

**Consolidated Financial Results for the First Quarter of
the Fiscal Year Ending March 31, 2017
(Based on Japanese GAAP)**
(Translation of Japanese Financial Summary, Released on August 8, 2016)

Company name: Sun Frontier Fudousan Co., Ltd.

Stock listing: Tokyo Stock Exchange 1st Section

Code number: 8934

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*Amounts under one million yen have been rounded down.

1. Consolidated Performance in the First Quarter of the Fiscal Year Ending March 31, 2017

(1) Operating results

*Percentage figures shown under net sales, operating income, ordinary income, and net income columns indicate year-on-year changes for those items.

(Millions of yen, except for per share figures. The number in parentheses are increase rate)

	Net Sales	Operating Income	Ordinary Income
1st Quarter of FY ending March 31, 2017	¥10,403 (71.7%)	¥3,570 (150.9%)	¥3,468 (153.7%)
1st Quarter of FY ended March 31, 2016	¥6,060 (30.0%)	¥1,423 (-38.7%)	¥1,367 (-42.8%)

(Note) Comprehensive Income: 1st quarter of FY ending March 31 2017: ¥2,505 million (111.3%) 1st quarter of FY ended March 31 2016: ¥1,185 million (33.5%)

	Net Income	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
1st Quarter of FY ending March 31, 2017	¥2,525 (113.3%)	¥59.07	¥ —
1st Quarter of FY ended March 31, 2016	¥1,183 (-33.4%)	¥27.68	¥ —

(2) Financial Position (at end of the term)

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)
1st Quarter of FY ending March 31, 2017	¥53,623	¥31,590	58.9%
FY ended March 31, 2016	¥54,084	¥30,144	55.7%

(Reference) Shareholders' Equity at term-end: 1st Quarter of FY ending March 31, 2017 (as of June 30, 2016): ¥31,576 million

FY ended March 31, 2016 (as of March 31, 2016): ¥30,139 million

2. Cash Dividends

	Cash Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual total
FY Ended March 31, 2016	-	0.00	-	25.00	25.00
FY Ending March 31, 2017	-				
FY Ending March, 2017 (Projections)		0.00	-	28.00	28.00

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

3. Forecast for Consolidated Financial Results for the Fiscal Year Ending March 31, 2017

(From April 1, 2016 to March 31, 2017) *Percentage figures are indicated year-on-year changes for those items.

(Millions of yen, except for per share figures. The number in parentheses are increase rate)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
FY Ending March, 2017	¥41,000 (33.9%)	¥8,500 (15.1%)	¥8,200 (16.7%)	¥5,600 (△31.3%)	¥130.97

(Note) Changes from the latest released performance: None

The main reason for the decrease in net income is that the next FY (ended March 31, 2017) income before tax adjustments is expected to put a complete end to tax loss carryforward from previous terms. As a result, ¥1,325 million reversal of loss included in the deferred tax asset calculated at the end of FY ended March 31, 2016 would be added up to the corporate tax adjustment amount, which leads to a heavier tax burden than the previous term.

4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
New companies: —
Excluded companies: —
- (2) Adoption of special accounting practices in the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting principles, procedures and presentation methods
- 1) Changes caused by revision of accounting standards: Yes
 - 2) Changes of accompanying revisions other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of corrections: None
- (4) Number of outstanding shares (common stocks)
- 1) Number of outstanding shares at the end of the period (including treasury stock):
1st Quarter of FY ending March 31, 2017: 42,755,500 shares
FY ended March 31, 2016: 42,755,500 shares
 - 2) Number of treasury stock at the end of period:
1st Quarter of FY ending March 31, 2017: 143 shares
FY ended March 31, 2016: 143 shares
 - 3) Average number of shares for the period:
1st Quarter of FY ending March 31, 2017: 42,755,357 shares
1st Quarter of FY ended March 31, 2016: 42,755,357shares

※Implementation status of quarterly review processes

This Summary of Consolidated Financial Results is not subject to quarterly review processes under the Financial Products and Exchange Law. At the time of this document's release, review of the quarterly financial statements under the Financial Products and Exchange Law had not been completed.

※Appropriate use of business forecasts; other special items

Business forecasts contained in this report are based on information available to the Company on the date of this report's announcement and on assumptions pertaining to uncertain factors that may affect the Company's future results. Therefore, the company has no intention to promise the accomplishment of the forecasts. Due to unforeseen circumstances, however, actual results may differ significantly from such forecasts.

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1. Qualitative Information Concerning Consolidated Business Performance for the Quarter under Review

(1) Qualitative information on consolidated operating results

With regard to the Japanese economy during the first quarter of consolidated fiscal year, thanks to the government's economic stimulus measures and monetary easing by the Bank of Japan, the employment situation have been showing improvement, but corporation earnings were affected by sensitive currency movement and weakened personal consumption. Moreover, in the meantime, significant increase of foreign visitors to Japan is also contributable to moderate economic recovery. On the other hand, as the economic downside risk of China including the emerging countries has increased, the economic outlook is still uncertain.

In the real estate industry to which our company and our consolidated subsidiaries (hereinafter, "our corporate group") belong, there has been a long-term improvement in the vacancy rate in the office market in urban center, and the average rent is also showing moderate improvement in the same period. On the other hand, under the unpredictable economic situation, investors retain a wait-and-see attitude to the real estate market, so the volume of trades decreased.

In such an environment, our corporate group focuses on the utilization and distribution of small to medium-sized commercial properties in the urban center of Tokyo, and has helped building owners solve various troubles regarding real estate. We create multifaceted earning opportunities by providing each customer with one-stop services with philosophy-based business model, including proposal and order receipt for the rental, brokerage, sale, management, maintenance, remodeling, and renovation of buildings; consultation regarding inheritance, tax affairs, etc. in collaboration with specialists and rent guarantee service, etc.

By linking up unrivalled knowhow and experience gained through the process of providing the above mentioned various services, we have been proactively developing real estate revitalization projects that deliver substantial value added to stakeholders and society. Focusing mainly on commercial properties in 5 central wards (Chiyoda, Chuo, Minato, Shinjuku, and Shibuya), we change the layout of rental rooms, creating green lush terraces on building roofs, preparing setup offices, redesigning the interior to make sure everything fit to every customer's deepest needs. Hence, the buildings sold by our company possess not only great attractiveness but also deliver high quality. Moreover, our leasing management team with high expertise and deep understanding of local needs are always there to help property owners fulfill any vacancies.

We exert our strength in office building operation business model by hotel developing, operating and revitalization business, and through that, we are able to build another core business second to our office business. To response to the increasing number of foreign tourists visiting Japan, we have agreed to make a business alliance with Shanghai Spring Group for the development of inbound city-tourism hotel chain, and in April, "SPRINGSUNNY Hotel Nagoya Tokoname" opened as the first hotel of our collaborative brand. In addition, we started the projects of the high-rise condominium in Da Nang, the largest city of central Vietnam, and urban residential houses in Jakarta, the capital of Indonesia.

As a result, our consolidated results for the first quarter ending June 2016 were as follows:

Sales ¥10,403 million (up by 71.7% year on year), operating income ¥3,570 million (up by 150.9% year on year), ordinary income ¥3,468 million (up by 153.7% year on year), and net income ¥2,525 million (up by 113.3% year on year).

The performance of each segment is as follows.

Real Estate Revitalization

From the procurement stage, our corporate group starts a "production" process through which we aim to put the property to the best use possible. By carefully researching real estate leasing market on a daily basis to collect knowledge and linking each section's experience in technologies, planning, building management and construction, we draw up feasibly creative business plans. In addition, we emphasize the fact that the more satisfied the tenants, the more satisfied the owner. Through frequent interactions with tenants, we look for all possible ways to make the property more comfortable and convenient for them to use, and address any challenges quickly, and thereby achieve high rates of tenant retention and utilization.

We have been successful in maximizing the profitability of real estate by renovating real estate, especially those with low rate of utilization. Concretely, we renew properties so that they can meet the needs of society and owners, and therefore, turning them into profitable real estate investment before selling them to individuals and corporation customers.

By continuing to provide reliable aftersales service (including property management, pro-active response to faults, solving owner difficulties and responding to new demands), we deliver the property as a composite package of added value that even extends to post-sale follow-up service.

As for the Revitalization business, we determine target buyers at the stages of procurement and commercialization, pursuing not only the rate of return, but also "true values" suited for target clients such as location, rarity, yield stability and taxation merits. Notably, in this first quarter, we supposed the buyer who will appreciate the charm and value of the property, and innovated a way to limited sales, spend much time to create high-value added property.

Through these efforts, both sales and profits increased from the previous year.

As for the property leasing business, we purchase and retain properties according to our well-selected criteria. With a combination of valuable knowledge and skills in rental brokerage, property management, construction solutions and rent guarantee services, we have been succeeding in maintaining a high rate of utilization and securing stable rental income. But by the disposition of high-earning property, both sales and profits decreased from the previous year.

As a result of the above activities, sales were ¥9,357 million (up by 81.2% year on year) and segment income was ¥3,869 million (up by 156.8% year on year).

Real Estate Brokerage

Our sales intermediation business has been focusing on customer referrals from other departments such as property

management and leasing brokerage. By providing high value added and satisfaction to customers, the business flourishes through a good circulation of referrals and repeaters. Besides that, with our ability in solving customers' problems, real estate consulting and foreign language corresponding service for overseas investors (mainly those from Taiwan), our customer base has expanded.

By Chinese economic slowdown and Brexit issue, the economic outlook is still uncertain, both sales and profits of the sales brokerage business decreased from the previous year. But the number of inquiry is increasing, so we will set the matters to close them.

In the leasing brokerage business, while occupancy rate continuously improves, not only are we active in finding tenants, but also in solving property owners' various problems. Through these efforts, both sales and profits increased from the previous year. Furthermore, the leasing management team is also contributing to the whole group's profit by engaging in recruiting tenants for properties of revitalization business, and bringing in new customers entrusting their buildings to property management department.

As a result of the above activities, sales were ¥226 million (down by 44.1% year on year) and segment income was ¥182 million (down by 50.3% year on year).

Property Management

In the property management business, we practiced the profit improvement by the contract changes to appropriate rent level providing meticulous and careful leasing management services backed by good sense of locality, which contributed to the income recovery and maintain of the stable occupancy rate in the building management. Backed by these activities, we could receive repeated orders for property management from the same customer. At the end of the first quarter of this fiscal year we were newly managing 53 buildings (18.2% increase year on year), as can be seen in the table below.

In addition, by trying to grasp clients' asset background and by offering appropriate solutions for them, we created the business opportunities for brokerage and construction order entrusted by the client who had purchased the revitalized property.

Such combined real estate services with keeping the viewpoint of customers are creating much added-value by making creativity and improvement.

As a result of the above activities, both sales and profits increased.

	End of June 2014	End of June 2015	End of June 2016
No. of entrusted buildings	242	292	345
Occupancy rate	97.3%	96.1%	95.3%

As for the building maintenance business, by demonstration of our strength in property maintenance, especially in cleaning and repairing walls of high-rise buildings, we have been able to increase the number of orders received and consequently generate more revenue for the fiscal year ended March 2016, both sales and profits increased.

As a result of the above activities, sales were ¥430 million (up by 20.2% year on year) and segment income was ¥202 million (up by 21.4%).

Other Businesses

In the rent guarantee business, concentration on new client acquisition and enhancement of cooperation with affiliated companies has helped improve the bottom line.

As for the construction solution business, due to specialize in revitalization business, both sales and profits decreased.

“Space Rental”, our new business established the previous term. We continued to expand this business by taking over new rental conference rooms as well as offices.

As for the hotel business, “SPRINGSUNNY Hotel Nagoya Tokoname” opened in April as the first hotel of the collaborative brand with Shanghai Spring Group. Aiming at becoming “heart-warming” hotel which is attractive to foreign group tourists and independent travelers, occupancy rate and average daily room rate are improved remarkably.

As a result of the above activities, sales were ¥388 million (up by 191.4% year on year) and segment income was ¥195 million (up by 211.8% year on year).

(2) Qualitative information on consolidated financial position

As of the end of the first quarter of this consolidated fiscal year, total assets were 53,623 million yen (down by 0.9% from the end of the previous consolidated fiscal year) and liabilities were 22,033 million yen (down by 8.0%). The main reasons for the decrease in total assets were that cash increased 1,247 million yen and inventory assets decreased 1,317 million yen. The main reason for decrease in liabilities was that long-term loans payable decreased 1,114 million yen and tax payable decreased 538 million yen.

Net assets were 31,590 million yen (up by 4.8%). The main reason for the increase in net assets was posting 2,525 million yen in quarterly net income, despite 1,068 million yen being paid out for year-end dividends.

2. Consolidated Financial Statements

(1) Consolidated Quarterly Balance Sheets

	FY ended March 31, 2016 (As of March 31, 2016)	End of 1Q of FY ending March 31, 2017 (as of June 30, 2016)	(Thousands of yen)
ASSETS			
Current assets			
Cash and deposits	15,413,978	16,661,961	
Accounts receivable-trade	344,832	345,160	
Real estate for sale	6,047,465	2,994,186	
Real estate for sale in process	26,664,726	28,401,260	
Supplies	2,096	1,299	
Deferred tax assets	1,736,749	1,164,672	
Other	1,174,601	1,349,862	
Allowance for doubtful accounts	△18,977	△15,431	
Total current assets	<u>51,365,472</u>	<u>50,902,972</u>	
Noncurrent assets			
Property, plant and equipment			
Buildings, net	702,298	701,630	
Land	1,172,832	1,172,832	
Other, net	44,723	47,669	
Total property, plant and equipment	<u>1,919,854</u>	<u>1,922,132</u>	
Intangible assets	278,208	273,182	
Investments and other assets			
Other	525,166	529,570	
Allowance for doubtful accounts	△4,381	△4,380	
Total investments and other assets	<u>520,784</u>	<u>525,189</u>	
Total noncurrent assets	<u>2,718,847</u>	<u>2,720,504</u>	
Total assets	<u>54,084,319</u>	<u>53,623,477</u>	

(Thousands of yen)

	FY ended March 31, 2016 (As of March 31, 2016)	End of 1Q of FY ending March 31, 2017 (as of June 30, 2016)
LIABILITIES		
Current liabilities		
Accounts payable-trade	599,139	995,698
Short-term loans payable	1,248,500	1,088,000
Current portion of bonds	101,200	1,199,200
Current portion of long-term loans payable	2,004,184	1,712,884
Income taxes payable	973,017	434,057
Provision for bonuses	134,643	74,810
Provision for directors' bonuses	41,150	12,000
Construction warranty reserve	6,800	5,100
Provision for loss on guarantees for rent	41,739	44,618
Other	2,491,110	2,097,483
Total current liabilities	<u>7,641,484</u>	<u>7,663,851</u>
Noncurrent liabilities		
Bonds payable	1,413,300	280,000
Long-term loans payable	13,642,252	12,818,856
Deferred tax liabilities	578	312
Other	1,242,048	1,270,140
Total noncurrent liabilities	<u>16,298,179</u>	<u>14,369,309</u>
Total liabilities	<u>23,939,663</u>	<u>22,033,161</u>
NET ASSETS		
Shareholders' equity		
Capital stock	8,387,211	8,387,211
Capital surplus	2,871,767	2,871,767
Retained earnings	18,885,910	20,342,702
Treasury stock	△174	△174
Total shareholders' equity	<u>30,144,715</u>	<u>31,601,508</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,951	2,668
Foreign currency translation adjustment	△8,331	△27,777
Total accumulated other comprehensive income	<u>△5,379</u>	<u>△25,108</u>
Minority interests	5,320	13,916
Total net assets	<u>30,144,656</u>	<u>31,590,315</u>
Total liabilities and net assets	<u>54,084,319</u>	<u>53,623,477</u>

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of comprehensive income

Consolidated Quarterly Statements of Income

	(Thousands of yen)	
	First Quarter of FY ended March 31, 2016 (April 1,2015- June 30, 2015)	First Quarter of FY ended March 31, 2017 (April 1,2016- June 30, 2016)
Net sales	6,060,541	10,403,395
Cost of sales	3,868,709	5,745,660
Gross profit	2,191,832	4,657,735
Selling, general and administrative expenses	768,440	1,086,827
Operating income	1,423,391	3,570,908
Non-operating income		
Interest income	2,560	3,492
Dividends income	182	181
Subsidy income	720	720
Other	197	667
Total non-operating income	3,659	5,062
Non-operating expenses		
Interest expenses	52,019	53,430
foreign currency transaction loss	3,835	46,654
Other	3,876	7,668
Total non-operating expenses	59,731	107,753
Ordinary income	1,367,320	3,468,217
Extraordinary loss		
Loss on litigation	10,850	-
Total extraordinary losses	10,850	-
Income before income taxes and minority interests	1,356,470	3,468,217
Income taxes-current	152,851	370,713
Income taxes-deferred	19,730	571,935
Total income taxes	172,582	942,649
Income before minority interests	1,183,888	2,525,568
Minority interests in income (loss)	-	△108
Net income	1,183,888	2,525,676

Consolidated Quarterly Statements of comprehensive income

(Thousands of yen)

	First Quarter of FY ended March 31, 2016 (April 1,2015- June 30, 2015)	First Quarter of FY ended March 31, 2017 (April 1,2016- June 30, 2016)
Income before minority interests	1,183,888	2,525,568
Other comprehensive income		
Valuation difference on available-for-sale securities	△437	△283
Foreign currency translation adjustment	2,189	△19,446
Total other comprehensive income	1,752	△19,729
Comprehensive income	1,185,640	2,505,839
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,185,640	2,505,947
Comprehensive income attributable to minority interests	-	△108

(3) Notes to quarterly financial statements

(Notes regarding the conditions of going business)

Not applicable.

(Notes in the case of major changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

I First Quarter of Fiscal Year Ended March 31, 2016 (April 1, 2015 - June 30, 2015)

1. Information concerning sales and income or loss amount by reporting segment

(Thousands of yen)

	Reporting segment				Other business (Note 1)	Total	Adjustment amounts (Note 2)	Quarterly consolidated income/loss statement amount (Note 3)
	Real Estate Revitalization	Real Estate Brokerage	Property Management	Total				
Sales	5,162,828	405,971	358,481	5,927,282	133,259	6,060,541	—	6,060,541
Segment income(loss)	1,506,643	366,132	166,693	2,039,469	62,840	2,102,310	△678,918	1,423,391

Notes: 1. The classification "other business" refers to business segments that are not included in reporting segments, and includes construction solution business and delinquent rent guarantee business and space rental business, etc.

2. The segment income adjustments amount, △678,918 thousand yen, includes △730,937 thousand yen in company-wide expenses that are not allocated to reporting segments and 52,019 thousand yen in adjustment amounts for interest expense. The company-wide expenses are mainly selling, general and administrative expenses that are not allocated to reporting segments.

3. Segment income (loss) is adjusted with operating incomes calculated in consolidated quarterly statements of income.

2. Information on impairment of non-current assets and goodwill etc. for each reporting segment

Not applicable.

II First Quarter of Fiscal Year Ending March 31, 2017 (April 1, 2016 - June 30, 2016)

1. Information concerning sales and income or loss amount by reporting segment

(Thousands of yen)

	Reporting segment				Other business (Note 1)	Total	Adjustment amounts (Note 2)	Quarterly consolidated income/loss statement amount (Note 3)
	Real Estate Revitalization	Real Estate Brokerage	Property Management	Total				
Sales	9,357,287	226,796	430,975	10,015,059	388,336	10,403,395	—	10,403,395
Segment income(loss)	3,869,109	182,092	202,383	4,253,585	195,936	4,449,522	△878,613	3,570,908

Notes: 1. The classification "other business" refers to business segments that are not included in reporting segments, and includes construction solution business and delinquent rent guarantee business and space rental business and hotel operation business, etc.

2. The segment income adjustments amount, △878,613 thousand yen, includes △932,044 thousand yen in company-wide expenses that are not allocated to reporting segments and 53,430 thousand yen in adjustment amounts for interest expense. The company-wide expenses are mainly selling, general and administrative expenses that are not allocated to reporting segments.

3. Segment income (loss) is adjusted with operating incomes calculated in consolidated quarterly statements of income.

2. Information on impairment of non-current assets and goodwill etc. for each reporting segment

Not applicable.