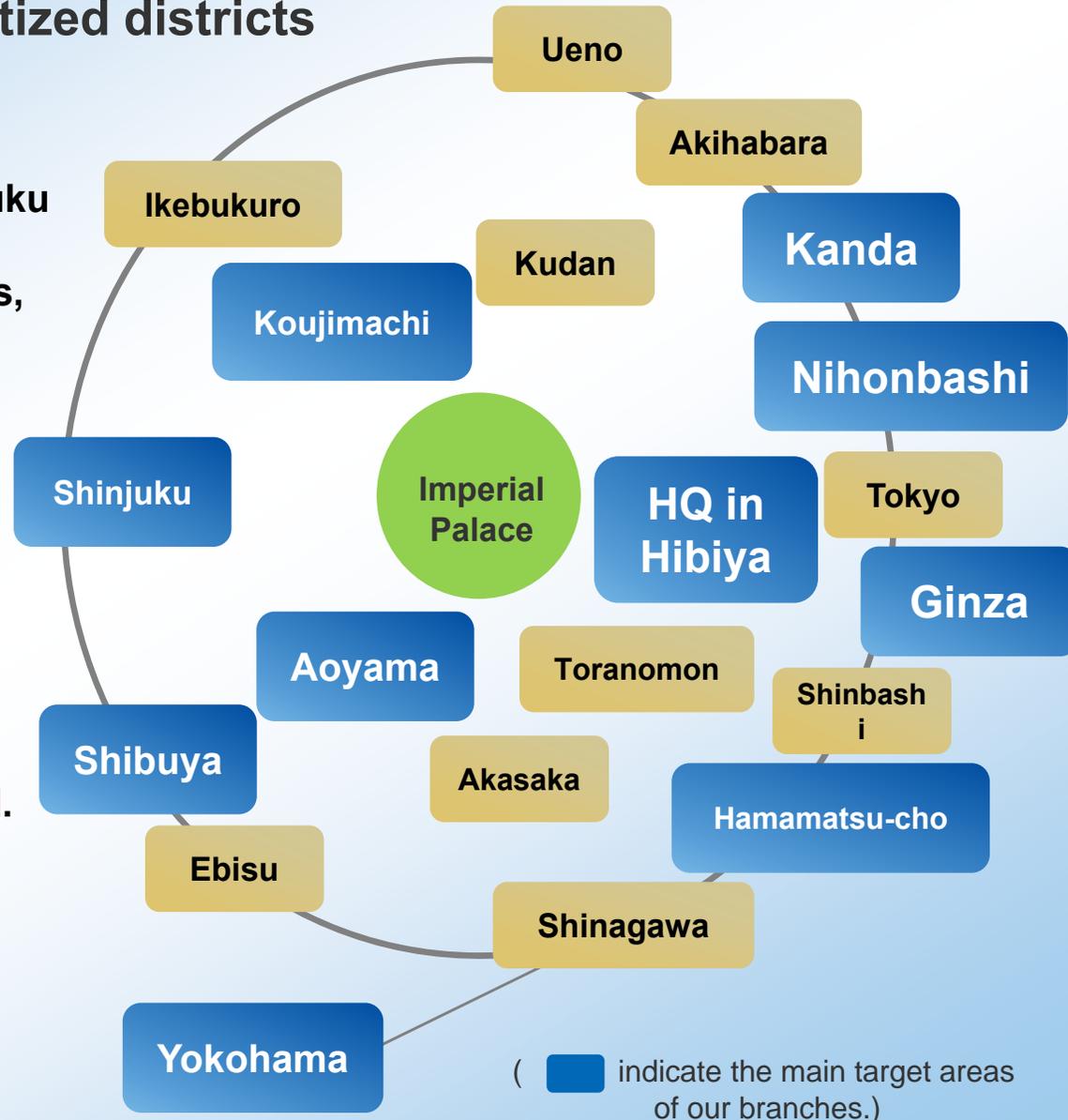
We **excel at finding tenants** for office buildings, by utilizing our **familiarity with local areas**.

2. We are not only broker

rental, but also listen to and **solve the troubles of owners**, and then produce **various earning opportunities**.

3. We have various consultations such as

renovation, sale of the building with owners through the conclusion of the contract. As a result, we **procure real estate to be revitalized**.



Introduction of a new branch—Nihonbashi Store

《Map of the branch》



《Appearance of the building where the branch enters》



Branch on the first floor facing Eitai Street

《Location》

1st floor of Annex of Kabutocho Kaisei Bldg., 13-1 Nihonbashi-kabutocho, Chuo-ku, Tokyo

《Access》

- 1 min. on foot from “Kayabacho” Station of Tokyo Metro Touzai Line and Hibiya Line
- 3 min. on foot from “Nihonbashi” Station of Tokyo Metro Touzai Line, Ginza Line, and Toei Asakusa Line
- 10 min. on foot from “Tokyo” Station of JR lines

《Members of Nihonbashi Store》

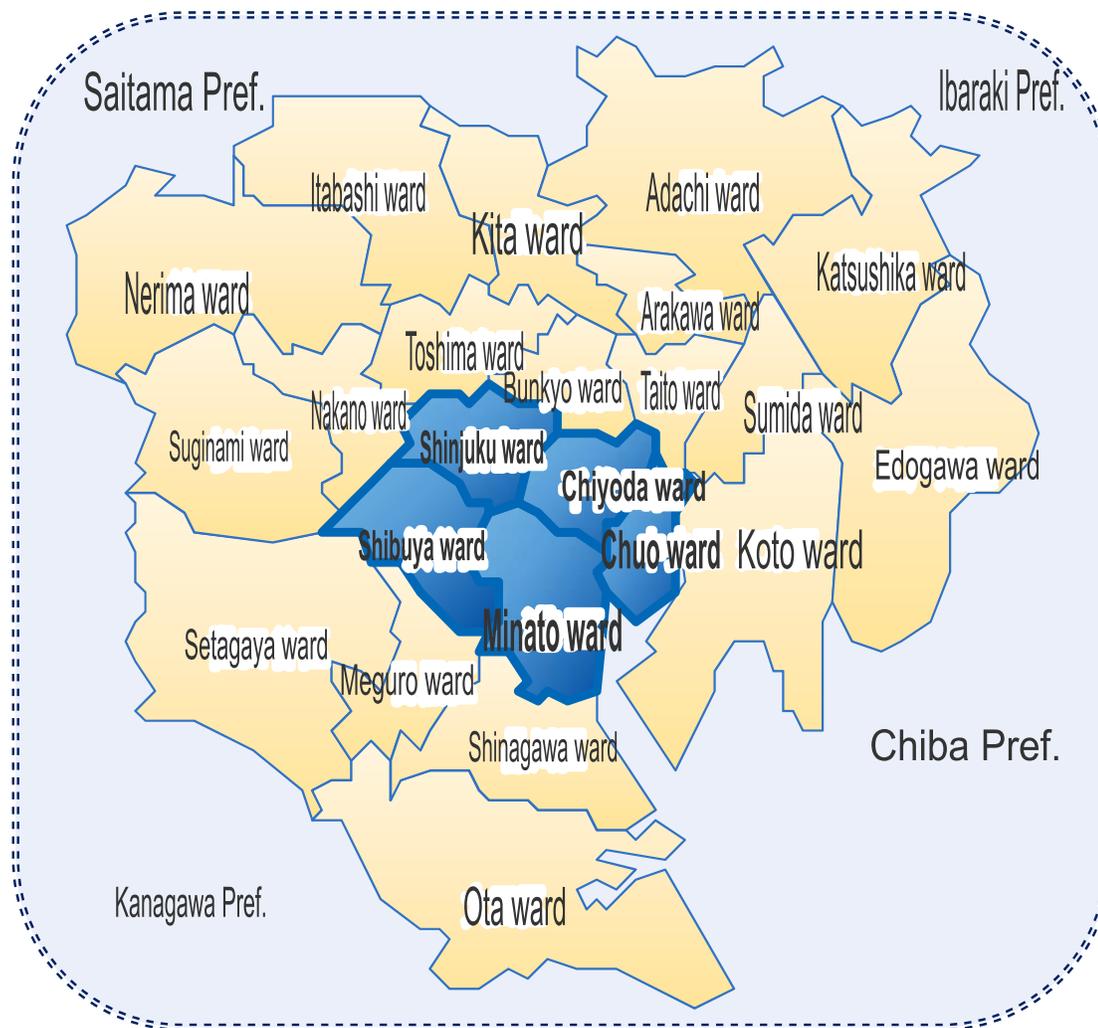
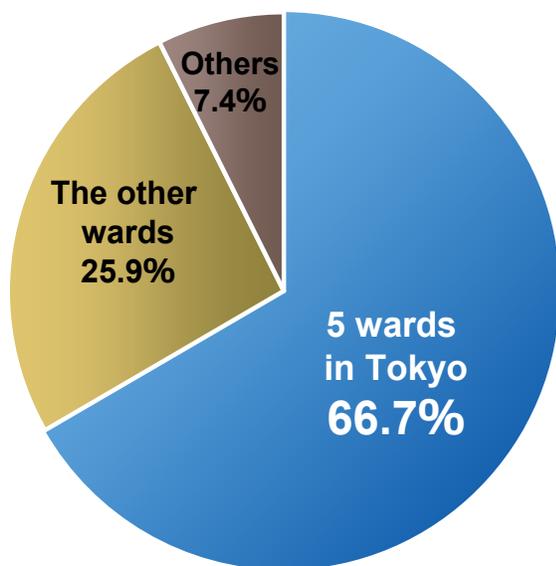


This branch was established at a location accessible to anywhere in the Nihonbashi area in 10 min.
We will emphasize local community further, and aim to be loved by local residents by solving any kinds of troubles about real estate, by utilizing our familiarity with local areas.

High-quality, swift management system specialized in the urban center

67% of the entrusted buildings are concentrated in 5 wards in Tokyo, where we conduct community-based sales activities and are good at finding tenants.

Distribution of entrusted buildings under our PM department (as of the end of Apr. 2015)		
5 wards in Tokyo	188 buildings	66.7%
The other wards	73 buildings	25.9%
Others	21 buildings	7.4%
Total	282 buildings	100%



Among the entrusted buildings, **about 75%** are over 20 years old.

Entrusted area by PM and clients are increasing steadily.

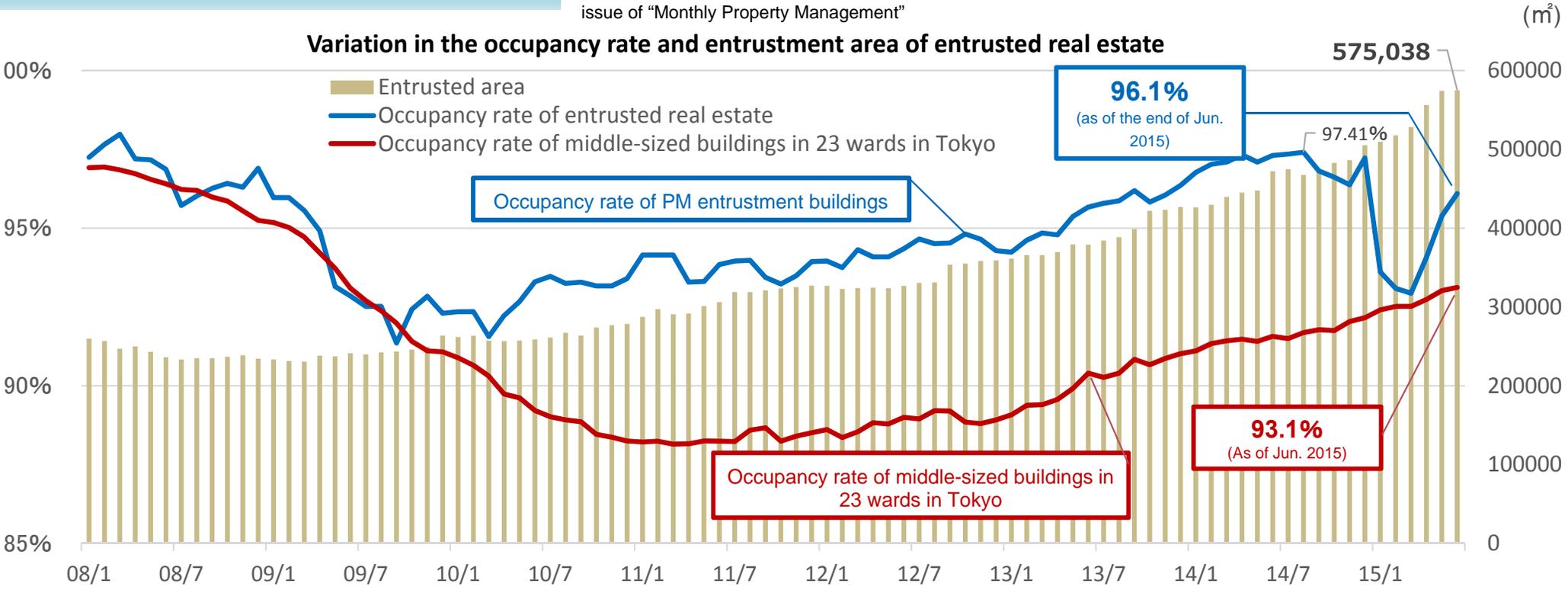


Top-ranked companies in entrustment area*	[thousand㎡]
1 XYMAX	8,327
2 Mitsui Fudosan Building Management	7,860
3 Mitsubishi Jisho Property Management	6,510
...	
22 Taisei-Yuraku Real Estate	615
23 BMS	566
24 Sun Frontier Fudousan	474

Top-ranked companies in the number of owners*	2014
1 Mitsubishi Jisho Property Management	400
2 Vortex	283
3 XYMAX	243
4 Itochu Urban Community	180
5 Sun Frontier Fudousan	159

Note: Occupancy rate of entrusted buildings under our company for management
 In the 4th quarter of fiscal year 2014, important tenants relocated to larger offices, vacating some units. Consequently, occupancy rate declined temporarily at the end of the term.
 Later, tenants have been moving in steadily, recovering occupancy rate.

※Source: Produced by our company based on the Nov. 2014 issue of "Monthly Property Management"



We excel at operating rental buildings.

We find earning opportunities even after sale.



“Revitalized buildings with one price for one buildings” located at good places in the urban center
We increase market values with excellent quality and attractive features, and sell real estate to asset holders and wealthy people at the right price. Even after the sale, we have important earning opportunities.

Menu of after-sale services

Sale of revitalized property	Building management/maintenance	Rental brokerage	Rent guarantee	Interior finishing	Renewal	Asset consultancy	Sales brokerage
	<ul style="list-style-type: none">•Account management•To listen to opinions•Accounting report•Negotiation with tenants•Building maintenance•Emergency measures•Equipment management	<ul style="list-style-type: none">•To find occupants•brokerage for furnished office•Marketing•Consultancy	<ul style="list-style-type: none">•Nonpayment is immediately guaranteed•To guarantee rent, etc. for up to 18 months	<ul style="list-style-type: none">•Interior planning•Design•Interior finishing•Restoration to the original state•Undertaking of tenant's construction	<ul style="list-style-type: none">•Renewal of the entrance, air-conditioner, outer walls, etc.•Repair•Building inspection	<ul style="list-style-type: none">•Specialist consultation•Measures for inheritance tax•Asset management•Business succession•Consultancy	<ul style="list-style-type: none">•Purchase of new real estate•Sale of assets•Replacement by purchase of new real estate for business•Replacement of assets

Businesses of both revitalizing real estate and operating rental buildings

Under the basic principles among all employees Change and challenge—3 principles for our business

1. Mental management based on our ethos and philosophy

- We have upheld “altruism” since the establishment of our company.
- We together clean our office, etc. and read the philosophy booklet every morning, to share the value “the pleasure of others pleases us.”
- We aim to offer greater happiness to customers, and contribute to the actualization of a rich society.

2. Management among all employees based on the accounting for each division

- By developing and diffusing the accounting system for each division (Amoeba management), we enhance employees’ profit awareness and promote the business operation among all employees with management perspective.

3. Business management based on the viewpoint of customers

- We listen to customers’ requests carefully, deal with and solve even minor troubles, without stint.
- We change ourselves from the viewpoint of customers, and challenge, create, and advance.
- Based on the collaboration among different sections, we create high added values that are linked to one another.



**Employees play major roles.
Resonant business administration.**

Introduction of corporate culture



To clean every morning



Sporting camp involving all club members on July 3 and 4, 2015



To read the philosophy booklet every morning



New employee training



Baseball club



In-house birthday party in Jan. 2015



Tennis club

3) Detailed contents of the growth strategy “Three Arrows”

Growth strategy

“Three Arrows”

- 1) Expanding actual businesses
- 2) M&A
- 3) Overseas expansion

- Rental space opened in front of Tokyo Station

Appearance



Facility name: Vision Center Tokyo

Location: KI Kousan Tokyo Bldg., Yaesu, Chuo-ku, Tokyo

Facility scale: total of 2,043.69 m² (618.19 tsubo)
1st basement: 267.98 m² (81.06 tsubo) 4th floor: 463.65 m² (140.25 tsubo) 5th floor: 463.65 m² (140.25 tsubo) 6th floor: 465.07 m² (140.67 tsubo) 7th floor: 383.34m² (115.96 tsubo)

【Assumed purposes of use】

- (1) Event hall that can accommodate **over 300 people**
- (2) Over 10 **rental rooms** with various sizes
- (3) Space for the events for tasting local special foods and introducing sightseeing spots cosponsored by **several municipalities** (1st basement)

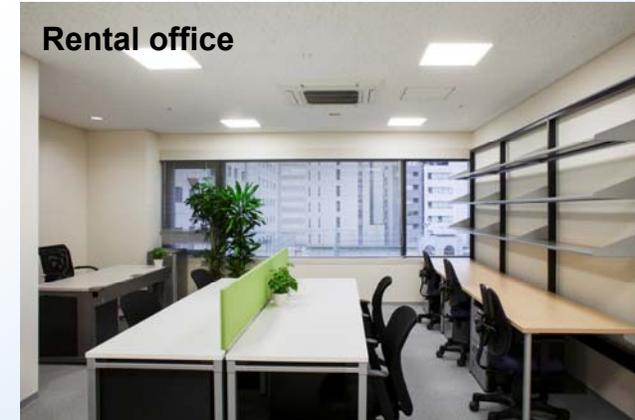


Good location 2 min. on foot from South Exit of Tokyo Station

Seminar room



Rental office



Event space



Rental meeting room



- Shift from hotel rental to hotel operation businesses

Hotel Frontier Iwaki



Guest room



Communal bathroom

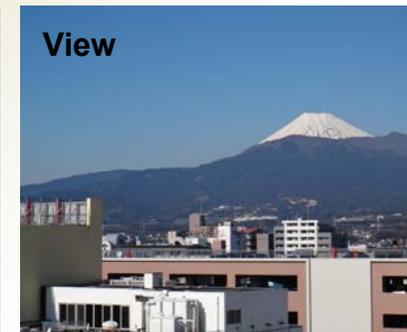


- **Location:** Daikumachi, Taira, Iwaki-shi, Fukushima Prefecture (6 min. on foot from Iwaki Station of JR Joban Line)
- **No. of guest rooms:** 150 (equipped with a communal bathroom, a bedrock bath, a loess bath, etc.)
- **Year built:** Mar. 2007 (8 years old)

Sankou Inn Numazuekimae



View



Guest room



Guest room



- **Location:** Ohte-machi, Numazu-shi, Shizuoka Prefecture (2 min. on foot from Numazu Station of JR Tokaido Main Line)
- **No. of guest rooms:** 152 (1st and 2nd floors are occupied by stores)
- **Year built:** Nov. 2007 (8 years old)

Hotel development, revitalization, and operation businesses



As for hotel operation, we have surveyed the market, and discussed business plans and commercialization. **As the number of foreign visitors who stay in Japan has been increasing rapidly**, our company decided to **develop and revitalize hotels by utilizing our accumulated know-how**. Furthermore, we will develop a system for operating hotels, and **establish a hotel planning/operation company inside our corporate group**, in order to offer investment products to wealthy people in Asia, including Japan.

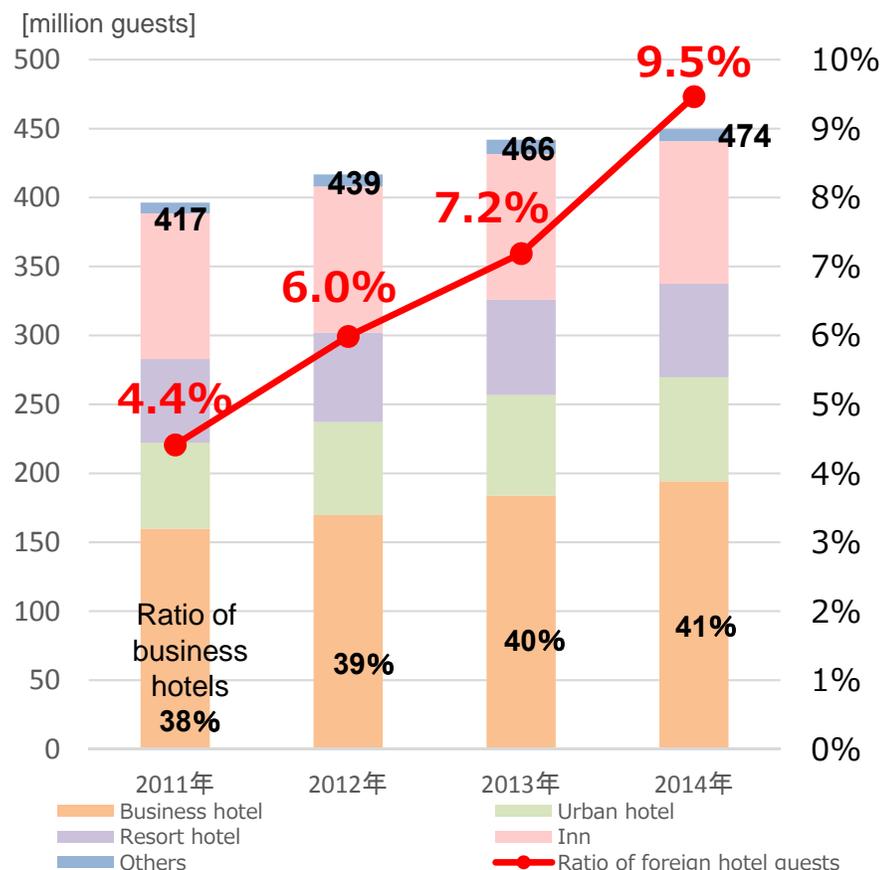
【Outline of the company to be established】

- Corporate name: Sun Frontier Hotel Management Co., Ltd.
- Representative: Tomoaki Horiguchi
- Location: Chuo-ku, Tokyo
- Date of establishment: Aug. 2015 (scheduled)
- Capital: 80 million yen
- Investment ratio: 90% from our company, 10% from Mizuho Shoji
- Business contents: Planning, operation, etc. of accommodation facilities, such as hotels

Regarding Mizuho Shoji Co., Ltd.

- Representative: Hisao Ishii
- Location: Ochi-gun, Shimane Prefecture
- Capital: 76.75 million yen
- Business contents: operation of hotels, inns, and ski resorts

Ratio of foreign hotel guests



* Produced by our company based on the reference materials released by Japan Tourism Agency.

- Reorganization of an asset consulting/housing management company into an affiliate

【Outline of the invested company】

- Corporate name: Power Consulting Networks Co., Ltd.
- Location of the headquarters: 6-12-20 Jingu-mae, Shibuya-ku, Tokyo
- Business contents: consulting about real estate, rental management, seminar business, etc.
- Capital: 75 million yen (capital reserve: 35 million yen)
- No. of employees: 50 for the non-consolidated (105 for the corporate group)
- No. of shares acquired: 20% of outstanding shares

When the two companies, having different business fields and client bases, cooperate with each other, **it is possible to exert the strengths of both and provide more customers with high added values.** It will improve our corporate value.

Headquarter building



Mainly rental housing

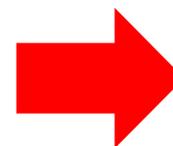


PCN

Capability of proposing utilization

Consulting capability

Capability of managing rental housing



Synergetic effect

Mainly office buildings

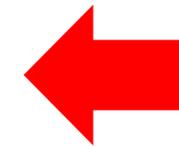


SF

Capability of revitalizing real estate

Capability of operation

Capability of finding office tenants



(1) As a receiving source of investment for Asia

1. To promote wealthy people outside Japan to invest in Tokyo
To lead the energy of Asian growth to Tokyo, and contribute to the growth of Japan (Tokyo Youkou Fudousan [established in Taipei in 2013], Hong Kong, Singapore, etc.)

We will develop new investment products, hone our operation ability to operate hotels, and play an role of **receiving investments from wealthy people in Asia.**

2. To make inroads into large cities in Southeast Asia, which are growing rapidly and to contribute to the happiness of local people with outbound services (Indonesia, Vietnam, etc.)

(2) Start of local businesses in Indonesia and Vietnam



Jakarta, Indonesia

--Sale of urban housing

《Images of houses under construction》



We are **constructing urban houses to be sold**, in the center of Jakarta. We are preparing for the establishment of a local affiliate in order to operate the business in Indonesia on a full scale.



Da Nang, Vietnam

--Urban hotel business

《Images of a business hotel under construction》



In the riverside of the largest ward Da Nang in central Vietnam, we will **commercialize a small-scale hotel as a development project**. We are preparing for the establishment of a local affiliate.

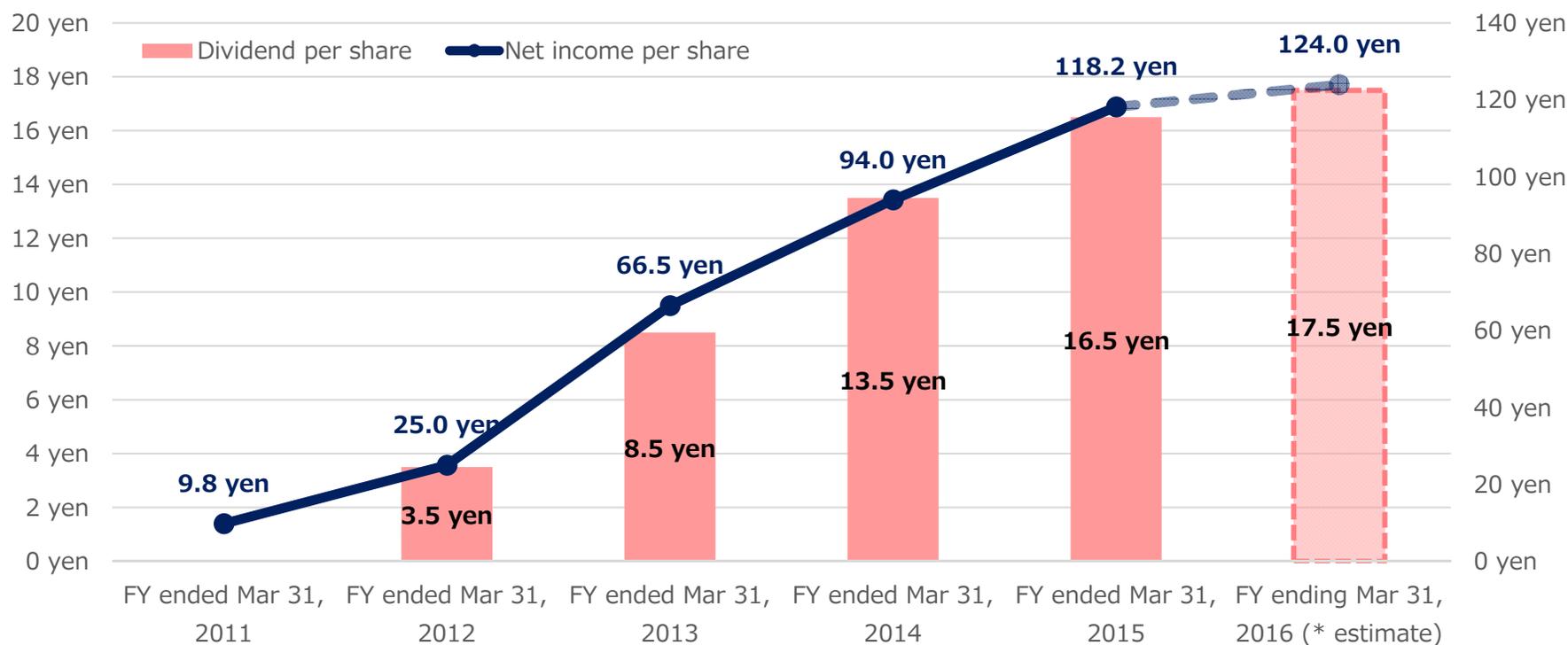
Sharing profits with shareholders

	FY ended Mar 31, 2011	FY ended Mar 31, 2012	FY ended Mar 31, 2013	FY ended Mar 31, 2014	FY ended Mar 31, 2015	FY ending Mar 31, 2016 (*estimate)
Net income	363	928	2,483	4,020	5,053	5,300
Net income per share	9.8 yen	25.0 yen	66.5 yen	94.0 yen	118.2 yen	124.0 yen
Dividend per share	0.0 yen	3.5 yen	8.5 yen	13.5 yen	16.5 yen	17.5 yen

The highest profit after the bankruptcy of Lehman Brothers

Dividend has increased steadily since the resumption of dividend payment

Variations in net income/share and dividend/share



Enrichment of corporate governance

Reasons for appointing 4 external executives

Toshio Takahara (external director)

- As an executive of “UniCharm,” he grew businesses and has plenty of experience.
- In the decision making process of the board of directors of our company, he gives effective and appropriate advices, from the standpoint independent from the management that executes businesses.

Yukitoshi Kubo (external director)

- He is the former chief of the Screening Section of Tokyo Stock Exchange, and qualified as a certified public accountant, and has the expertise and plenty of experience in the Financial Instruments and Exchange Act, the Companies Act, and financial affairs.
- In the decision making process of the board of directors of our company, he gives unbiased, fair, appropriate advices, from the standpoint independent from the management that executes businesses.

Koichi Kase (external auditor)

- He is versed in tax affairs and accounting as a tax accountant, and audits the business operation of directors strictly, based on his knowledge of finance and accounting.
- He possesses the profound knowledge of philosophy and amoeba management, as a student of Seiwa Juku.

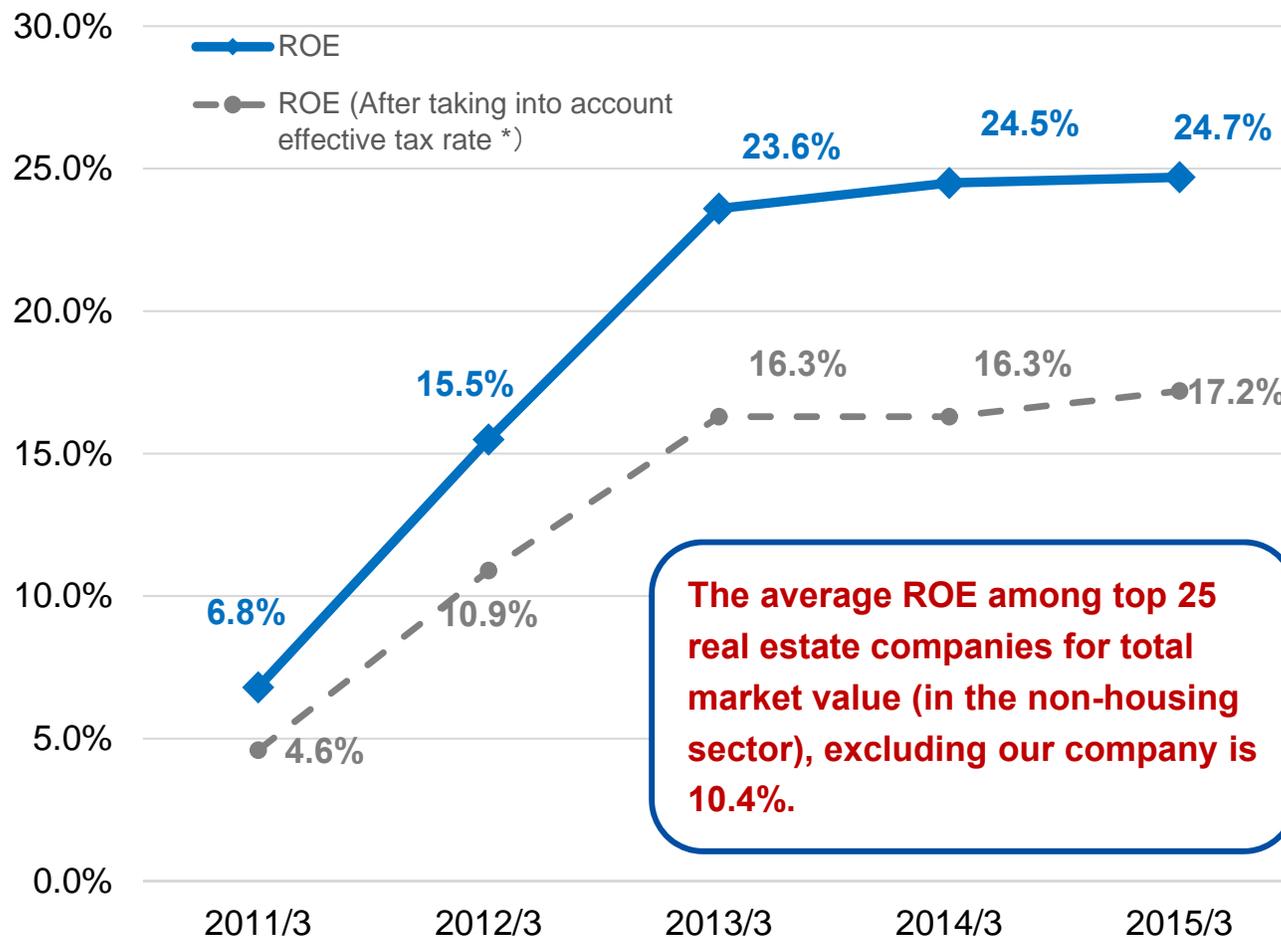
Koichi Moriya (external auditor)

- As a lawyer, he specializes in real estate and finance, has accumulated plenty of experience, and gives appropriate advices for improving our systems for complying with law.
- He also has the experience of serving as an external auditor of “Tamura Corporation” and “Samantha Thavasa Japan Limited.”

Variation in return on equity (ROE)



By conducting businesses focused on the urban center, offices, etc., along with “high profit margin” and “early revitalization”, the high percentage of ROE is realized.



The average ROE among top 25 real estate companies for total market value (in the non-housing sector), excluding our company is 10.4%.

ROE ranking among top 25 real estate companies (in the non-housing sector) for total market value

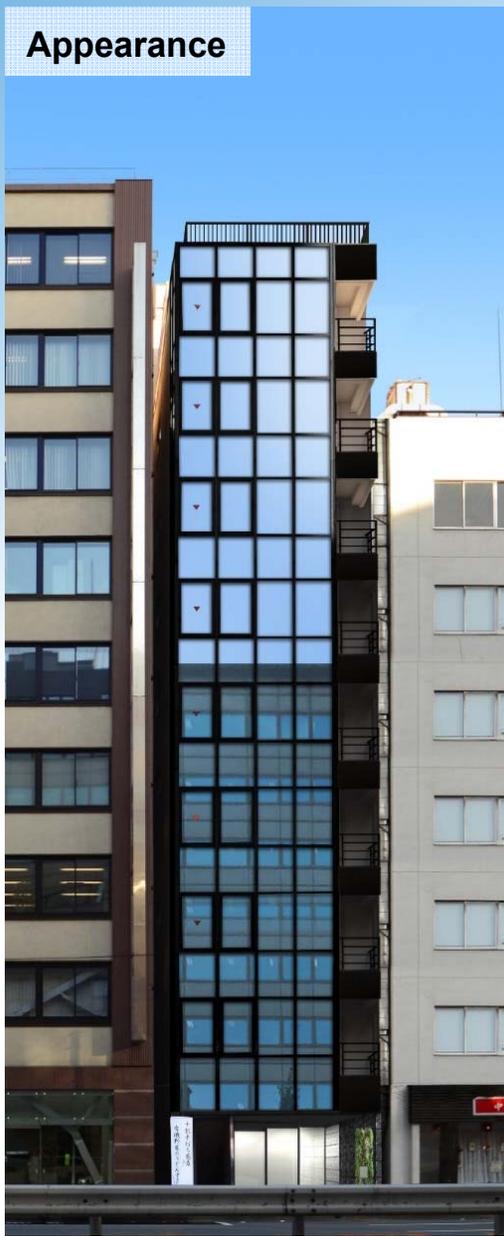
	Corporate name	ROE [%]
1	Nippon Commercial Development	35.3
2	Tokyo Tatemono	33.2
3	Sun Frontier Fudosan	24.7
4	Raysum	20.9
5	Aeon Delight	12.0
6	Nippon Kanzai	12.0
7	Hulic	11.8
8	Kyoritsu Maintenance	10.8
9	Sumitomo Realty & Development	10.5
10	Nomura Real Estate Holdings	10.3
11	Jowa Holdings	9.8
12	Mie Kotsu Group Holdings	9.4
13	Tosei	9.2
14	NTT Urban Development	8.4
15	Aeon Mall	7.9
16	Tokyu Fudosan Holdings	6.6
17	Mitsui Fudosan	6.4
18	TOC	6.0
19	Parco	5.7
20	Keihanshin Building	5.5
21	Mitsubishi Estate	5.2
22	Diebiru	3.8
23	Showa Aircraft Industry	3.1
24	Kabuki-za	3.0
25	Heiwa Real Estate	2.8

* Estimated under the assumption that effective tax rate (35.64%) was imposed, while removing the effect of tax burden reduction due to tax loss carried forward.

■ Produced by our company based on Shikiho (quarterly report on Japanese companies)
(Total market prices were calculated from the closing prices on Aug. 4, 2015.)

Introduction of Ginza 1-chome Project

Appearance



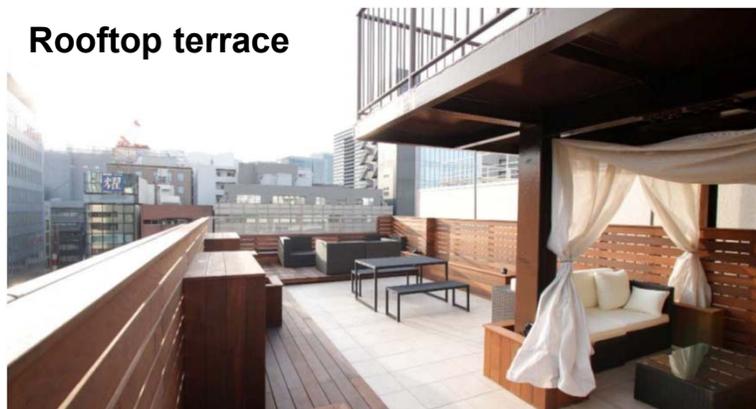
Bathroom



Office



Rooftop terrace



【Outline of real estate】

- Location: 1-19-12 Ginza, Chuo-ku, Tokyo
- Structure: A 9-story steel-framed building with one basement
- Year of completion: 1980 (35 years old)
- Purposes of use: store and office
- Area of premises: 98.17㎡ (29.69 tsubo)
- Gross floor area: 763.01㎡ (230.81 tsubo)

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We would appreciate your
continued support.**

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<For inquiries about this material>

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