

# Consolidated Financial Results for the Third Quarter of the Fiscal Year ending March 31, 2017

**Our goal is to be the real estate company  
that customers love and choose the most in the world.**

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**February 8, 2017**



**SUN FRONTIER**

Stock Code : 8934

# Company Overview



<b>Name</b>	: Sun Frontier Fudousan Co., Ltd.
<b>Head Office</b>	: Toho Hibiya Building (Hibiya Chanter) 14F : 2-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006
<b>Established</b>	: April 8, 1999
<b>Stock Listing</b>	: First Section of the Tokyo Stock Exchange on February 26, 2007 (Stock code 8934)
<b>Capital</b>	: ¥8,387 million
<b>Representative</b>	: President, Tomoaki Horiguchi
<b>Employees</b>	Full-time staff 324 Consolidated (610 including temporary and part-time staff)
<b>Average Age</b>	: 32.3 (as of Jan 31, 2017)
<b>Main Group Companies</b>	SF Building Support Inc. Sun Frontier Real Estate Investment Advisors Inc. : Yubi Inc. Sun Frontier Fudousan Taiwan Co., Ltd. Sun Frontier Hotel Management Inc.
<b>Settlement Month</b>	: March

## Businesses

### 1. Real Estate Revitalization Business

Replanning Business/ Rental Building Business

### 2. Real Estate Services Business

Rental Brokerage/ Property Management/ Building Maintenance/ Sales Brokerage/  
Construction Solutions/ Delinquent Rent Guarantees

### 3. Hotel development and operation

Investment, development, operation



# Highlights of the results for the third quarter



## Summary of the Third Quarter for Fiscal Year Ending Mar. 31, 2017

### Quarterly profit increased steadily as planned

(¥ million)

	Results	yr/yr change	increase rate	Forecast for FY 2017
Sales	27,168	+9,812	+56.5%	41,000
Operating income	6,904	+2,382	+52.7%	8,500
Ordinary income	6,534	+2,313	+54.8%	8,200
Net income	4,513	+230	+5.4%	5,600

**High Profit margin of Revitalization Business is increasing continuously.**

- By linking up and combining our specialties through each process of acquisition, commodification and sales, with inventive approach, we have maximized the value extracted from properties.
- Segment profit margin is keeping increasing at a high level (same period last year of which is 30.2%⇒now is **31.3%**).
- As for the third quarterly consolidated financial results, both ordinary income and net income has reached **the highest-ever level.**

**Stock-type business is growing well.**

- **Acquired 100% issued shares of Sky Court Hotel Co., Ltd.** which is a hotel management company.
- Started running the serviced apartment (90 rooms in total) for Japanese from December in Jakarta.
- Planetyze Hostel, the accommodation facility for foreign visitors to Japan will open on February 13, 2017 in Higashi-nihonbashi.
- As for "Space Rental" business, we will open 2 new branch offices which make our offices become 6 in total.

# Summary of the results for the third quarter



(¥ million)

	Apr. to Dec. in FY ended Mar 31, 2016	Profit margin to sales	Apr. to Dec. in FY ending Mar 31, 2017	Profit margin to sales	Forecasts for FY ending Mar 31, 2017	Progress rate with respect to the initial forecast
<b>Sales</b>	<b>17,356</b>	—	<b>27,168</b>	—	<b>41,000</b>	<b>66.3%</b>
<b>Operating income</b>	<b>4,521</b>	<b>26.1%</b>	<b>6,904</b>	<b>25.4%</b>	<b>8,500</b>	<b>81.2%</b>
<b>Ordinary income</b>	<b>4,221</b>	<b>24.3%</b>	<b>6,534</b>	<b>24.1%</b>	<b>8,200</b>	<b>79.7%</b>
<b>Net income</b>	<b>4,283</b>	<b>24.7%</b>	<b>4,513</b>	<b>16.6%</b>	<b>5,600</b>	<b>80.6%</b>

Specializing in the small and medium-sized office buildings in central Tokyo and maintaining a high level of profitability. Achieved about **80%** profit amount of whole financial year plan.

# Revenue / Profit Summary



(¥ million)

	Apr. to Dec. in FY ended Mar 31, 2016	Apr. to Dec. in FY ending Mar 31, 2017
<b>Sales</b>	<b>17,356</b>	<b>27,168</b>
Real estate revitalization	12,821	22,399
Real estate securitization	145	-
Rental building business	1,592	1,285
Brokerage	1,233	922
Property management	1,097	1,280
Other businesses	466	1,281
<b>Gross Profit Sales</b>	<b>7,048</b>	<b>10,012</b>
Real estate revitalization	4,246	7,403
Real estate securitization	145	-
Rental building business	825	698
Brokerage	1,082	744
Property management	499	557
Other businesses	248	609
<b>Selling and general administrative expenses</b>	<b>2,526</b>	<b>3,108</b>

	Apr. to Dec. in FY ended Mar 31, 2016	Apr. to Dec. in FY ending Mar 31, 2017
<b>Operating income</b>	<b>4,521</b>	<b>6,904</b>
Non-operating income	13	7
Non-operating expenses	313	377
<b>Ordinary income</b>	<b>4,221</b>	<b>6,534</b>
Extraordinary loss/income	1,245	0
Corporate income tax, etc.	1,186	2,023
Income(loss) attributable to non-controlling interests	▲2	▲1
<b>Net income</b>	<b>4,283</b>	<b>4,513</b>

**Revitalization business sales and gross income both increased greatly. Profit margin is hovering at a high level and driving the whole business performance.**

**Rental building business and sales brokerage business is decreasing.**

**Hotel and Space Rental business which started in the previous year expanded well and enhanced performance.**

**Expanded profit cut down the tax loss carried forward, and tax cost increased. About 1.2 billion yen income taxes-deferred was added up.**

# Consolidated balance sheet



## -Assets-

	End of Mar. 2015	End of Mar. 2016	End of Dec. 2016	(¥ million) Increase/decrease (from the end of Mar. 2016)
<b>Current assets</b>	<b>37,452</b>	<b>51,365</b>	<b>51,001</b>	<b>▲364</b>
Cash and deposits	12,686	15,413	<b>15,050</b>	<b>▲363</b>
Inventory assets	23,480	32,714	<b>34,143</b>	<b>+1,428</b>
Breakdown ) RP	22,340	27,189	<b>26,709</b>	<b>▲480</b>
Hotel	1,140	5,525	<b>6,134</b>	<b>+608</b>
Overseas, etc.	-	-	<b>1,299</b>	<b>+1,299</b>
Other current assets	1,285	3,237	<b>1,806</b>	<b>▲1,430</b>
<b>Noncurrent assets</b>	<b>2,971</b>	<b>2,718</b>	<b>8,272</b>	<b>+5,553</b>
Property plant and equipment	2,483	1,919	<b>7,201</b>	<b>+5,281</b>
Intangible assets	76	278	<b>553</b>	<b>+275</b>
Investments and other assets	412	520	<b>517</b>	<b>▲3</b>
<b>Total assets</b>	<b>40,424</b>	<b>54,084</b>	<b>59,273</b>	<b>+5,189</b>

Increased by 600 million yen for hotel business and increased by 1.3 billion yen for overseas business. On the other hand, decreased by 500 million yen in real estate revitalization business (Sales: 16 properties, acquisition: 22 properties.)

As loss carried forward was set off, there would be a reversal of 1.2 billion yen in deferred tax asset.

As acquisition of hotel land in September for long-term hold, it increased by 5 billion yen.

# Consolidated balance sheet

## -Liabilities/Equity-



	End of Mar. 2015	End of Mar. 2016	End of Dec. 2016	(¥ million) Increase/decrease (from the end of Mar. 2016)
<b>Current liabilities</b>	<b>3,550</b>	<b>7,641</b>	<b>7,499</b>	<b>▲142</b>
Short-term loans payable, etc.	1,004	3,353	<b>3,956</b>	+602
Income taxes payable, etc.	221	973	<b>356</b>	▲616
Other current liabilities	2,324	3,314	<b>3,185</b>	▲128
<b>Noncurrent liabilities</b>	<b>14,172</b>	<b>16,298</b>	<b>18,265</b>	<b>+1,967</b>
Long-term loans and bonds payable	12,988	15,055	<b>16,945</b>	+1,889
Other noncurrent liabilities	1,183	1,242	<b>1,320</b>	+77
<b>Total liabilities</b>	<b>17,723</b>	<b>23,939</b>	<b>25,764</b>	<b>+1,824</b>
Shareholders' equity	22,693	30,144	<b>33,589</b>	+3,444
Others	8	▲0	<b>▲80</b>	▲80
<b>Total net assets</b>	<b>22,701</b>	<b>30,144</b>	<b>33,508</b>	<b>+3,364</b>
<b>Total capital and liabilities</b>	<b>40,424</b>	<b>54,084</b>	<b>59,273</b>	<b>+5,189</b>

### Changes in capital adequacy ratios

End of Mar. 2015	End of Mar. 2016	End of Dec. 2016
56.2%	55.7%	<b>56.5%</b>

Loans payable of hotel business increased 2.49 billion yen, interest-bearing debt at the end of December is 20.9 billion yen.

Retained earnings (3.44 billion yen) increased as difference of net income (+ 4.46 billion yen) and dividend payment (▲1.06 billion yen).

# Performance of Revitalization business



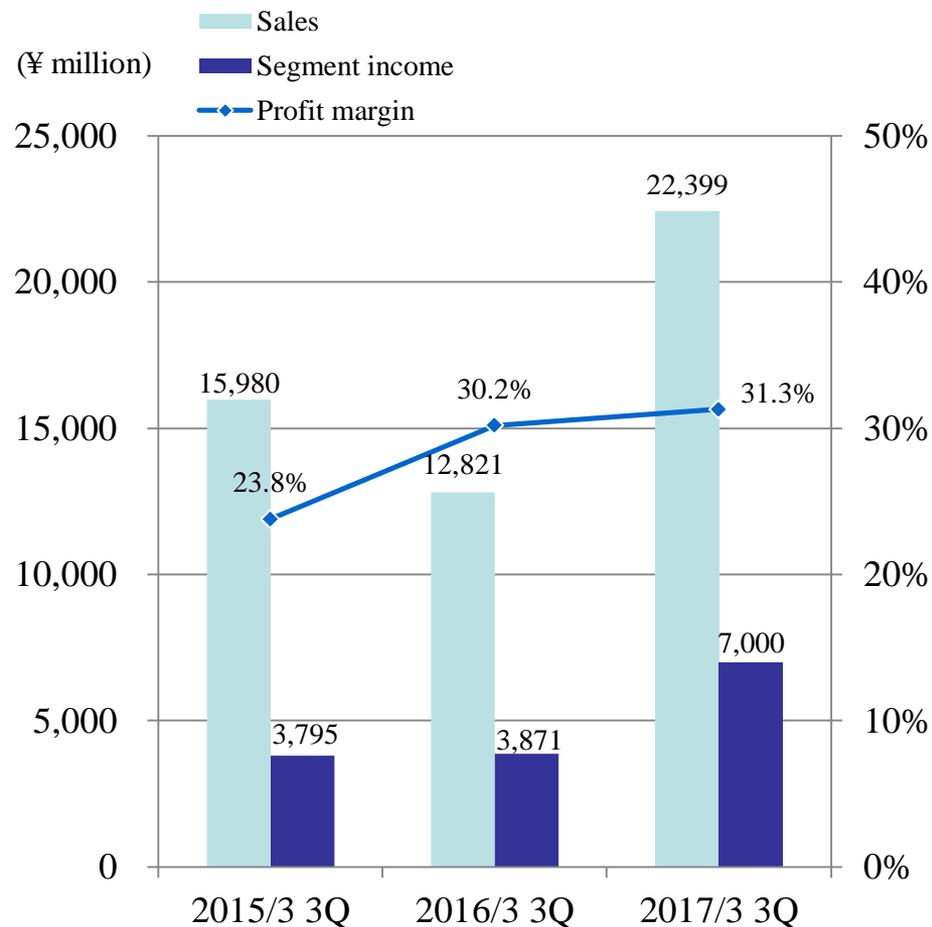
(¥ million)	Apr. to Dec. in FY ended Mar 31, 2016	Apr. to Dec. in FY ending Mar 31, 2017	Increase/ decrease
Sales	12,821	22,399	+74.7%
Segment income <sup>(Note1)</sup>	3,871	7,000	+80.8%
Profit margin	30.2%	31.3%	+1.1%p
No. of procured buildings	24	22	▲2
No. of sold buildings	16	16	±0
No. of buildings in stock as of the end of the term	35	49 <sup>(Note2)</sup>	+14

- In order to create **high added values**, we take about one year to do attractive commodification which could be highly valued by purchasers. Then we progress proposal type sales to specific customers.
- While making efforts on commodification and procurement, direct sales to our customers also increased. As a result, **profit margin keep increasing at a high lever over 30%**.
- **The average business period** for selling the 16 properties is 324 days (except for middle-term revitalization projects).
- The stocks of revitalization property at the end of the third quarter are 49 buildings(6 of which belong to hotel business and 4 of which belong to overseas business). **Properties worth is 34.1 billion yen** (6.1 billion of which is hotel business and 1.3 billion yen of which is overseas business).

※ Besides above, there are also 8 buildings for revitalization business worth 3.9 billion yen which are procured and contracted at the end of January.

(Note1) "Segment income" is calculated by subtracting various expenses of respective businesses from gross profit on sales. Various expenses include interest paid, sales commission and goodwill amortization.

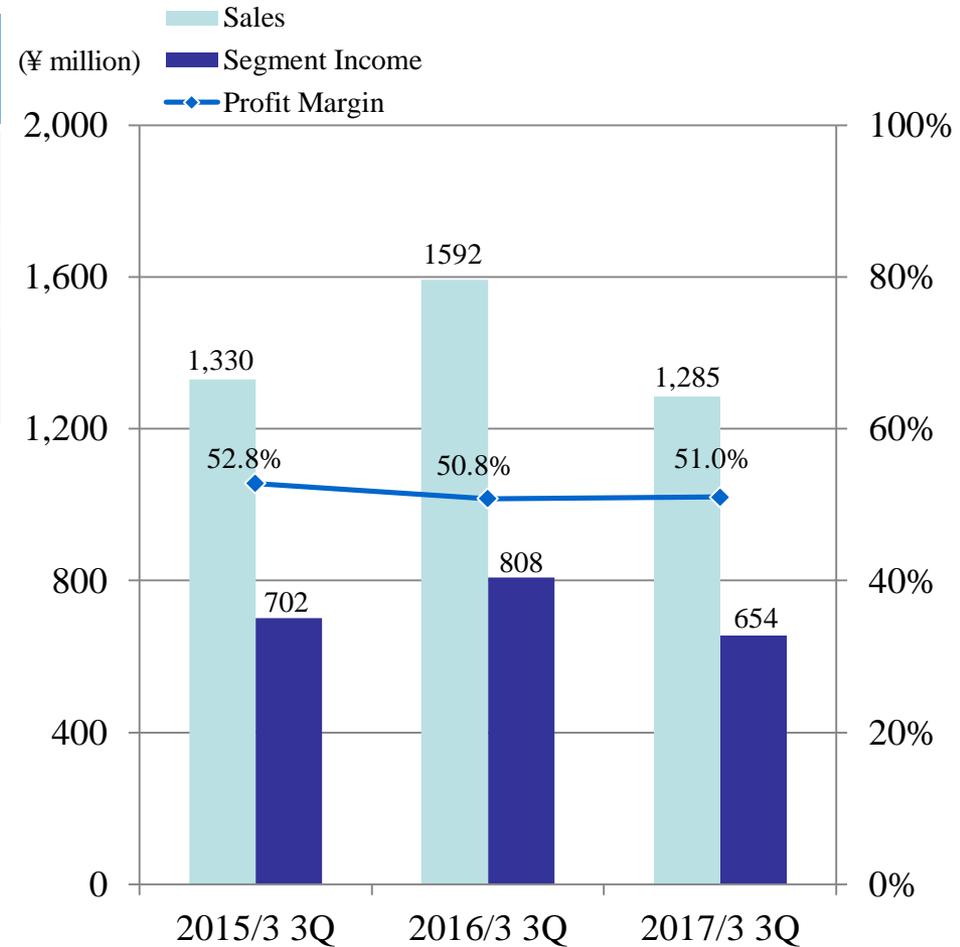
(Note2) Land procurement and development cases are also included in the inventory of revitalization business.



# Rental building business

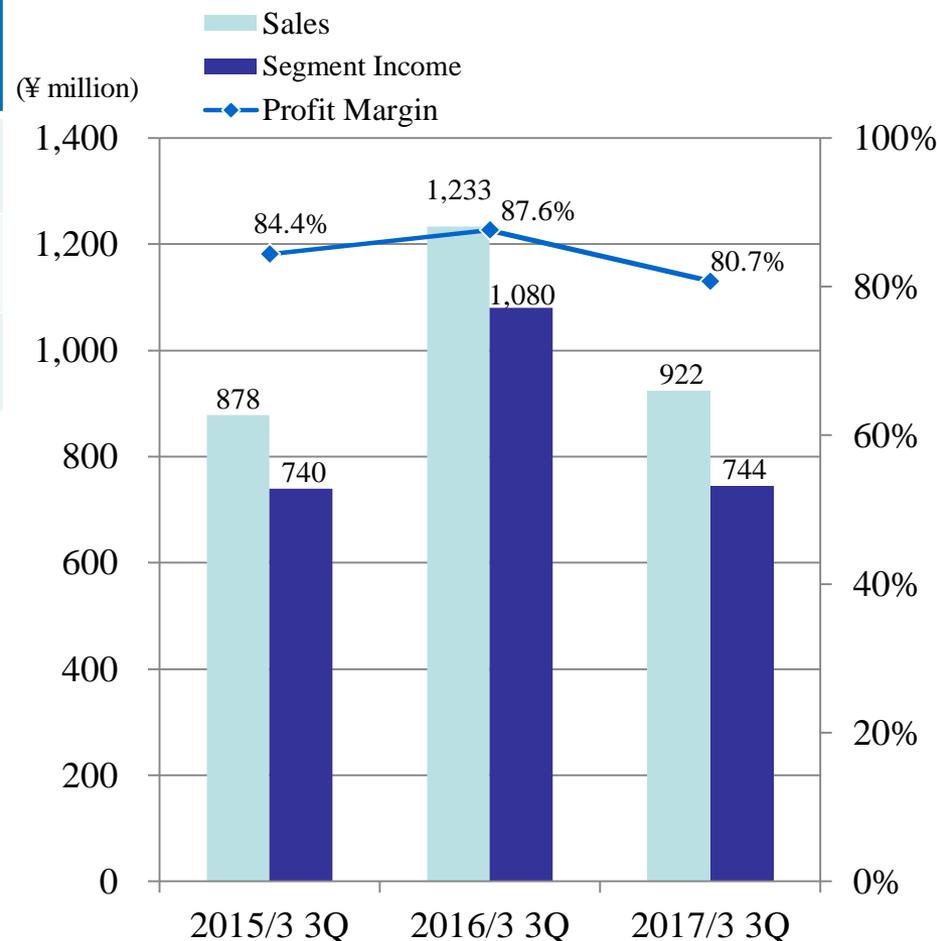
(¥ million)	Apr. to Dec. in FY ended Mar 31, 2016	Apr. to Dec. in FY ending Mar 31, 2017	Increase/ decrease
<b>Sales</b>	1,592	1,285	▲19.3%
<b>Segment income</b>	808	654	▲19.0%
<b>Profit margin</b>	50.8%	51.0%	+0.2%p

- Because medium-sized projects operated over about two and a half years were sold as scheduled, both sales and profits decreased (contributed a lot to revitalization business).



# Performance of Brokerage business

(¥ million)	Apr. to Dec. in FY ended Mar 31, 2016	Apr. to Dec. in FY ending Mar 31, 2017	Increase/decrease
<b>Sales</b>	1,233	922	▲25.1%
<b>Segment income</b>	1,080	744	▲31.1%
<b>Profit margin</b>	87.6%	80.7%	▲7.0%p



## < Sales brokerage >

- Some financial institutions become cautious about lending to real estate investment for local overheating in real estate market. Against this background, many investors are in a wait-and-see mood for the yen's continuing strength. Also we didn't make enough effort to meet the needs of customers, therefore both sales and profits decreased compared to previous year.

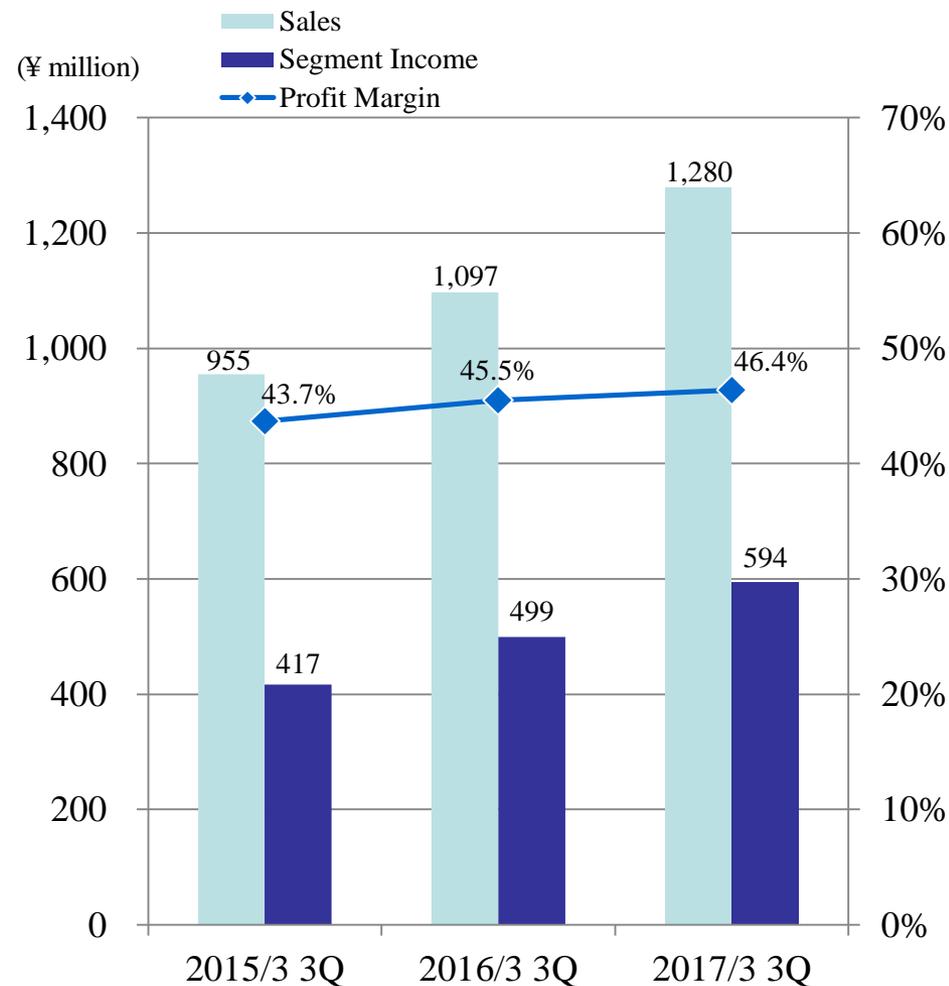
## < Rental brokerage >

- In respective area of each branch office, we dig deep to understand customers and work hard for them with the strength of rental brokerage based on community sales in the 5 wards of central Tokyo. Therefore, the entrusted buildings of property management business increased, and both sales and profits increased from previous year.
- In the process of revitalization property's commodification, The planning ability based on tenant's perspective become motive power for improvement in added value and early high occupancy rate. Also it contributed a lot for the profit of whole company.

# Performance of Property management business



(¥ million)	Apr. to Dec. in FY ended Mar 31, 2016	Apr. to Dec. in FY ending Mar 31, 2017	Increase/Decrease
<b>Sales</b>	1,097	1,280	+16.6%
<b>Segment income</b>	499	594	+18.9%
<b>Profit margin</b>	45.5%	46.4%	+0.9%p



<Property management business>

- Both sales and profit increased.
- **No. of managing properties : 356 (up by 41 compared to the same period of the previous year)**
- Occupancy rate: 96.5% (up by 0.2%)

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

	No. of properties	Occupancy rate
End of Dec. 2014	255	97.2%
End of Dec. 2015	315	96.3%
End of Dec. 2016	356	96.5%

<Building maintenance business>

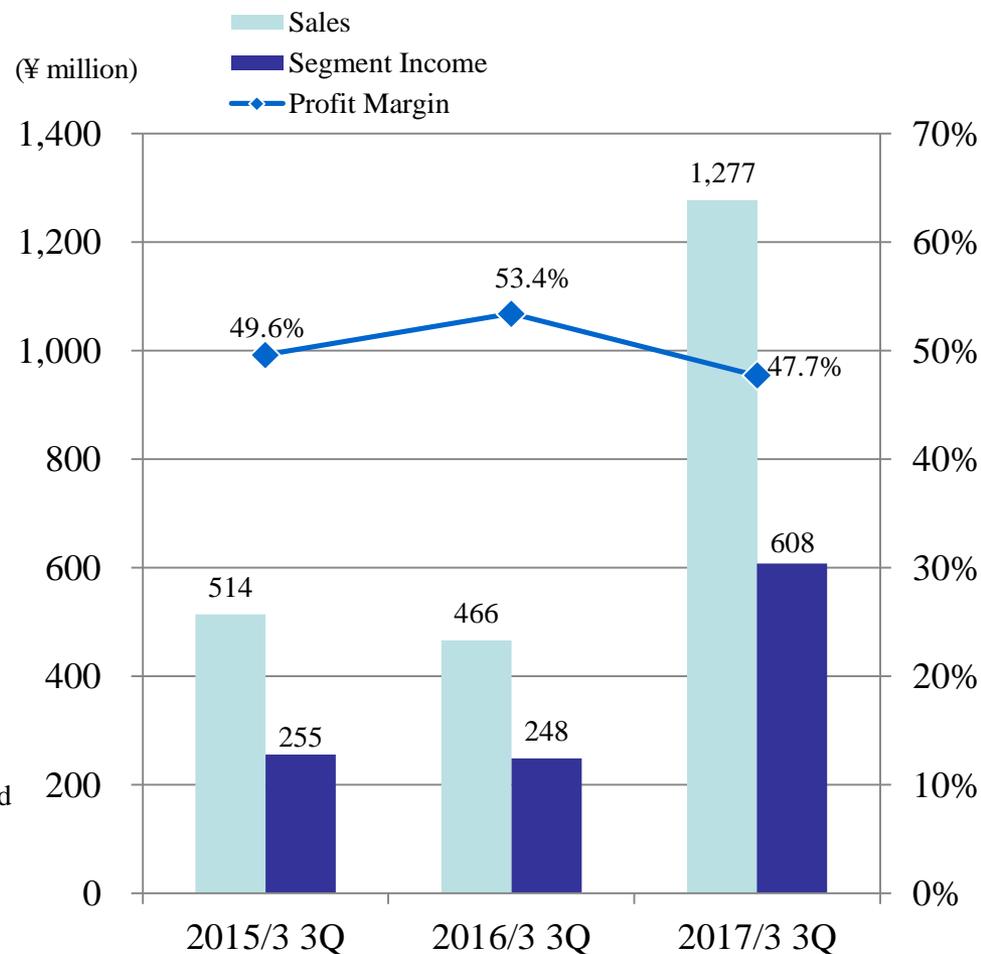
- Growth of PM's entrusted property has an effect on growth of BM's entrusted property and spot case, both sales and profit increased.

# Performance of Other Business

(Delinquent rent guarantee, construction solution, space rental, hotel operation, etc.)



(¥ million)	Apr. to Dec. in FY ended Mar 31, 2016	Apr. to Dec. in FY ending Mar 31, 2017	Increase/decrease
Sales	466	1,277	+174.1%
Segment income	248	608	+144.8%
Profit margin	53.4%	47.7%	▲5.7%p



## < Delinquent rent guarantee business >

By holding seminar toward building owners and cooperative companies, guarantee system got spread. Also we endeavored in quick guarantee judgement. Therefore, new customer development also improved. Both sales and profit increased.

## < Construction solution business >

Due to commodification specialized in revitalization business within company, sales decreased and profits slightly increased.

## < Space rental business >

Users are **increasing steadily based on repeaters and referrals**. Both sales and profits increased remarkably.

(Apr. to Dec. in FY 2017, sales are 281 million yen, segment income is 87 million yen.)

## < Hotel Operations >

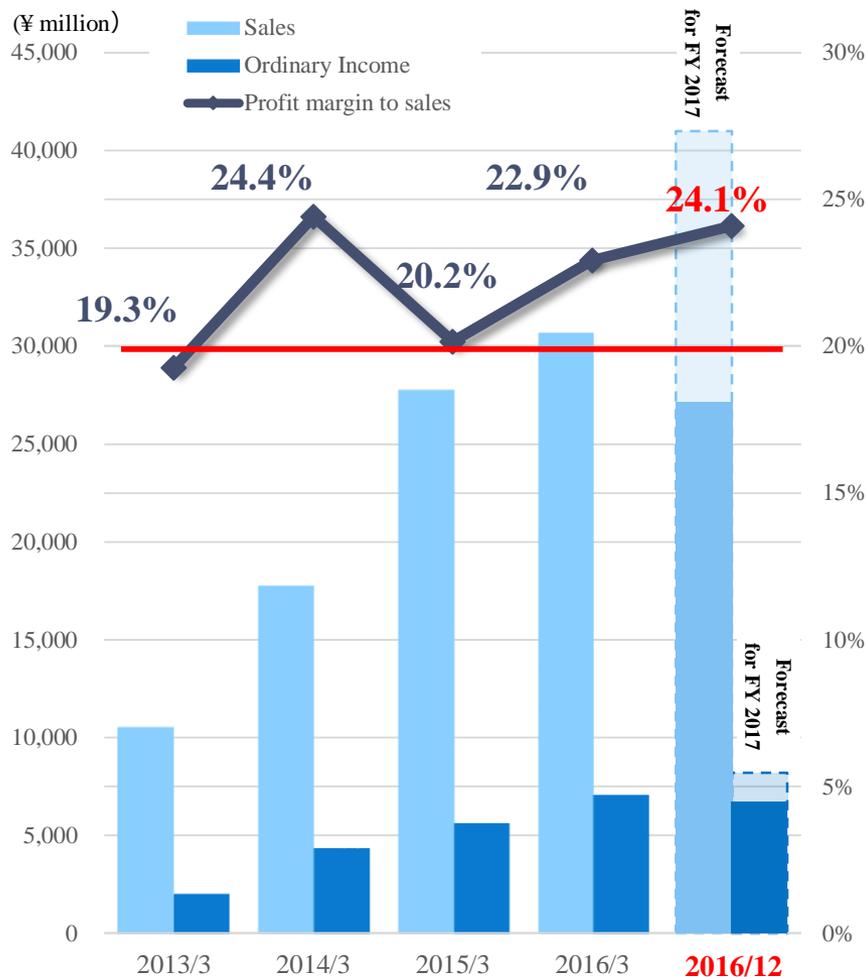
**Occupancy rate** of “SPRINGSUNNY Hotel Nagoya Tokoname”, the collaborative brand hotel with Shanghai Spring Group, **remains at a high level over 96%** and average daily rate is improving remarkably as well. Both sales and profit increased greatly.

(Apr. to Dec. in FY 2017, sales are 504 million yen, segment income is 123 million yen.)

# Key Performance Indicators

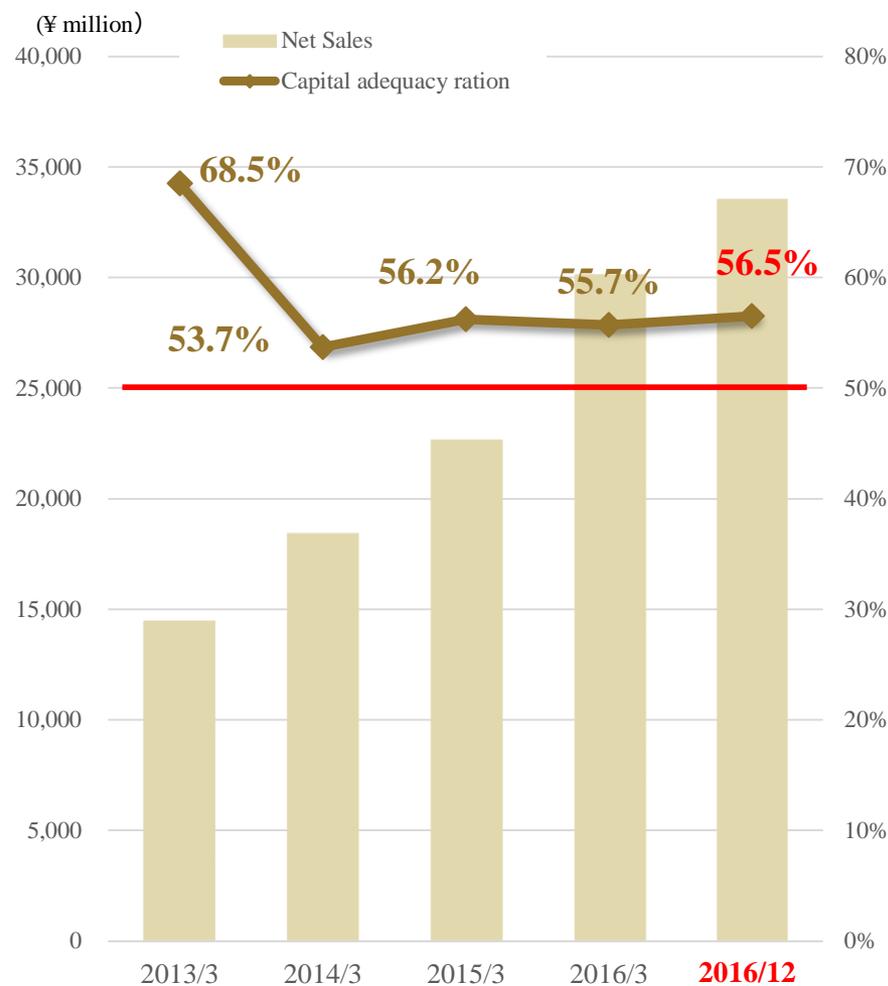
## ■ Ordinary income margin

A testament to the development of our high value-added business.



## ■ Capital adequacy ratio

Financial stability is being built.



# **Future activities**

- 1) Business environment**
- 2) Managerial policy and business model**
- 3) Growth strategies**

**The global economy continues to grow moderately, but there is uncertainty regarding its future.**

The improvement of U.S. income and employment is driving the economic growth of advanced countries. **Focusing on advanced countries, global economy is expected to grow moderately.** On the other hand, economy of emerging countries focusing on China is bottoming out, but the pace of recovery remains more sluggish.

Due to the emergence of populism, the introverted national particularism, there is **uncertainty for policy decision of the new U.S. administration**, anxiety about finance for Brexit and slowdown of emerging countries' economic growth rate. **The future of global economy remains unclear** and can be easily affected by political events and geopolitical risks.

Aiming at increasing the country's nominal GDP to 600 trillion, The government of Japan bound "three arrows" to enhance economy. Through working-style reform, active social participation by women and relaxation of financing regulation, the government is promoting **the Dynamic Engagement of All Citizens** and strengthening the virtuous cycle of growth and allocation.

**Financing environment remains favorable.**

As monetary easing policy of BOJ is continuing and long-term interest is declining, **attitudes to lending to real estate business is still positive** while some financial institutions are showing negative stance toward rental house loan.

Against the background of graying of society and good financing environment, for small and medium-sized buildings in central Tokyo which our company is focusing on, the dynamism of purchase demand is still growing as there are overseas investment, needs of inheritance countermeasure and asset management.

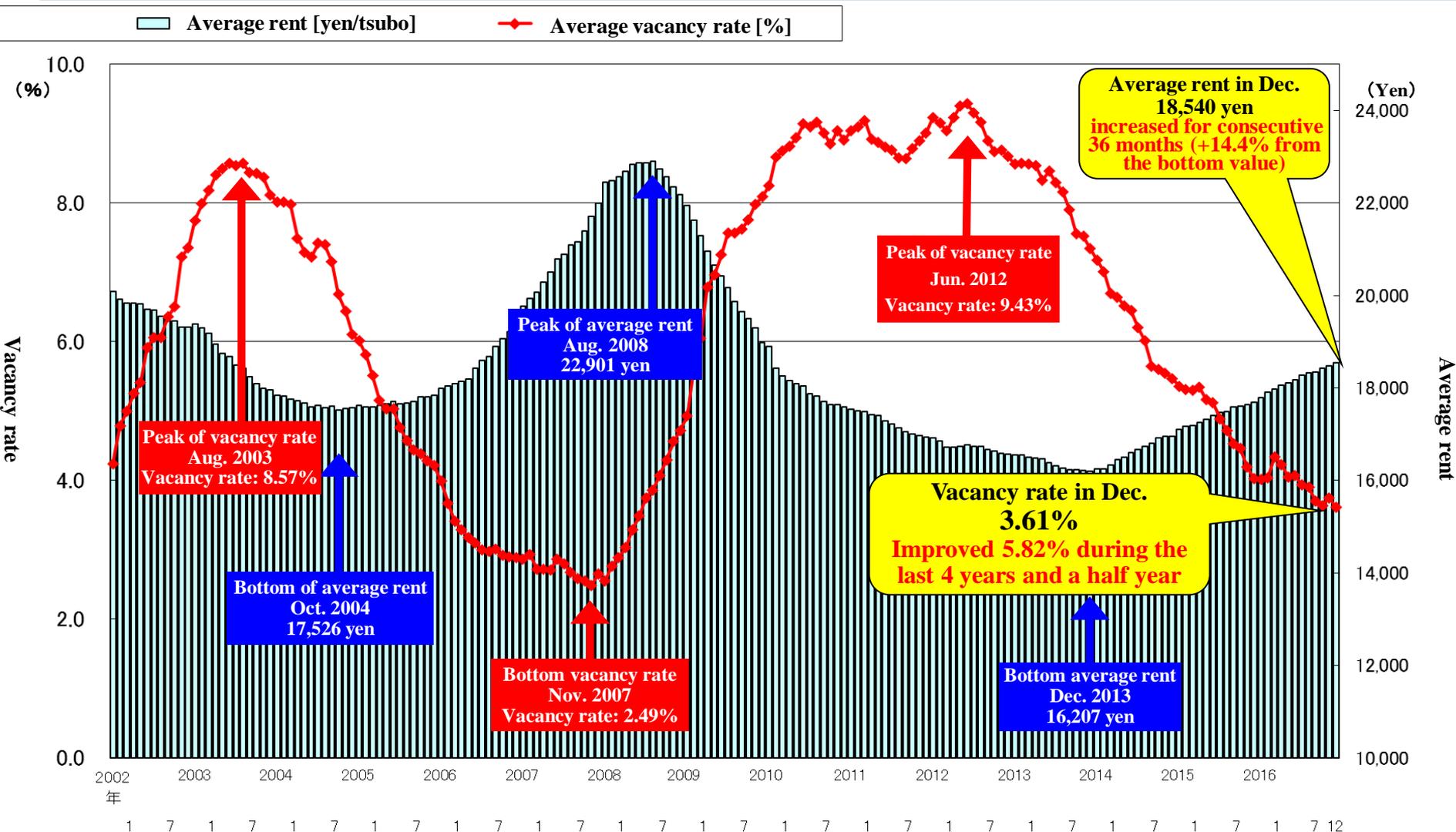
With objective of the realization of Japan as a tourism nation, the government is working on the amendment of Hotel Business Law. **The number of foreign tourists to Japan reached about 24 million and 30 thousand in 2016, lack of accommodation became a socially urgent task.** Surge of tourist is also **showing a sign of spreading to provinces** instead of capital cities. Total overnight guests who visit provinces exceeded those who visit three major metropolitan areas of Japan.

**Demand-supply balance in central office building market is tight.**

**Active movement such as relocation, expansion and area increase is continuing due to business development and average vacancy rate in five wards of central Tokyo remained at a low level.** As the tenants' sense of cost is still high, average rent showed a slight increase. In addition, as demand-supply balance is still tight and market recovery will take a long time, it is predicted that the cycle of rental market would reverse in near future after bottoming out.

Needs for office relocation of information and communication industry as well as human resource and real estate business is growing. Thus **negotiation for raising rent of tenant recruitment and contract renewal is increasing.** But room for lowering cap rate of internal real estate is very small, prudence for investment decisions is required.

# Changes in office rent and vacancy rate in 5 wards of central 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 policy and business model**

**“Not for profit, but for trust.”**

**We change ourselves and solve any real estate related difficulties based on the viewpoint of customers.**

# Sun Frontier's Vision and Policies



## Vision

As **professionals of real estate utilization**, our goal is to be the company that customers love and choose the most in the world.

## Clients

Building owners, asset holders, and wealthy individuals

## Core business

Real estate revitalization and utilization

## Policies

To focus on people rather than property  
Solve any real estate related difficulties based on the viewpoint of customers

## Strategies

Central  
Tokyo

Office

## Strength

Tenant finding  
capability

Real estate  
Revitalization  
capability

Operation capability

### 1. Mental management based on our ethos and philosophy

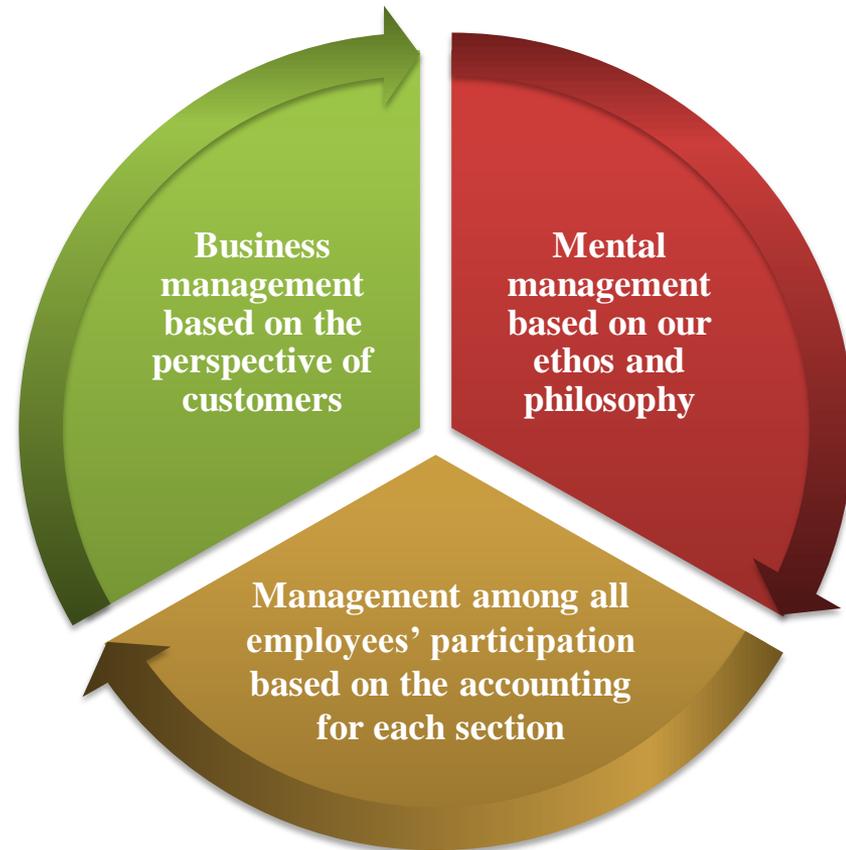
- We have upheld “**altruism**” since the establishment of our company.
- By cleaning our office and reading the philosophy booklet every morning we become a group that share the value of “**Feeling happy for others as you do for yourself**”.
- Aiming at offering much greater happiness to customers, we contribute to the actualization of a rich society.

### 2. Management among all employees’ participation based on the accounting for each section

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

### 3. Business management based on the perspective of customers

- We listen to customers’ requests carefully, handle and solve even minor troubles, without being stingy with time.
- **We change ourselves from the perspective of customers**, making efforts to challenge, create and advance.
- With internal collaboration of different sections, **we create high added values that are linked to one another.**

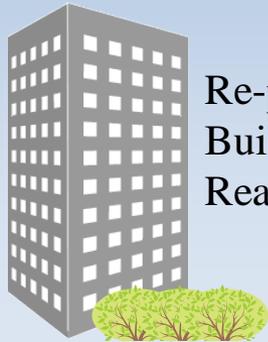


**Employees play major roles.  
Resonant business administration.**

# Classification chart of our business

## Office buildings

### Real Estate Revitalization Business



Re-planning Business  
Building Rental Business  
Real Estate Securitization Business

### Real Estate Services Business

Rental Brokerage Sales Brokerage  
Property Management  
Building Maintenance  
Delinquent Rent Guarantees  
Construction Solutions  
Space Rental, Small office

## Hotel

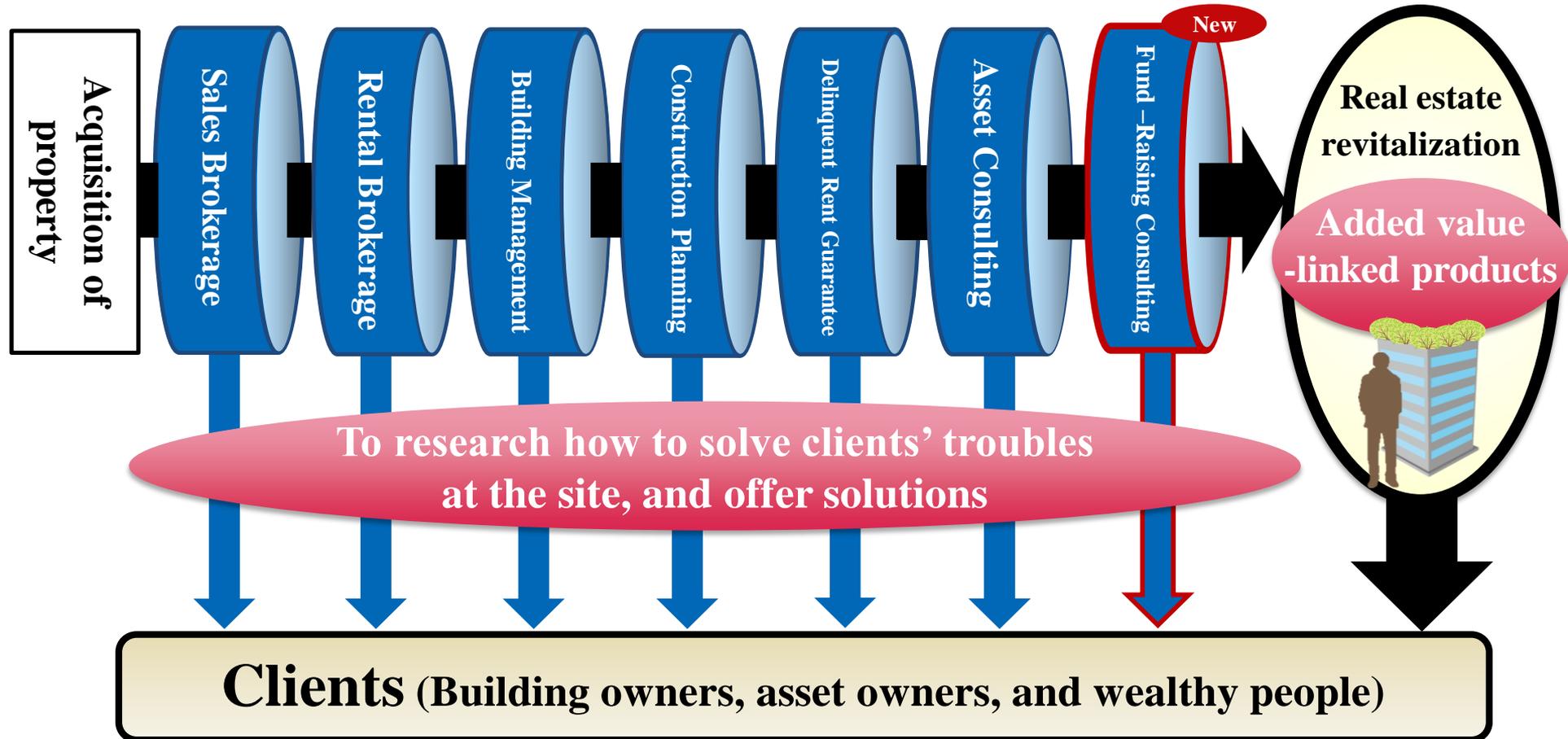
Hotel Possession and Operation  
Development, Revitalization and Sales  
M&A for Hotel and Operating Company

## Overseas

Attract investment from Taiwan to Tokyo  
Urban Housing and Serviced Apartment in Jakarta  
Hotel and Housing Developments in Vietnam

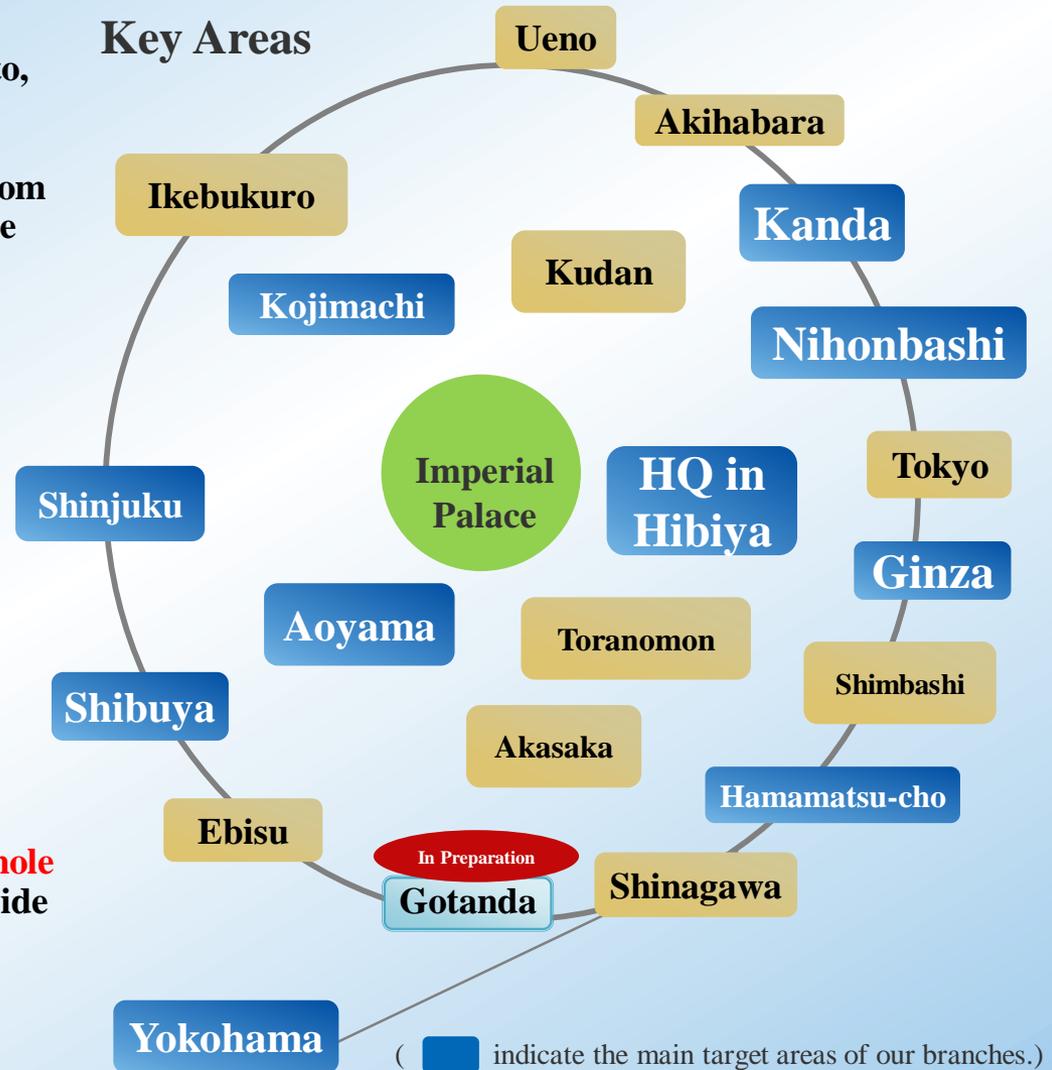
# Real Estate Revitalization and the Cycle of Added Value

- ① **In vertical real estate utilization business**, we survey and solve difficulties by listening to customers' concerns.
- ② **In horizontal real estate revitalization business**, first, we link up unrivalled knowhow and grasped needs through process above. Then we apply the linked up power to used buildings which we purchased, transform them into high value-added products and sell the products of high added value to customers.



# 3 main functions of branch office net focusing on central Tokyo

- 1. Specializing in central Tokyo**  
**10 footholds** in wards of Chiyoda, Chuo, Minato, Shinjuku, Shibuya, and Yokohama City. With rental team of 72 members and management team of 79 members, we draw out the needs from customers and **excel at finding tenants** for office buildings by utilizing our **familiarity with local areas**.
- 2. Building owners' preferred point of contact**  
 We solve various problems of customers. Not only do tenant recruitment but also listen to customers and help them **with internal cooperation**.
- 3. Promote "Efficient utilization of building business"**  
 To meet the rapid change of environment, we started building revitalization business. **As additional loans from financial institutions is conditional on company creditworthiness and stable profitability of property, we lease the whole building and sublease it to other tenants**, provide various services from renewal construction to building operation instead of owners. With powerful trinity of owners, banks and our company, we revitalize the building.



# Building operation capability is our strength



“One price for one article” products of optimal location in central Tokyo.  
We draw out buildings’ market value and real estate value which haven’t been noticed yet with **excellent quality and attractive features** from continuous research on customer’s perspective, and sell buildings to asset holders and wealthy people at appropriate price.  
After the sale, the heart-warming follow up will lead to deep trust and become the profit opportunities for stock business.

## Menu of after-sale services

Sale of revitalized  
property

Rental Brokerage

Building  
Management &  
Operation

Building  
Maintenance

Rental Guarantee

Plan & Design

Renewal  
Construction

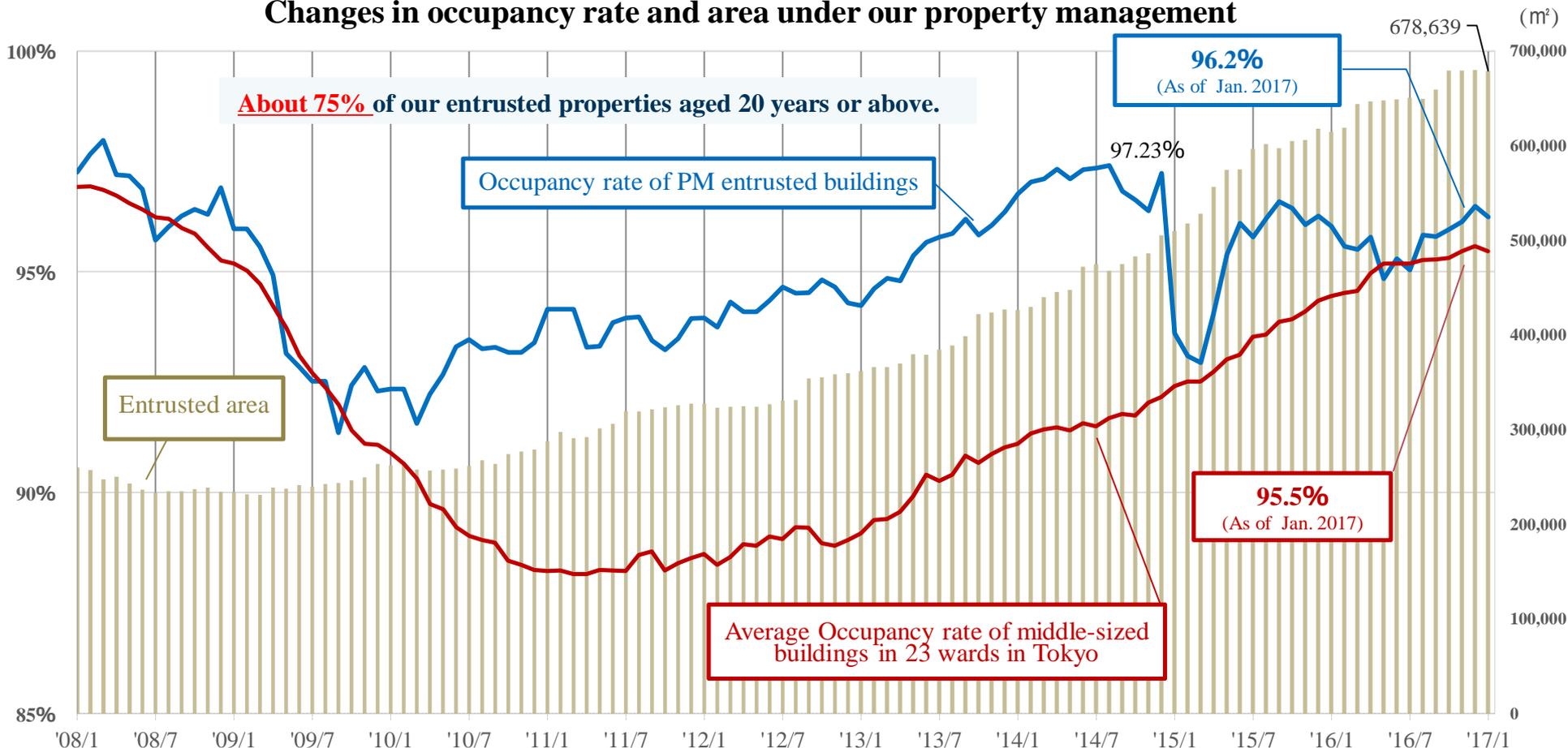
Assets  
Consulting

Sales Brokerage

Revitalization Business and Rental Building Operation Business

# Entrusted area of PM and clients are increasing steadily

## Changes in occupancy rate and area under our property management



※Source: the occupancy rate of middle - sized buildings in 23 wards in Tokyo was produced by our company based on "Market Data Rent and Vacancy" of Sanko Estate Co., Ltd.

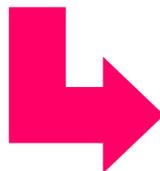
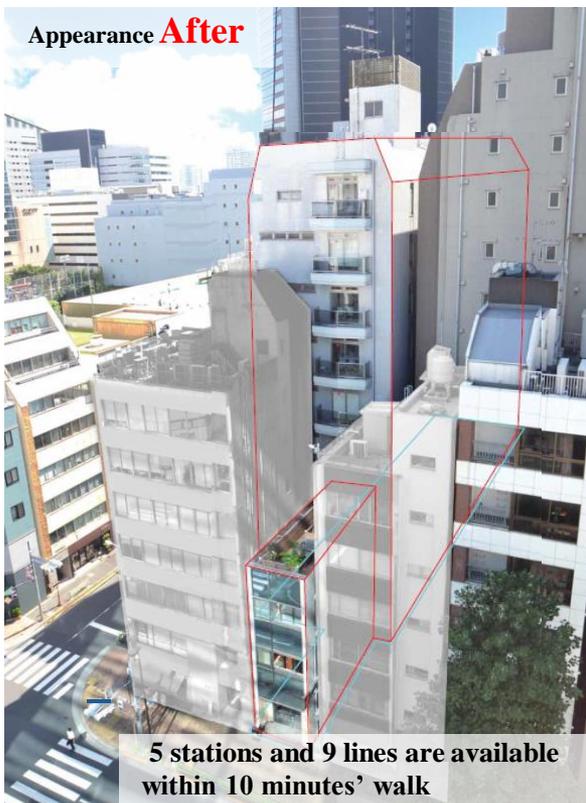
### Note: Occupancy rate of buildings under management of Property Management Section

In the 4<sup>th</sup> quarter of fiscal year 2014, as important tenants moved to larger offices, some units become vacant. Thus occupancy rate declined temporarily at the end of the term. Later, tenants have been moving in steadily, occupancy rate got recovered.

# Revitalization case

## Mobilizing the internal personnel power, maximizing the property value.

~One profitable building in Ginza~



1. Purchased sectional ownership buildings from seller who used to be the customer of rental brokerage.
2. Let 3 tenants vacate their rooms for value-up construction through communication and support.
3. Demolished the shop on ground floor, doubled the width of frontage, widened its space by nearly two and half times. Utilized the light to create a spacious entrance.
4. Improved the value of office by using interior decoration of excellent design. Corrected the top floor's non-compliance with Japan's Building Standards Act.
5. Succeeded in increasing the rent by 30% of the former price level and 7 vacant floors become fully occupied within half a year.
6. Sold the revitalized building to former customer.

### 【Property outline】

Location: Ginza, Chuo-ku, Tokyo

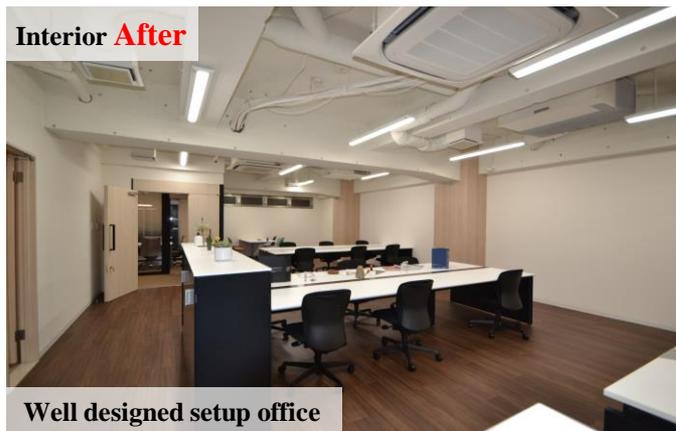
Structure: Steel reinforced concrete and Steel framed flat roof, 10 storeys above ground and 1 basement storey.

Date of completion: 1991

Purposes of use: Office, apartment house, shop, parking lot.

Site area: 196.04 m<sup>2</sup> (59.30 tsubo)

Floor space: 1,395.66 m<sup>2</sup> (422.18 tsubo)



November 25, 2016

We are **sponsoring the Japanese Language Course** in National **Danang University**.

The purpose of this course is to help all students (including graduate student) in Danang University to **master the Japanese language and learn Japanese culture** regardless of their department and major. In this course, we would like to strongly support Vietnamese students majored in high-level profession in Danang to acquire fluent language ability and learn culture of Japan. As Vietnamese has the same national characters like Japan such as diligence and conscientiousness, our purpose is to increase competent Vietnamese personnel who are able to play active roles in Japanese corporates. We hope this sponsorship **could help to expand the employment of Vietnamese students in Japan, to strengthen personal and technical exchanges**, and furthermore, to contribute to the building of strong reliant and cooperative relationship between Japan and Vietnam.



Signing Ceremony in Danang University

December 14, 2016

Our company has been selected as one of the issues to compose the **index “JPX-Nikkei Mid and Small Cap Index”** which is jointly developed by Tokyo Stock Exchange, Inc. and Nikkei Inc.

**The new index is composed of companies with high appeal for investors**, which meet requirements of global investment standards, such as efficient use of capital and investor-focused management perspectives. Eligible Issues would be selected from common stocks whose main market is the TSE 1st Section, 2nd Section, Mothers, or JASDAQ market, and the index will start to be calculated from the March 13, 2017.

Specializing in the 5 wards of central Tokyo, our company is working on revitalization and utilization of real estate from the perspective of customers. As for our consolidated financial results, sales and income increased for the fifth straight fiscal year from the fiscal year ended March 31, 2012. In the third quarter of the fiscal year ending March 31, 2017, capital adequacy ratio is 56.5% and ordinary income ratio is 24.1%. We take this selection as acclaim for our **stable growth, financial stability and high profitability**.



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## 3) Growth strategies

# Earn by flow and enlarge the stock

~Aiming at business model of standing up on two feet of flow and stock~



...New information for “Stock Type Buisness”



...New information for “Flow Type Buisness”

# Four-pronged strategy for future growth



# ~Rental Conference Room and Rental Office business~ Two branches will be newly opened



## Vision Center Tamachi

Will be newly opened on March 1, 2017

2 minutes' walk from Tamachi Station of JR lines



8 sections which can seat up to 8 ~ 126 people

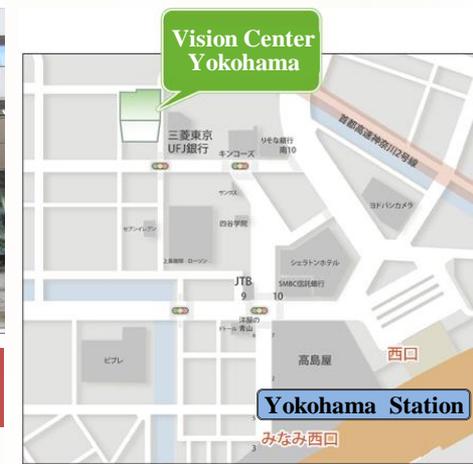
## Vision Center Yokohama

Will be newly opened on March 1, 2017

5 minutes' walk from Yokohama Station of JR lines



6 sections which can seat up to 30 ~ 100 people



<Policy of Rental Conference Room >

Change ourselves from the perspective of customer, find and serve the real need and wish of customer.

After “Vision Center Tokyo” started in April 2015, it become profitable in just half a year and customers is increasing steadily. Under the introduction from leasing section, subsequent cases in good location are also progressing well.

“Vision Center Tamachi” and “Vision Center Yokohama” will be newly opened in March, 2017 as the 5<sup>th</sup> and 6<sup>th</sup> branch.

# Guest House for Foreign Tourists to Japan

## “Planetyze Hostel” will be newly opened

Appearance



Hostel converted from office building



Dormitory



Community Space at entrance

Will be newly opened  
on February 13, 2017

### Planetyze Hostel

#### 【Overview】

**A d d r e s s :** 2-24-9 Higashi-nihonbashi,  
Chuo-ku, Tokyo, Japan

**S t r u c t u r e :** Steel-reinforced building,  
10 storeys above ground

**Year of Completion :** 1987 (30 years)

**B u i l d i n g U s e :** Budget Hotel (Guest House)

**S i t e A r e a :** 109.45 m<sup>2</sup> (33.10 tsubo)

**F l o o r S p a c e :** 784.65 m<sup>2</sup> (237.35 tsubo)

**C o m p o s i t i o n :** Floor 1 reception desk & cafe & bar  
Floor 2 office  
Floor 3 ~ Floor 10 accommodation

**C a p a c i t y :** 104

**R o o m T y p e :** Twin Room & Double Room &  
Dormitory Type Room with Bunk Bed

**A m e n i t i e s :** Free Wi-Fi in the entire building, cafe  
& bar, coin laundry, laundry drier

**L a n g u a g e :** Japanese, English, French, Chinese,  
Portuguese and Thai language.

#### 【Operating System of the Hostel】

**O w n e r :** Sun Frontier Fudousan Co., Ltd

**C o n s i g n o r :** Sun Frontier Community Arrangement  
Co., Ltd. (Wholly owned subsidiary.)

**C o n s i g n e e :** Travelience Inc.

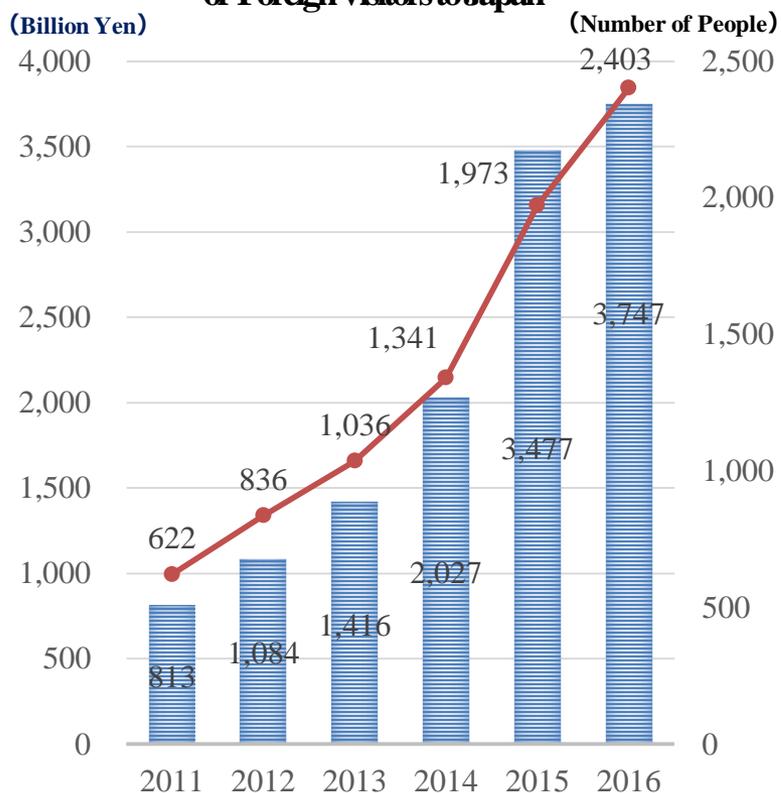
 Four minutes' walk from Higashi Nihonbashi Station of Toei Asakusa Line  
(Along the Yasukuni-dori Street)

“Planetyze Hostel”, the accommodation facility for foreign visitors to Japan will open on February 13, 2017 in Higashi-nihonbashi, Chuo-ku, Tokyo. The hostel is run through means of joint management with Travelience Inc. We have formed an alliance with Travelience Inc. which is providing online guidebook to westerners. **This hostel is chosen as model project of “New Tohoku” for enlarging communication and promoting tourism in a bid to attract more foreign visitors to the Tohoku region. It will devote to tourism revitalization of Tohoku through government-private cooperation.**

# Trends in the number of foreign visitors to Japan by country

The number of foreign visitors to **in 2016 is 24,030,000 (year-on-year rate +21.8%)**. Considering ratio of total visitors to overall population, **the number of Chinese visitors to Japan is expected to increase more**. We will continue to expand our business by developing inbound city-tourism hotel targeting on visitors to Japan.

Changes in the number and consumption of Foreign Visitors to Japan



※Source : Created from documents released from Japan National Tourist Organization and Tourism Agency.

Trends in the number of foreign visitors to Japan by country

Nation		2015	2016	Increase rate (%)	Population (million)	Total visitors ratio to population
1	China	4,993,689	6,372,984	+27.62	1,373.49	0.46%
2	Korea	4,002,095	5,090,308	+27.19	50.61	10.06%
3	Taiwan	3,677,075	4,167,429	+13.34	23.49	17.74%
4	Hong Kong	1,524,292	1,839,170	+20.66	7.31	25.16%
5	USA	1,033,258	1,242,705	+20.27	321.60	0.39%
6	Thailand	796,731	901,426	+13.14	68.83	1.31%
7	Australia	376,075	445,188	+18.38	23.94	1.86%
8	Malaysia	305,447	394,237	+29.07	31.18	1.26%
9	Singapore	308,783	361,813	+17.17	5.53	6.54%
10	Philippines	268,361	347,838	+29.62	102.15	0.34%
<b>Total</b>		<b>19,737,409</b>	<b>24,039,001</b>	<b>+21.79</b>	<b>7,206.31</b>	<b>0.33%</b>

※Source: Created from documents released from Japan National Tourists Organization.

※Source: Population is calculated from IMF 「World Economic Outlook Databases」(Version April, 2015)

# Concept and Development of Hotel Business

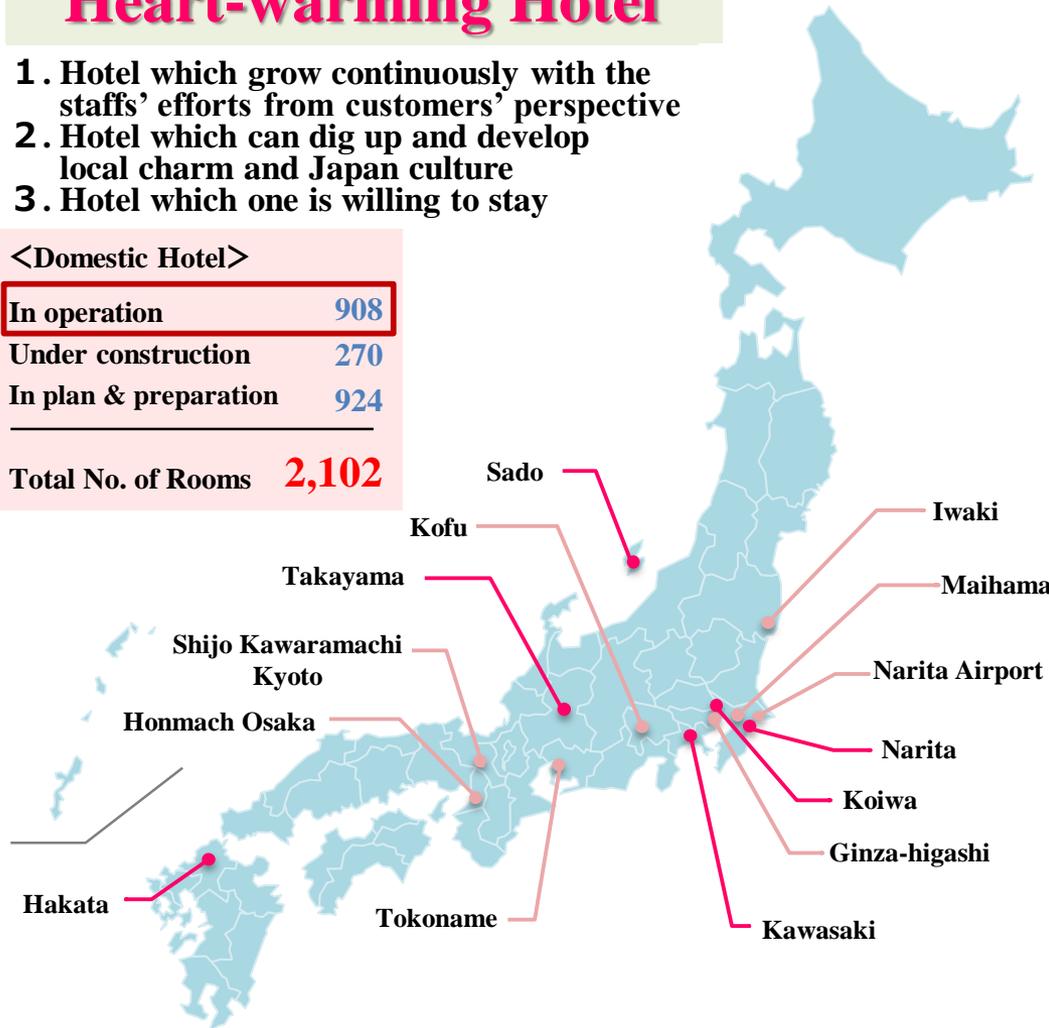
## — Inbound City-tourism Hotel —

### “Heart-warming Hotel”

1. Hotel which grow continuously with the staffs' efforts from customers' perspective
2. Hotel which can dig up and develop local charm and Japan culture
3. Hotel which one is willing to stay

#### <Domestic Hotel>

In operation	908
Under construction	270
In plan & preparation	924
<b>Total No. of Rooms</b>	<b>2,102</b>



(Note) Schedule & scale are still being planned, may change in future.

#### <List of Domestic Hotel>

Status	Open (Plan)	Brand	Hotel Name Location	No. of Rooms
Rented	—	—	Iwaki	150
In operation	Apr. 2016	Collaborative	Tokoname	194
In operation	—	Original	Kawasaki	200
In operation	—	Original	Koiwa	105
In operation	—	Original	Narita	100
In operation	—	Original	Hakata	159
Under construction	Apr. 2017	Original	Maihama	80
Under construction	Jul. 2017	Original	Kofu	190
In plan	Sep. 2017	Original	Takayama	80
In plan	1 <sup>st</sup> half of 2018	Original	Higashi-ginza	137
In plan	1 <sup>st</sup> half of 2018	Original	Sado	115
In plan	1 <sup>st</sup> half of 2018	Undecided	Narita Airport	210
In plan	2 <sup>nd</sup> half of 2018	Original	Honmachi Osaka	193
In plan	1 <sup>st</sup> half of 2019	Original	Shijo Kawaramachi Kyoto	189

Together with collaborative brand “SPRINGSUNNY”, original brand of our own which targets at upper middle class in central Tokyo is also in plan & progress. Development is progressing under concept of “Inbound City-tourism Hotel”.

Collaborative brand



Original brand



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# Our company acquired 100% issued shares of hotel management company Sky Court Hotel Co., Ltd. through M&A.



Our company **acquired 100% issued shares of Sky Court Hotel Co., Ltd. which is operating 4 hotels mainly located in Tokyo and adjacent prefectures** on December 1, 2016. This acquisition is conducted through our subsidiary Sun Frontier Hotel Management Inc. The location and grade of each hotel is very suitable for accommodating inbound tour and foreign individual tourist. From now on, we will try our best to boost customers' satisfaction by increasing the added value of each hotel. Also, we will strive to improve the profitability and make contributions for the growth and development of our company.

## Introduction of 4 Hotels

4 buildings 564 rooms in total.  
Operation Started in December 2016

**Hotel Sky Court Kawasaki**



- Location : Kawasaki-shi, Kanagawa-ken
- Rooms : 200
- Site area : 1,175.09 m<sup>2</sup>  
(355.46 tsubo)
- Floor space : 4,463.67 m<sup>2</sup>  
(1350.26 tsubo)

**Hotel Sky Court Koiwa**



- Location : Edogawa-ku, Tokyo
- Rooms : 105
- Site area : 717.34 m<sup>2</sup>  
(216.99 tsubo)
- Floor space : 2,759.01 m<sup>2</sup>  
(834.60 tsubo)

**Hotel Sky Court Narita**



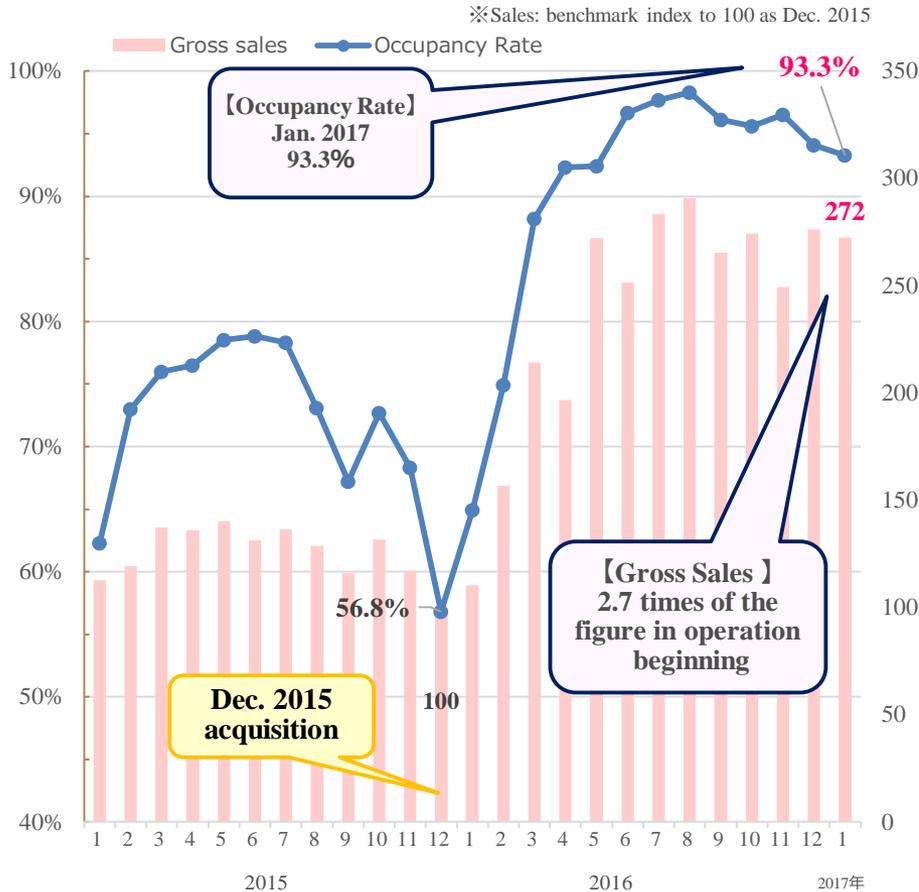
- Location : Narita-shi, Chiba-ken
- Rooms : 100
- Site area : 1,526.04 m<sup>2</sup>  
(461.62 tsubo)
- Floor space : 2,137.66 m<sup>2</sup>  
(646.64 tsubo)

**Hotel Sky Court Hakata**



- Location : Fukuoka-shi, Fukuoka-ken
- Rooms : 159
- Site area : 808.09 m<sup>2</sup>  
(244.44 tsubo)
- Floor space : 3,383.79 m<sup>2</sup>  
(1,023.59 tsubo)

# Changes of gross sales and occupancy rate



**【Occupancy Rate】**  
Jan. 2017  
93.3%

**【Gross Sales】**  
2.7 times of the figure in operation beginning

**Dec. 2015 acquisition**

As the result of our efforts on operation aiming at “heart-warming” hotel, the occupancy rate remains at a high level over 96%. Sales increased up to 2.7 times after we started the operation.



Appearance



Apr 25, 2016  
Open Ceremony



Family room on top floor

- <Main Renewal>**
- Strengthened safeguard
  - Exterior Wall Repeating
  - Beds addition, convenient headboard replacement
  - Redesign of entrance
  - Restaurant extension



Extended Restaurant

**<Summary of the Hotel Building>**

- Location : Shinkaichou, Tokoname, Aichi, Japan (3 minutes by express train from the airport, Meitetsu Airport Line, near Tokoname Station)
- Number of Rooms : 194 (large bath of artificial hot spring)
- Completion Date : January, 2008 (8 years)

# Hotels scheduled to open in 2017

## Maihama

Planned to  
Open on  
Apr. 2017

Effect Drawing



Original Brand Hotel (Name undecided)

Target on visitors to Disney Resort

**【Property Outline】**

- Location : Urayasu-shi, Chiba-ken
- Structure: Steel reinforced concrete and Steel framed flat roof, 5 storeys above ground
- Date of completion: Apr. 2017 (In plan)
- Number of rooms : 80
- Land area : 1,623.11 m<sup>2</sup> (490.99 tsubo)
- Gross floor area : 2,998.55 m<sup>2</sup> (907.06 tsubo)

## Kofu

Planned to  
Open on  
Jul. 2017

Effect Drawing



Dormyinn Kofu Marunouchi  
(Tentative name)

High quality bushiness hotel under the operation of Kyoritsu Maintenance Co., Ltd.

**【Property Outline】**

- Location : Kofu-shi, Yamanashi-ken
- Structure: Steel Construction flat roof, 9 storeys above ground and 1 basement storey
- Date of completion: Jul. 2017 (In plan)
- Number of rooms : 190
- Land area : 1,476.01 m<sup>2</sup> (446.49 tsubo)
- Gross floor area : 6,320.90 m<sup>2</sup> (1,912.07 tsubo)

## Takayama

Planned to  
Open on  
Sep. 2017

Effect Drawing



Original Brand Hotel (Name undecided)

Takayama Area which is very popular to foreign visitors to Japan

**【Property Outline】**

- Location : Takayama-shi, Gifu-ken
- Structure: Wooden Construction galvanized steel sheet, 2 storeys above ground.
- Date of completion: Sep. 2017 (In plan)
- Number of rooms : 81
- Land area : 2,421.34 m<sup>2</sup> (732.45 tsubo)
- Gross floor area : 1,848.11 m<sup>2</sup> (559.05 tsubo)

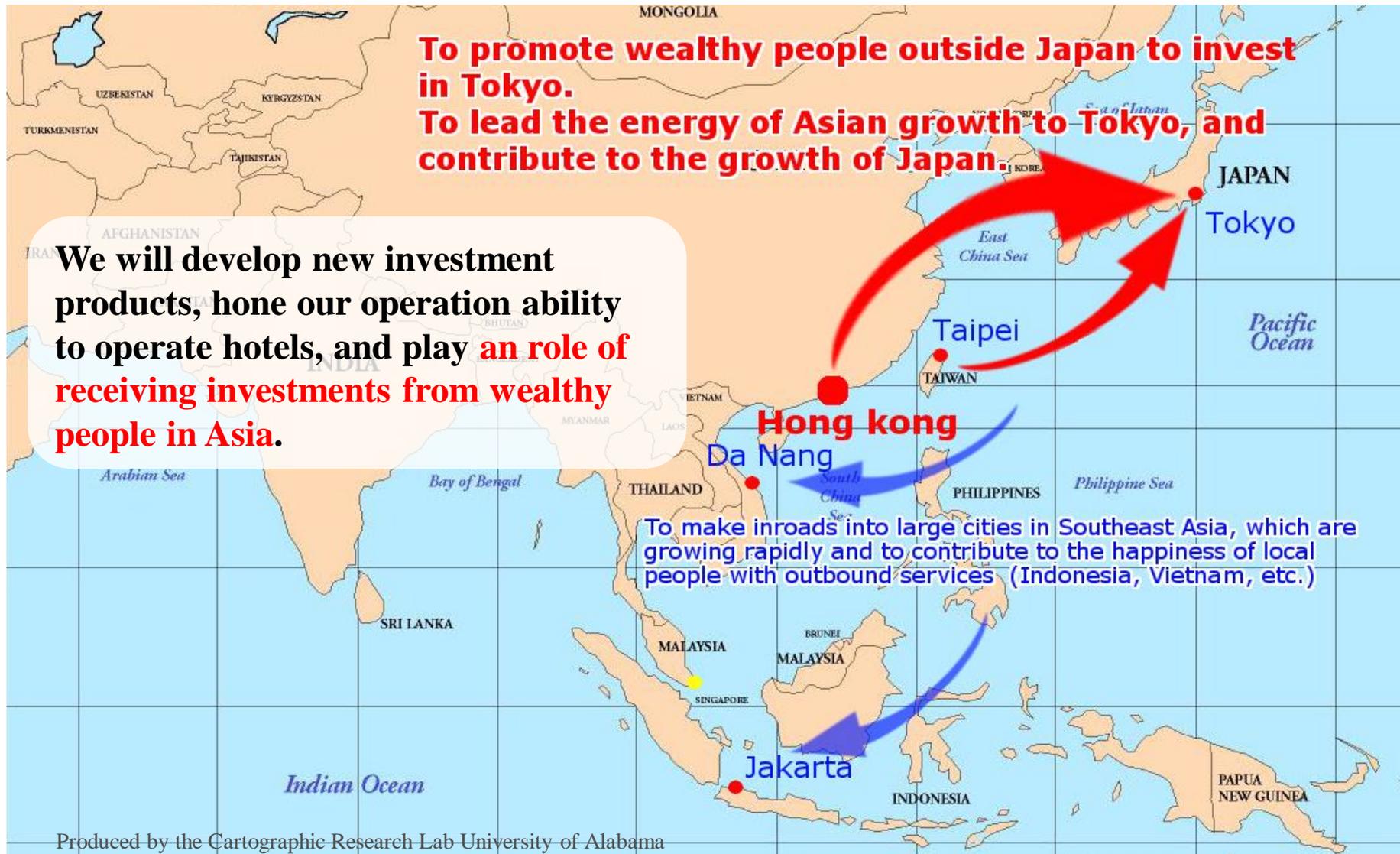
(Note) Photo image & scale are still being planned, may change in future.

# Overseas expansion - Two directions -

**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.**

**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.**

**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.)**



Produced by the Cartographic Research Lab University of Alabama

**Concept “Help each Asian to gain happiness through cooperative effort with people who share our views.”**

**Developing our outbound business in rapidly-growing cities in South-East Asia and contributing to the happiness and prosperity of local people over there.**

 **Projects in Vietnam**

Status	Open	Location /Use	Scale
In operation	Jul. 2016	Danang Hotel “The Blossom City”	45 rooms
In plan	1st half of 2019	Danang Condominium Residence	312 houses
In plan	Undecided	Danang commercial complex	Hotel•SA156 rooms +Residence 229 houses+Shop
In plan	Undecided	Ho Chi Minh SA	41rooms

 **Projects in Indonesia**

Status	Open	Location /Use	Scale
For sale	—	Jakarta detached house	5 houses
Under construction	Undecided	Jakarta detached house	9 houses
In operation	—	Jakarta Residence+SA “Kasira Residence”	90 rooms

(Note) ”SA”···Serviced apartment. Fully furnished apartment available for monthly stay, providing all the hotel-like service.

Interior decoration of No.1 overseas hotel  
“The Blossom City”



Bath Room



Night View





# Danang, Vietnam, No.2 project



## ~ High-rise urban apartment house project ~

Danang is chosen to be **the host of 2017 Asia-Pacific Economic Cooperation (APEC) summit** and is gaining worldwide attention. We established **“Sun Frontier Vietnam”** as an overseas subsidiary in December, 2015. Beside city-tourism hotel “The Blossom City”, we are preparing for the **high-rise apartment project as our 2nd project**. No.3 and No.4 project are also in progress.



No. 2 High-rise apartment building  
「Garden Tower」PJ

Construction will start in March, 2017



Effect Drawing

High-rise condominium of 28 floors with 312 apartments



Effect Drawing

LIVING DINING



LIVING DINING



BEDROOM 1

### Japanese spring holidays ranking of popular destination city 2016

Rank	City	y/y
1	Danang	389%
2	Macao	200%
3	Busan	181%
4	Kaohsiung	167%
5	Sydney	162%

※ Source: Created from released documents of Expedia Japan

1 direct flights per day from Narita, Japan since January 1, 2017.

14 direct flights per day from China.

8 direct flights per day from Korea.

**Gathering worldwide attention as a fascinating resort area.**

From Danang Airport to city center it only takes 10 minutes by car, to beautiful beach where there are many hotels it only take 15 minutes. Located at optimal place with very convenient access.



# Jakarta, Indonesia

~ Urban Housing & Serviced Apartment ~



**We established “Sun Frontier Indonesia” as an overseas subsidiary.**  
**We are progressing projects in central Jakarta.**

## No.2 City Type Ready-built House 「Gandaria」PJ

Will be completed  
in the 2<sup>nd</sup> half of 2017



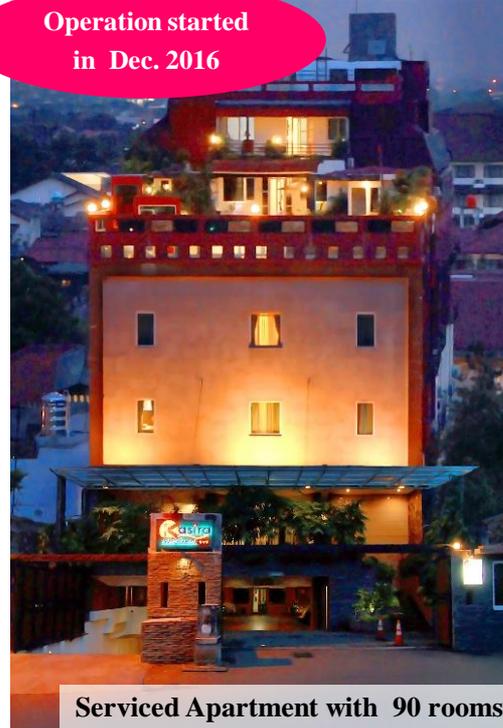
Effect Drawing  
Appearance



Effect Drawing Pools are  
available for all houses.

## No.3 Serviced Apartment 「Kasira Residence」PJ

Operation started  
in Dec. 2016



Serviced Apartment with 90 rooms



Internal pool



Bed Room

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