

Consolidated Financial Statements for the First Quarter of the Fiscal Year ending March 31, 2018

Our goal is to be the real estate company that clients love and choose over any other worldwide.

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August 9, 2017



SUN FRONTIER

Stock Code : 8934

Summary of the Results for the First Quarter



Summary of the First Quarter for Fiscal Year Ending March 31, 2018

Our performance is developing as planned

(¥ million)

	Results	Sales and Profit Ratio	Year on Year Change	Rate of Change	Forecast of FY2018/3	Achievement Rate
Sales	8,909	—	(1,494)	(14.4%)	50,000	17.8%
Operating income	2,100	23.6%	(1,470)	(41.2%)	10,500	20.0%
Ordinary income	2,016	22.6%	(1,452)	(41.9%)	10,000	20.2%
Net income*	1,368	15.4%	(1,157)	(45.8%)	7,000	19.6%

(※) Net income attributable to owners of parent

1) Performance of first quarter is developing as planned

- As the gain on the sale of a middle-term replanning property, sales of the same period in FY2017/3 rose largely. Therefore, both sales and profit of the first quarter of FY2018/3 decreased but the performance is developing as planned.
- The profit margin of replanning segment is 30.8%, keeping a very high level. (FY2016/3: 27.8%, FY2017/3: 28.3%)

2) Procurement is progressing well.

- Procurement for properties to sell in FY2018/3 has been finished. Procurement for properties to sell in FY2019/3 is in progress.
- Number of buildings in inventory related to replanning business at the end of this quarter is 43. Balance of inventory assets increased to 36.4 billion yen. (Number of buildings at the end of June 2016 is 34, worth 24.8 billion yen)

3) Operation business is developing well.

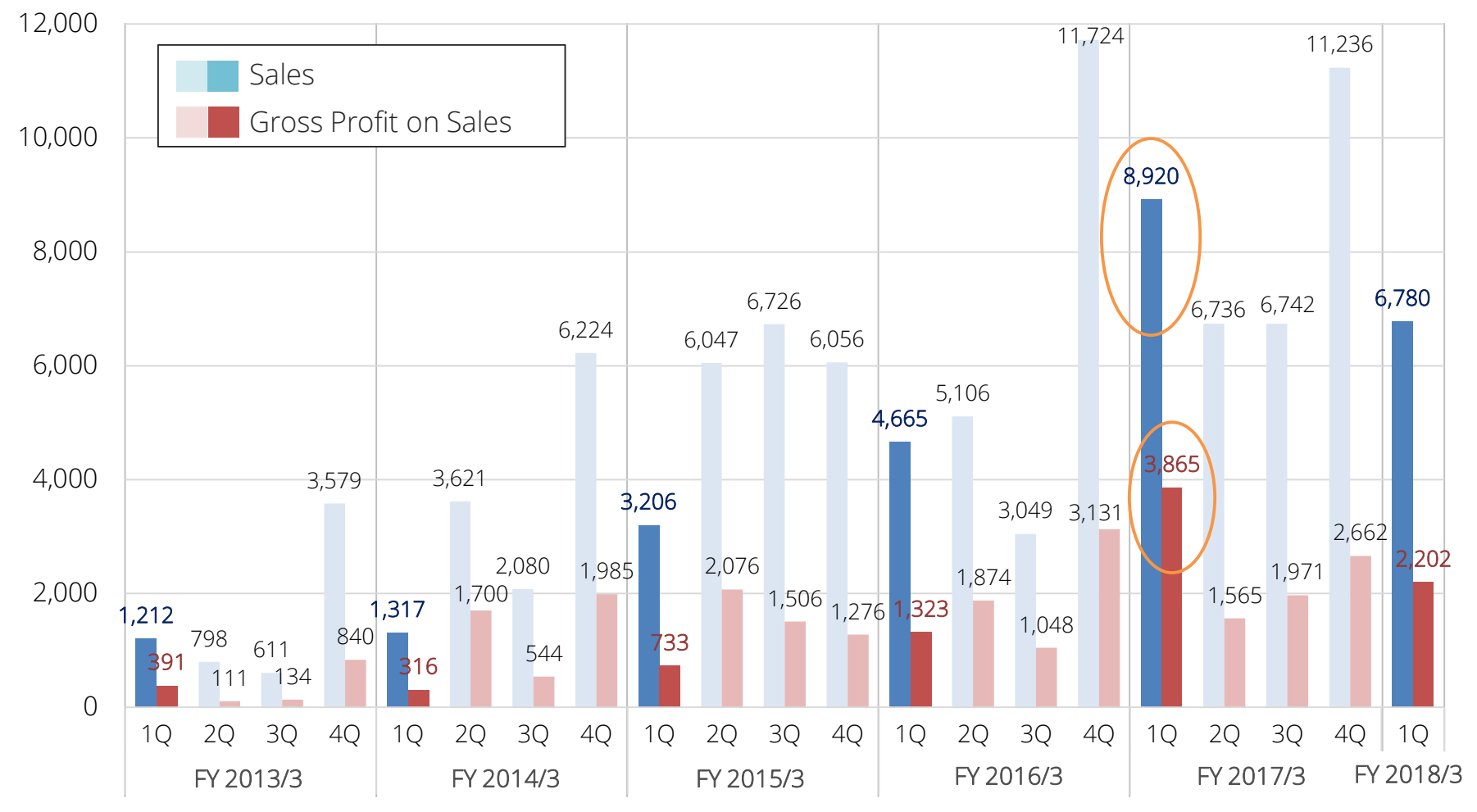
- "Hiyori Hotel Maihama", the first hotel under our original brand began full operation in July. On the major online lodging reservation site, it ranked second for word-of-mouth reputation in Maihama/Urayasu/Funabashi/Makuhari area.
- In space rental business, we newly opened 2 branches in May and June, and 2 other branches will be opened in August, which increased the total number of branches to 10.

Quarterly Transition of Sales and Gross Profit on Sales of Replanning Business



Quarterly Transition of Sales and Gross Profit in Replanning Business

(¥ million)



Revenue/Profit Summary

(¥ million)

	Apr. to June in the FY ended Mar 31, 2017	Apr. to June in the FY ending Mar 31, 2018		Apr. to June in the FY ended Mar 31, 2017	Apr. to June in the FY ending Mar 31, 2018
Sales	10,403	8,909	Operating income	3,570	2,100
Real Estate Revitalization Business	9,421	7,308	Non-operating income	5	3
Replanning Business Part	8,920	6,780	Non-operating expenses	107	88
Rental Building Business Part	501	527	Ordinary income	3,468	2,016
Real Estate Service Business	714	848	Extraordinary loss/income	0	0
Operation Business	255	657	Corporate income tax, etc.	942	647
Other Business	148	225	Net income	2,525	1,368
Adjustment	(136)	(131)			
Gross Profit	4,657	3,200			
Real Estate Revitalization Business	4,095	2,430			
Replanning Business Part	3,865	2,202			
Rental Building Business Part	230	227			
Real Estate Service Business	393	556			
Operation Business	57	115			
Other Business	132	171			
Adjustment	(21)	(73)			
Selling and general administrative expenses	1,086	1,099			

- Because of the gain on the sale of a middle-term replanning property, sales of the same period in FY 2017/3 rose largely. Therefore, sales and profit of the first quarter of FY2018/3 both decreased.
- Gross profit ratio of the first quarter of replanning business is 32.5%, exceeding the level of 29.9% of the gross profit ratio of last fiscal year.

- Businesses besides replanning business are all expanding smoothly. Sales and gross profit ratio increased by 1.5 times compared to the same period of last fiscal year.

Consolidated Balance Sheet -Assets-



(¥ million)

	End of Mar. 2016	End of Mar. 2017	End of Jun. 2018	Increase/Decrease (Compared to the end of Mar. 2017)
Current assets	51,365	55,195	61,500	+6,304
Cash and deposits	15,413	16,246	12,121	(4,124)
Inventory assets	32,714	36,186	47,139	+10,953
Breakdown) RP	27,189	26,039	36,426	+10,386
Hotel	5,525	7,254	7,804	+550
Overseas, etc.	—	2,892	2,908	+16
Other current assets	3,237	2,762	2,239	(523)
Noncurrent assets	2,718	8,458	8,644	+185
Property, plant, and equipment	1,919	7,288	7,352	+64
Intangible assets	278	562	541	(21)
Investments and other assets	520	608	750	+142
Total assets	54,084	63,654	70,144	+6,490

Because of the progress of the procurement of properties for replanning business, **inventory assets increased by 10.9 billion yen**, cash and deposits decreased by 4.1 billion yen.

As the settlement for replanning business properties which has been confirmed in a purchase contract progressed, advance payment(deposit for purchase contract) decreased by 800 million yen. Consumption taxes receivable increased by 300 million yen.

Consolidated Balance Sheet -Liabilities/Equity-



(¥ million)

	End of Mar. 2016	End of Mar. 2017	End of Jun. 2018	Increase/Decrease (Compared to the end of Mar. 2017)
Current liabilities	7,641	8,281	8,137	(143)
Short-term loans payable, etc.	3,353	3,438	3,376	(61)
Income taxes payable, etc.	973	802	656	(146)
Other current liabilities	3,314	4,040	4,104	+63
Noncurrent liabilities	16,298	19,686	26,358	+6,672
Long-term loans and bonds payable	15,055	18,626	25,108	+6,481
Other noncurrent liabilities	1,242	1,059	1,250	+190
Total liabilities	23,939	27,968	34,496	+6,528
Shareholders' equity	30,144	35,528	35,614	+85
Others	(0)	157	33	(123)
Total net assets	30,144	35,686	35,648	(37)
Total liabilities and capital	54,084	63,654	70,144	+6,490

Transition of Equity Ratio

End of Mar. 2016	End of Mar. 2017	End of June 2017
55.7%	56.0%	50.8%

Because of the progress of the procurement of properties for replanning business, loans payable increased by 6.4 billion yen compared the end of previous fiscal year, balance of interest-bearing debt of the end of June 2017 is 28.4 billion yen.

Retained earnings (85 million yen) increased as difference of net income (up 1.36 billion yen) and dividend payment (down 1.28 billion yen).

Performance of Replanning business

(Replanning / Hotel Development / Real Estate Securitization)

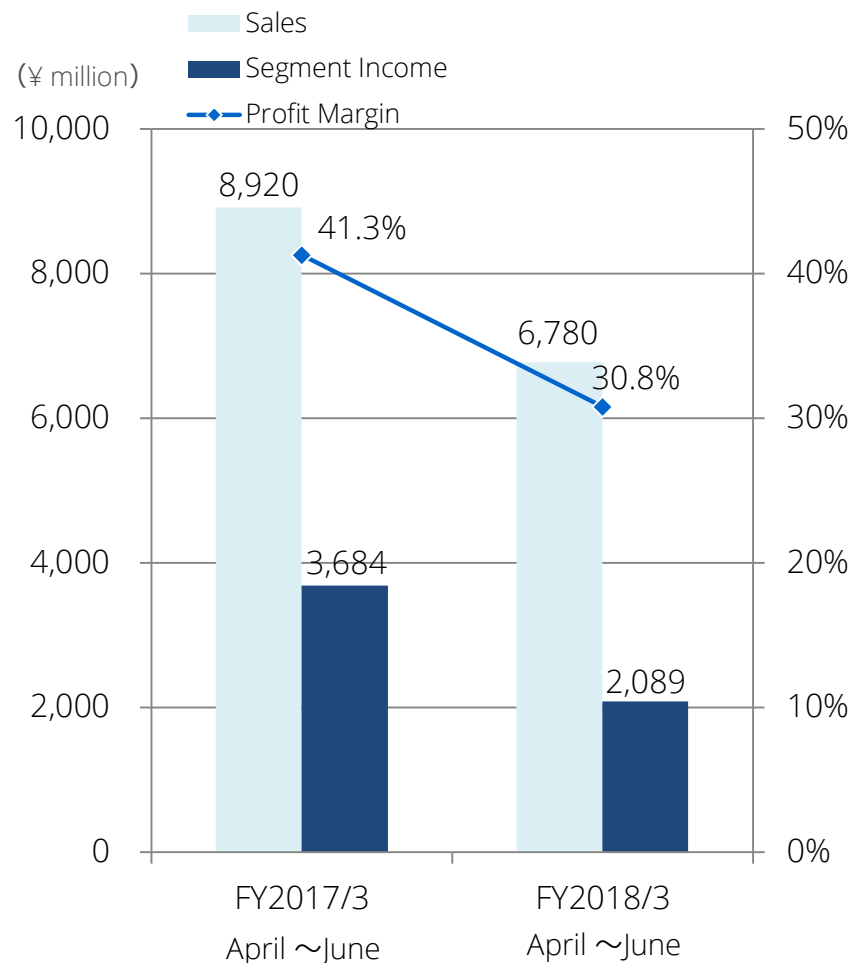
(¥ million)	Apr. to June in the FY ended Mar 31, 2017	Apr. to June in the FY ending Mar 31, 2018	Increase/Decrease
Sales	8,920	6,780	(24.0%)
Segment income ^(Note)	3,684	2,089	(43.3%)
Profit margin	41.3%	30.8%	(10.5%pt)
No. of procured buildings	7	16	+9
No. of sold buildings	5	6	+1
No. of buildings in stock as of the end of the term	40 ^(Note2)	49 ^(Note2)	+9

<Replanning Business>

- As the gain on the sale of a middle-term replanning property, sales of the same period in FY 2017 rose largely. Therefore, sales and profit of the first quarter of FY 2018 both decreased.
- As we are keeping on making ingenious efforts towards procurement, commodification and sales, as well as direct sales to our clients, **profit margin maintains at a high level above 30%**.
- The average business period for selling revitalized properties is 378 days
As for some projects in which much higher added value could be created, we rearranged the period of selling out strategically (business period is above 500 days).
- Procurement progressed substantially, number of properties in inventory is 49(43 are for replanning business and 6 are for hotel business.)
- **Balance of inventory assets is 44.2 billion yen** (36.4 billion yen is replanning business, 7.8 billion yen of which is hotel business.)

※Overseas business excluded.

※Other than above, **there are also 9 buildings for replanning business worth 4.7 billion yen** which are procured and contracted at the end of July.



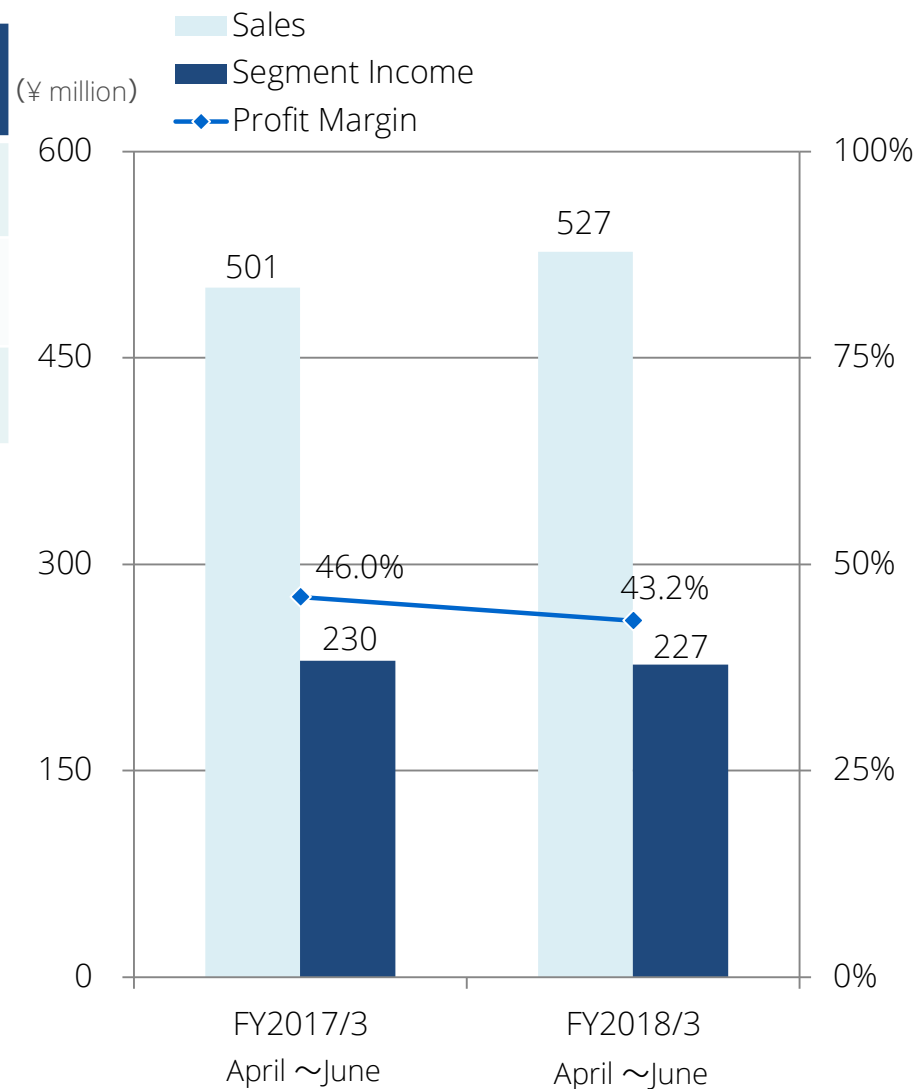
(Note1) "Segment income" is calculated by subtracting various expenses of respective businesses from gross profit on sales. Various expenses include interest paid, sales commission and goodwill amortization, etc.

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

Performance of Rental Building Business

(Rental Building / Sub Lease)

(¥ million)	Apr. to June in the FY ended Mar 31, 2017	Apr. to June in the FY ending Mar 31, 2018	Increase/Decrease
Sales	501	527	5.3%
Segment income	230	227	(1.1%)
Profit margin	46.0%	43.2%	(2.8%pt)



<Rental Building Business>

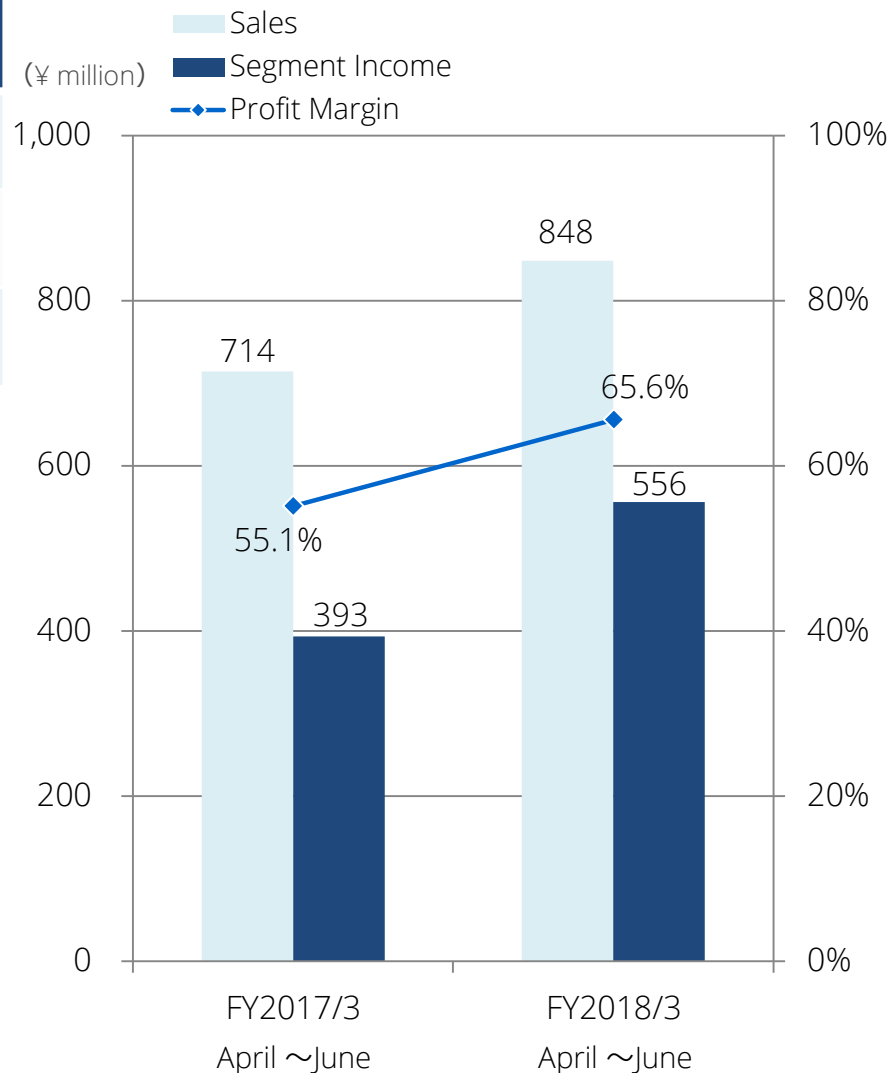
- Compared to the same period of previous fiscal year, number of buildings in inventory which is included in inventory assets increased, but the sales and profit remained flat. The reason is that some of the buildings which is suitable for commodification have lots of vacant rooms.

Performance of Real Estate Service Business



(Sales Brokerage/ Rental Brokerage / Property Management / Building Maintenance)

(¥ million)	Apr. to June in the FY ended Mar 31, 2017	Apr. to June in the FY ending Mar 31, 2018	Increase/ Decrease
Sales	714	848	18.8%
Segment income	393	556	41.3%
Profit margin	55.1%	65.6%	+10.5%pt



<Sales Brokerage Business>

- Recovered from the same period of previous fiscal year, both sales and profit increased.

<Rental Brokerage Business>

- Focusing on the 5 wards of central Tokyo, with the strength provided by rental brokerage based on community sales, we put our efforts into “**problem resolution from the view of clients**”. As a result, the synergistic effect with other departments become higher and both sales and profits increased.
- In the process of commercializing the revitalized property, **The planning ability from the tenant's perspective become a driving force for improvement in added value and early high occupancy rate**. It also contributed a lot for the profit of whole company.

<Property Management Business>

- In addition to the increase of managing properties, we enforced the plan from the perspective of our clients and created the chance of business, both sales and profit increased stably.
- No. of managing properties: 369 (24 more properties, 7.0% increase compared to the same period of previous fiscal year)**
- Occupancy rate: 95.9% (up by 0.6%pt on a year on year basis)**

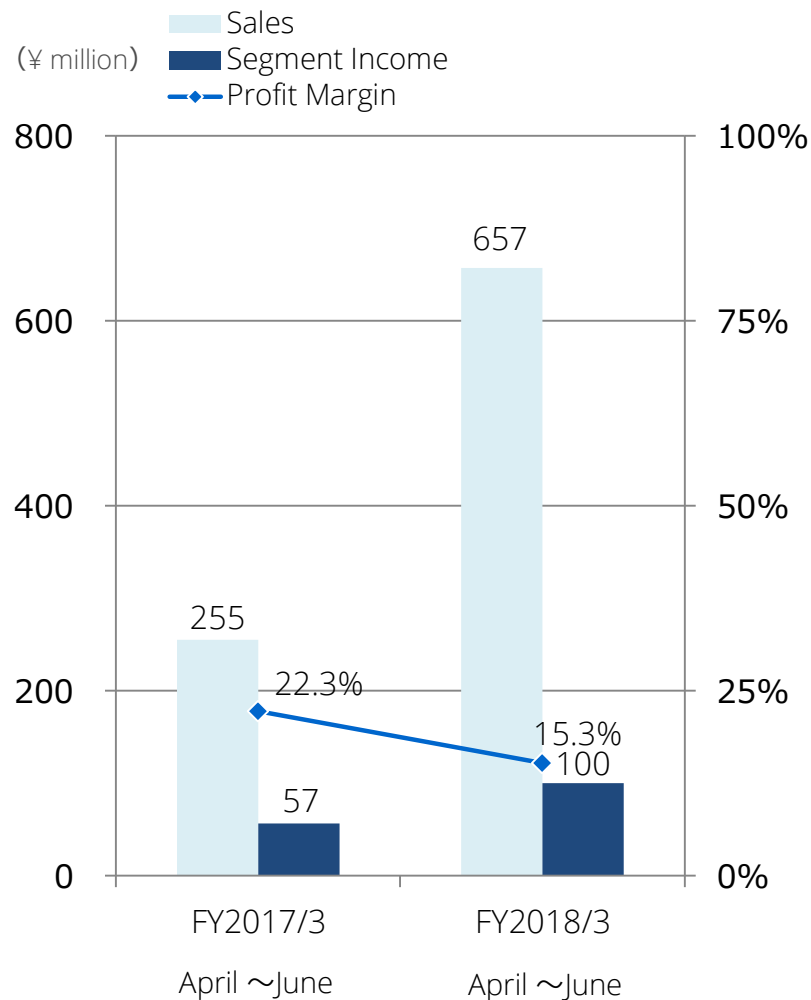
<Building Maintenance Business>

- Growth of PM's managing property affected the growth of BM's managing property and spot case, both sales and profit increased.

Performance of Operation Business

(Hotel Management / Space Rental)

(¥ million)	Apr. to June in the FY ended Mar 31, 2017	Apr. to June in the FY ending Mar 31, 2018	Increase/Decrease
Sales	255	657	157.2%
Segment income	57	100	75.9%
Profit margin	22.3%	15.3%	(7.1%pt)



<Hotel Management Business>

- As for “SPRING SUNNY Hotel Nagoya Tokoname”, in addition to the increase of Chinese tour clients, we put our effort in to market development through the sales of guest rooms via internet. **These elements led to further increase of occupancy and rise of average daily rate.** Both sales and profit increased.
- “Hiyori Hotel Maihama”, the first hotel under our original brand began full operation in July. On the major online lodging reservation site, it ranked second as popular hotel and ryokan for word-of-mouth reputation in Maihama/Urayasu/Funabashi/Makuhari area.
- Due to the business commencement expenses of “Hiyori Hotel Maihama”, profit margin decreased.

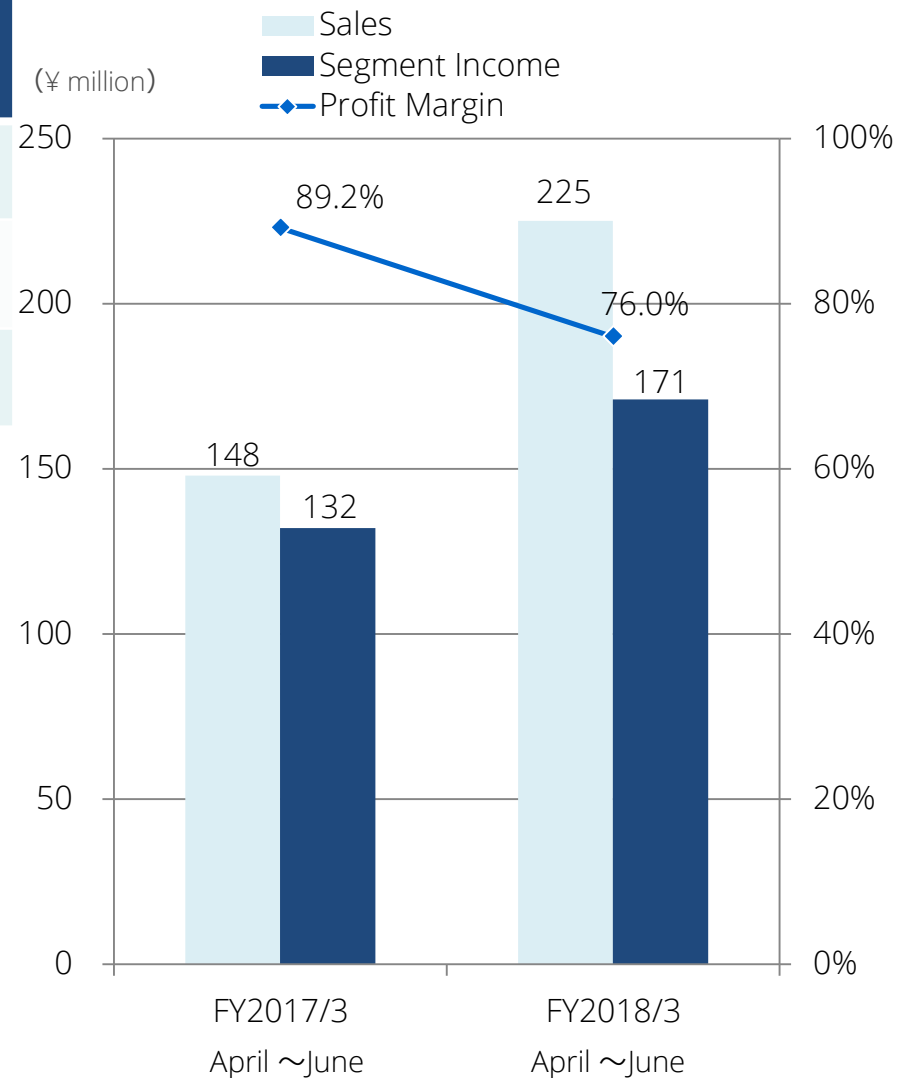
<Space Rental (Rental Conference Room)Business>

- **2 branches newly opened** in May and June **became monthly profitable in a short span of time.** As for existing branches, both sales and profits increased remarkably due to the stable growth of repeaters and referrals.
- **2 branches** of rental conference **room will be newly opened** in August.

Performance of Other Business

(Rent Guarantee / Construction Solutions / Overseas Business, etc.)

(¥ million)	Apr. to June in the FY ended Mar 31, 2017	Apr. to June in the FY ending Mar 31, 2018	Increase/Decrease
Sales	148	225	52.0%
Segment income	132	171	29.5%
Profit margin	89.2%	76.0%	(13.2%pt)



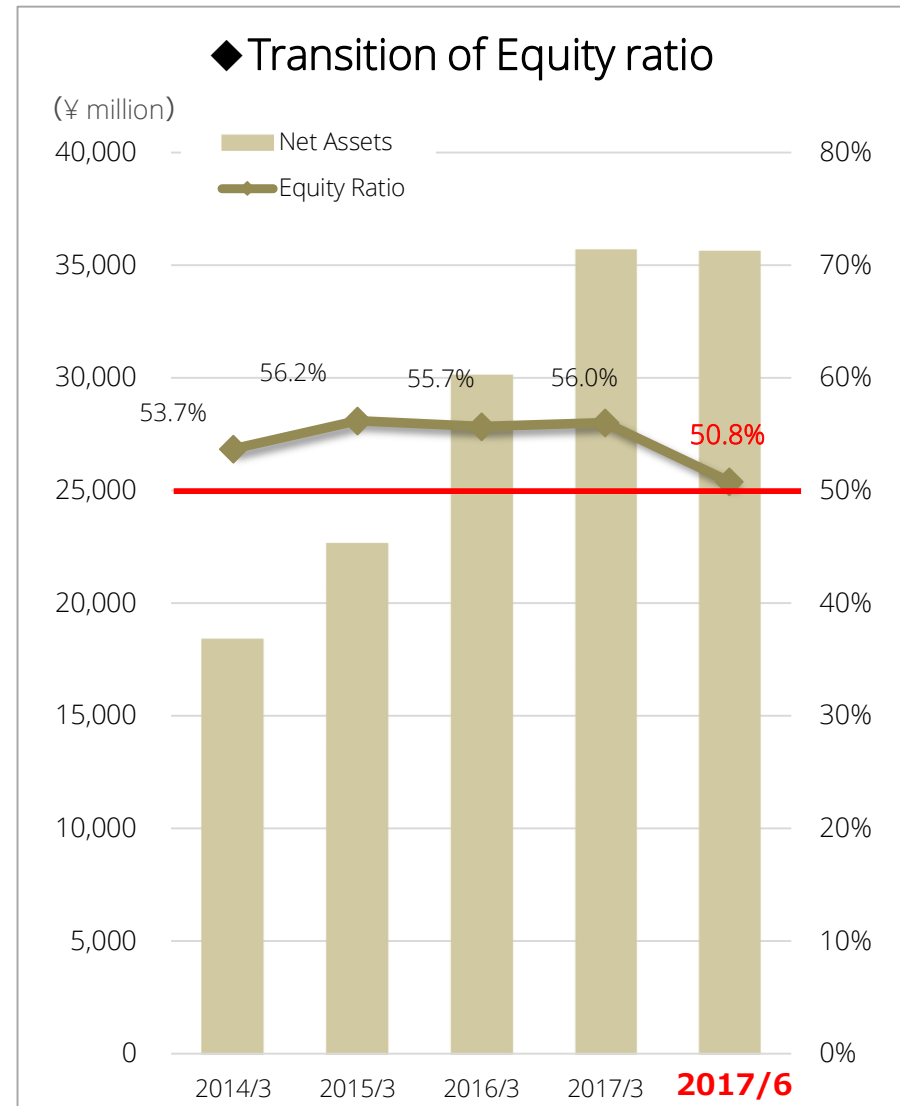
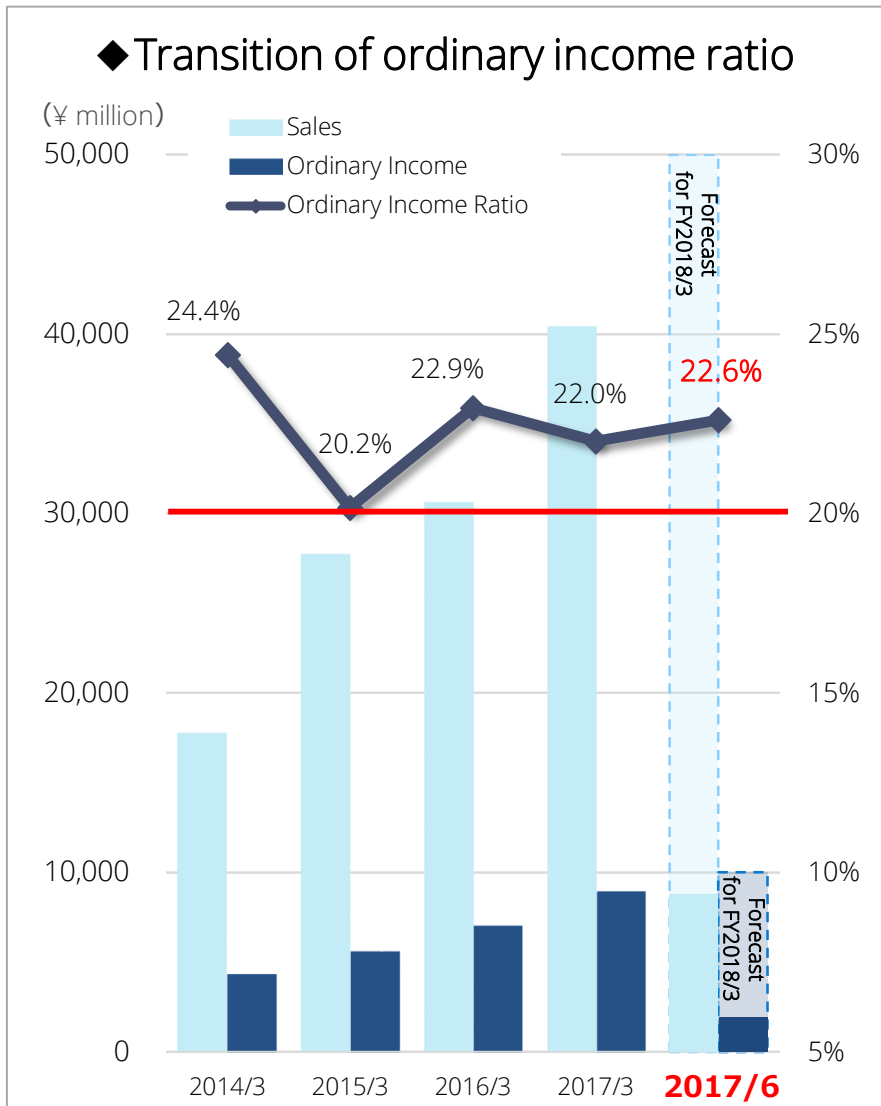
<Rent guarantee business>

- We have been keeping on making efforts in improving the awareness of guarantee system by holding seminars for building owners and cooperating companies. As a result, **cases of new guarantee and guarantee renewal are increasing steadily**, therefore both sales and profit increased as well.

<Overseas Business>

- Accelerate the development in Southeast Asia which is growing continuously.
 - ①The Biggest City in Central Vietnam.
 - Owning and operating our first overseas hotel "The Blossom City"
 - Construction for "**Hiyori Garden Tower**", the high-rise condominium of 28 floors and 306 flats has started, and the mockup will be opened in July, 2017
 - ②Jakarta, Capital of Indonesia
 - Progressing construction of urban detached house.
 - Owning and operating Serviced Apartment "Kyo Serviced Apartment".

Transition of Key Performance Indicators



Future Developments

1) Business environment

2) Business policy and model

3) Growth strategies

Business Environment

As for world economy, a steady recovery is continuing.

As can be seen in the robust share prices and employment improvement of U.S., and cyclical economy recovery in EU, economy growth of advanced countries is leading growth of world economy. In addition, concern about the economy recession of emerging countries has receded. **Recent world economy is expected to continuing a steady recovery.**

For reason of fluctuation risk in financial and capital market, lengthening of uncertainty for the economic policies of the United States due to the emerging protectionism, uneasiness about finance for the Brexit, the heightening of geopolitical risks, etc., **there are heightened downside risks for the global economy over the medium term.**

Aiming at increasing the country's nominal GDP to 600 trillion in 2020, the government of Japan put together all the growth strategies up to now 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.

Supported by positive business performance, Japan's economy is expected to grow moderately.

As BOJ is continuing the monetary easing policy and long-term interest rate is declining, **attitudes towards lending to real estate businesses haven't changed significantly** while some financial institutions are showing a strict stance toward collateral evaluation **with a sense of vigilance to the overvalue of real estate market.**

Against the background of the graying of society and a 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 high needs of inheritance countermeasures and asset management.**

Working towards the realization of Japan as a tourism nation, the government is working on the amendment of Inns and Hotels Act. The number of foreign tourists to Japan reached about 24 million and 30 thousand in 2016, and is expected to increase 20% in 2017, **lack of accommodation became an urgent issue.** However, caution is needed in strains due to increase of construction in plan and lifting of vacation rentals. In addition, Trends of tourists to Japan is shifting from very inexpensive tour travelers to individual travelers. The consumption demand is also changing from "shopping" to "experiencing".

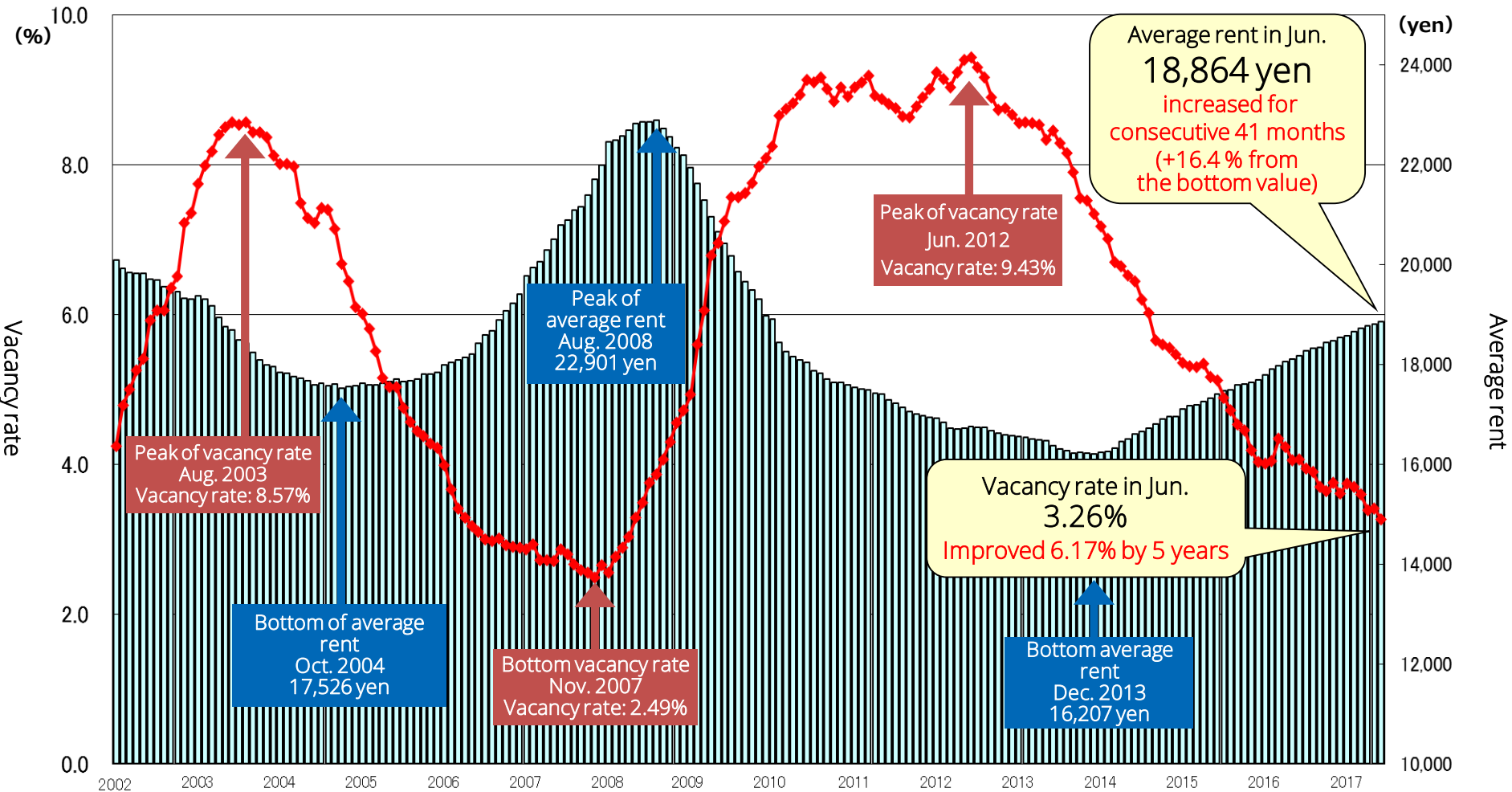
Demand-supply balance in central office building market is tight.

Supported by positive business performance, needs for offices in central Tokyo is high and stable, and rent remained strong. But as there will be a big supply of newly-built buildings in 2018, the average rent is showing only a slight increase. The average vacancy rate in five wards of central Tokyo remained at a low level, also difference of vacancy rate by area is occurring.

Focusing on high quality office buildings in good locations in central Tokyo, the demand for office relocation in the information and communication industry as well as the human resource and real estate businesses is growing. Thus **negotiation for raising rent of tenant recruitment and contract renewal is still increasing.** However, room for lowering the cap rate of internal real estate is very small, discretion towards investment decisions is required.

Changes in office Rent and Vacancy Rate in 5 Wards of Central Tokyo

□ Average rent [yen/tsubo] ◆ Average vacancy rate [%]



※Source : Created based on Miki Shoji's "Office Report." Graph reflects office buildings within the 5 wards of Tokyo of which have a standard floor area of 100 tsubo (roughly 331 square meters) or larger.

2) Business Policy and Model

Not for profit, but for trust.

**We change, not you. We resolve difficulties
from our clients' point of view.**

Sun Frontier's Vision and Policies



Vision

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

Clients

Building owners, asset holders, and the wealthy.

Core Business

Real estate revitalization and utilization

Policies

To focus on people rather than property
Solve any real estate related difficulties from the perspective of our clients

Strategies

Central
Tokyo

Office

Strength

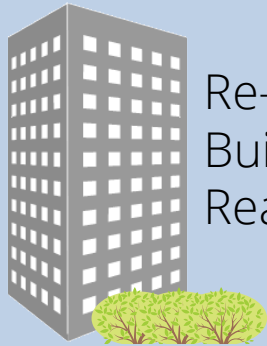
Tenant Finding
Capability

Real Estate
Revitalization
Capability

Operation Capability

Office Buildings

Real Estate Revitalization Business



Re-planning
Building Rental
Real Estate Securitization

Real Estate Services Business

Rental Brokerage Sales Brokerage
Asset Consulting
Building Operation / Management / Maintenance
Rent Guarantee
Construction Planning / Interior Design
Rental Conference Room and Small Office

Hotel

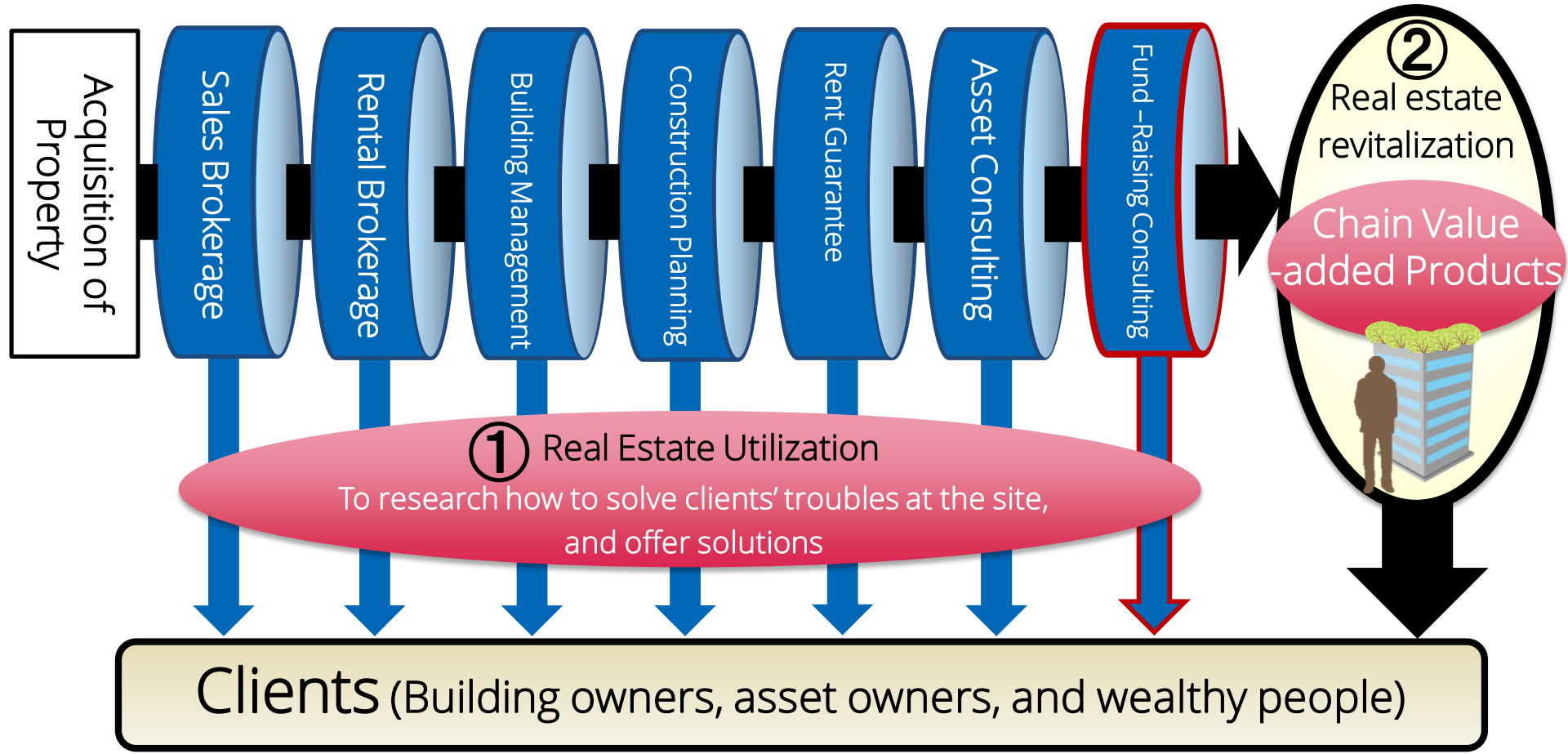
Hotel Possession and Operation
Development, Revitalization and Sales
M&A for Hotel and Operating Company

Overseas

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

Real Estate Revitalization and the Cycle of Added Value

- ① In vertical real estate utilization business, we survey and solve difficulties by listening to clients' concerns.
- ② In horizontal real estate revitalization business, first, we put together the know-how and client needs learned from the process above. Then we apply this knowledge to renovate used buildings we purchased and transform them into high value-added products. After this, we sell the products to clients.



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 shares the value of **making others happiness our own happiness**.
- Aiming at offering much greater happiness to clients, 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 the management perspective.

3. Business management from the clients' viewpoint

- We listen to clients' requests carefully, handle and solve even minor troubles, without rushing anyone.
- **We change ourselves to meet our clients' needs**, making efforts to challenge new things, create and advance.
- Through internal collaboration of different sections, **we create high added values that are linked to one another**.

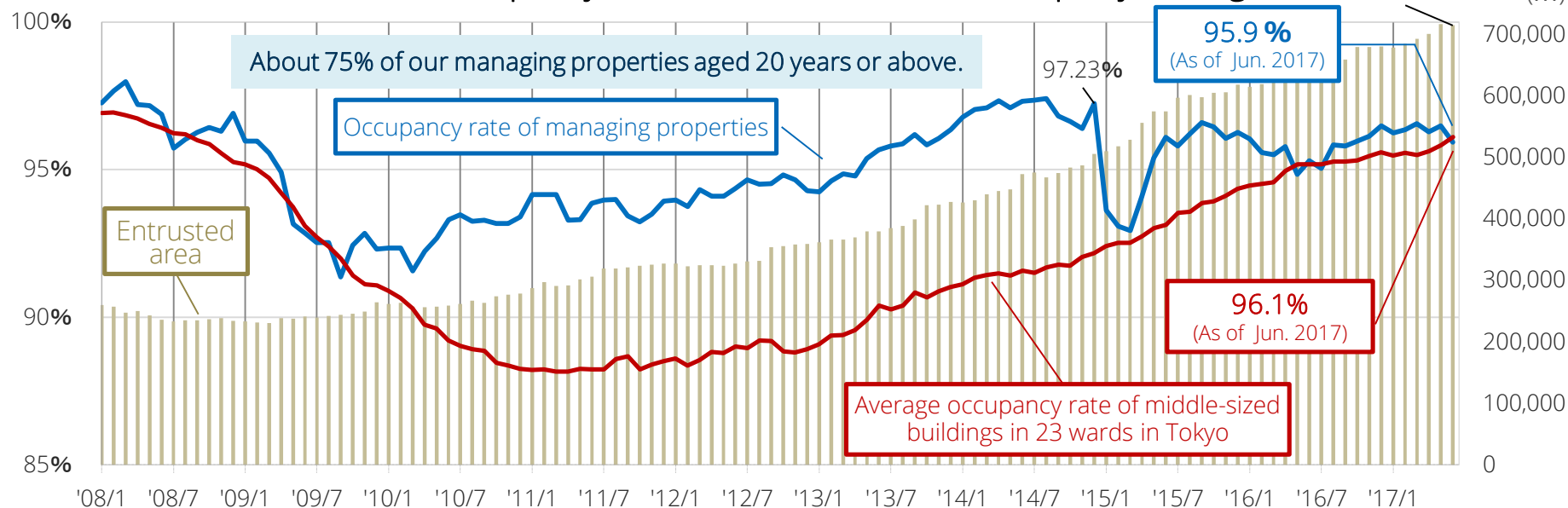


Employees play major roles.
Resonant business administration.

Keeping High Occupancy Rate while Increasing Area of Managing Properties and Number of Clients.



Transition of 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.

<Ranking of Managing Properties Area and Client Number>

Top-ranked Companies in managing area (Thousand m ²) ※		2016	2015
1	Mitsui Fudosan Building Management	8,270	7,854
2	Mitsubishi Jisho Property Management	7,149	6,972
3	Jones Lang LaSalle	4,640	5,160
<hr/>			
29	MS Building Support	680	749
30	SAYCO Building Management	656	750
31	Sun Frontier Fudousan	650	601

Top-ranked Companies in Number of Clients ※		2016	2015
1	Vortex	482	360
2	XYMAX	266	251
3	Sun Frontier Fudousan	232	207
4	RIO CONSULTING	209	191
5	Daiwa Information Service	158	158

※Resource: It is produced by our company based on "Monthly Magazine Property Management" 2016(No.11).

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

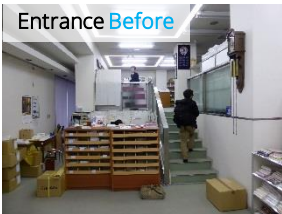
In the 4th quarter of fiscal year 2014, as important tenants moved to larger offices, some units become vacant. Thus occupancy rate declined temporarily at the end of the term. Later, tenants have been moving in steadily, occupancy rate got recovered.

Revitalization Case ①

~"Licensed Day Care Center" building in Ningyocho~



An Office Building Was Converted into a Societally Important Day Care Center



【Property Outline】

Location: Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo
 Structure: Steel reinforced concrete, 4 storeys above ground and 1 basement storey.

Date of completion: 1986
 Purposes of use: Office, garage, warehouse parking lot.

Site area: 306.94 m² (92.84 tsubo)
 Floor space: 852.46 m² (257.86 tsubo)



1. Purchased a head office building.
2. From the local features and social needs, we set the project significance as "Rehabilitation of Women and Decline in the Number of Children on the Waiting List." Then we invited a tenant, a licensed day care center into the building.
3. Converted the office building into a day care center.
4. Utilized the governmental subsidy on the facilities maintenance and operation.
5. As a property which has a 30-year fixed-term lease tenant and could contribute to society, we sold it to wealthy people.

An Karaoke Shop Was Converted into a Capsule Hotel



Appearance **After**



Capsule hotel converted from karaoke shop



Interior **After**

Bright and Clean Cabin



Interior **Before**



Entrance **After**

Entrance Built of Bricks



Interior **After**

Relaxation room modelled after cruise ship

1. Purchased a karaoke shop building.
2. Capture the characteristics of local area, and lay a plan to convert the building to capsule hotel.
3. Entered into a **whole building lease contract** with a planning and operation company of
4. Implemented the **conversion from karaoke shop to capsule hotel** in Yokohama.
5. **Sold it to REIT listed on the Tokyo Stock Exchange.**

【Property Outline】

Location: Nishi-ku, Yokohama-shi, Kanagawa
 Structure: Steel construction, 3 storeys above ground.
 Date of completion: 1993
 Purpose of use: Recreation facility.
 Site area: 516.22 m² (156.15 tsubo)
 Floor space: 1,183.26 m² (357.93 tsubo)

Design Planning Ability that tenants like to choose

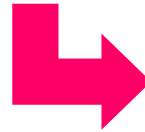


Appearance **After**

In the center of Ebisu, the best district where homes and places of work are in close proximity.



Entrance **Before**



Entrance **After**

Gate with impressive flow lines made by green plants decoration and lighting.



Interior **After**

Entrance of high designability, where Japanese traditional paper decoration are used.

1. Purchased the headquarters building.
2. As the door way, we made an especially **attractive entrance**. Inside the building, we used the Japanese traditional paper decoration which is produced by Japanese traditional paper designer, Ms. Eriko Horiki.
3. As for offices interior, we made the **pre-setup office** which venture company and IT company like to choose. Succeeded in making contract with tenants by rent higher than expected.
4. As for existing tenants, **we made 40% upward rent revision** through communication which made them understand the objective and significance of renovation.
5. Sold to regular clients.

【Property Outline】

Location: Ebisu, Shibuya-ku, Tokyo
 Structure: Steel Reinforced-Concrete
 Construction, 9 storeys above ground and 2 basement storeys.
 Date of completion: 1993
 Purpose of use: Office
 Site area: 387.60 m² (117.24 tsubo)
 Floor space: 1,872.07 m² (566.30 tsubo)

Pre-setup office that understand and meet the needs of tenants.

For **“Pre-setup office”**, we make interior decoration before tenant’s moving in by determining their needs. Relying on the good sense of local features and market, we realize the best use for property by high-quality design project.

Embodiment 1: Interior



Reception room designed for IT or venture company

Embodiment 2: Common Element



Stylish elevator hall

Embodiment 3:
A place of recreation and relaxation



Terrace on rooftop with the warmth of trees



Increase the feeling of spaciousness by raising the ceiling.



Elegant toilets modeled on those in high class hotel



Dedicated balcony where one can feel the breeze to refresh oneself.

3) Growth Strategies

Establish the base of flow
and increase stocks

~Standing on our two feet, “flow” and “stocks”~

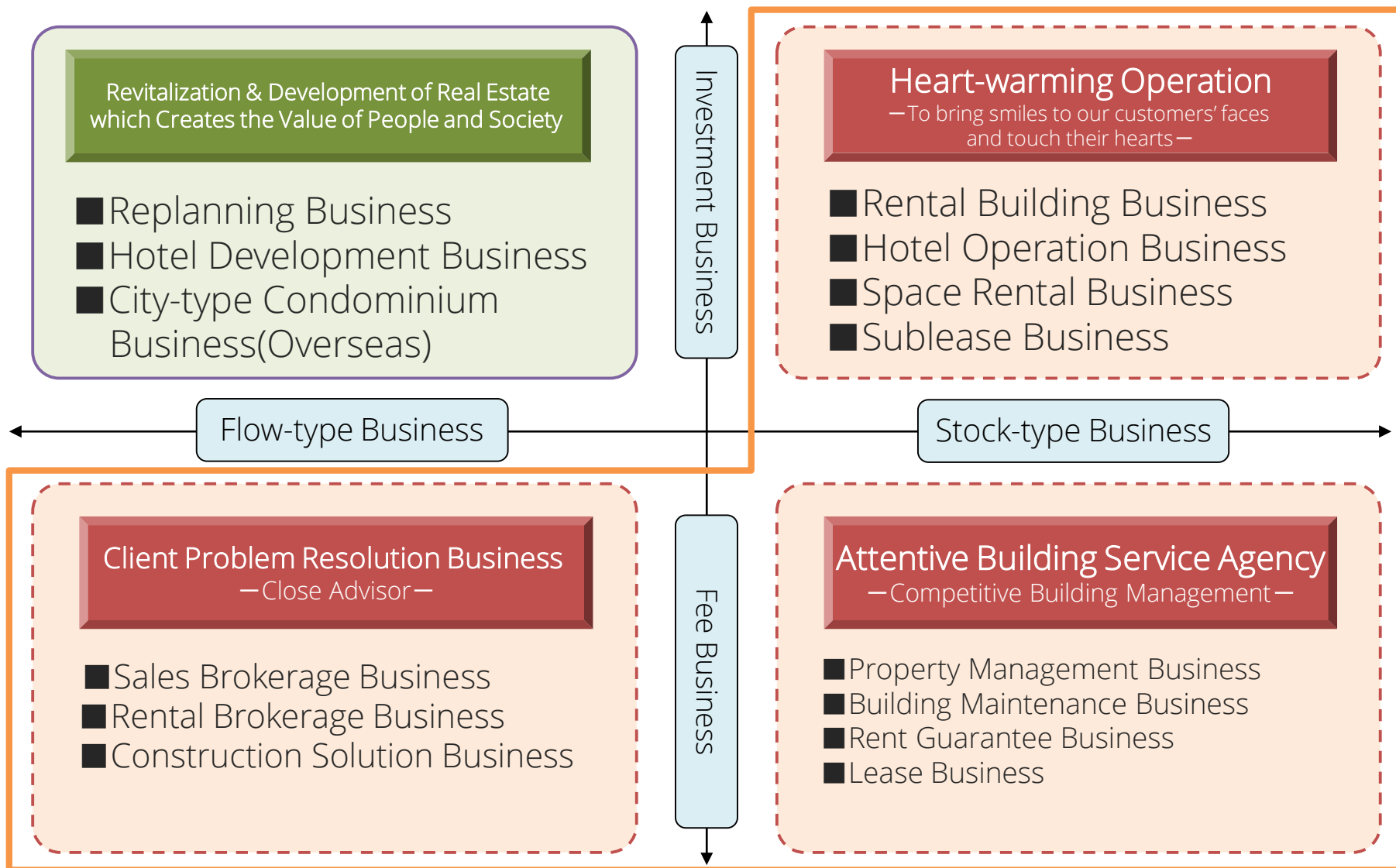


...New information for “Stock Type Business”



...New information for “Flow Type Business”

With the strength of “Real Estate Revitalization and Utilization”, we enhance the stock type business by communicating with clients closely.



Four-pronged Strategy for Future Growth SUN FRONTIER



Expansion of existing business

As for Rental Conference Room and Rental Office business, Total branch number increased to 10.



Rental Conference Room (Vision Center)

1. Vision Center Tokyo



Newly opened
on May 11 1, 2017

7. Vision Center Nihonbashi

Newly opened
on June 1, 2017

8. Vision Center Tokyo Annex



Will be opened
In August, 2017

5. Vision Center Tamachi



6. Vision Center Yokohama



9. Vision Center Nagata-cho



Will be opened
In August, 2017

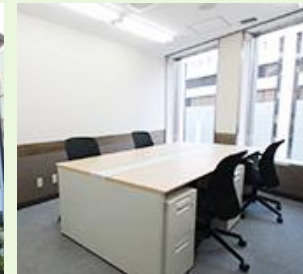
10. Vision Center Hamamatsu-cho

Rental Office (Vision Office)

2. Vision Office Kanda



3. Vision Office Shinjuku



4. Vision Office Kanda ANNEX



Under the introduction from the leasing brokerage department which has strong familiarity and good sense for the market of central Tokyo, **subsequent cases in good locations** are progressing well.

We opened 2 branches in front of Tokyo station in May and June 2017, and the two branches become monthly profitable in a short span of time. In addition, branches in Nagata-cho and Hamamatsu-cho will be opened in August.

Total branch number increased to 10 just after 2 years of our business start.

"Hiyori Hotel Maihama" Has Started Full Operation

On July 1, 2017, "Hiyori Maihama Hotel", the first hotel under the **original hotel brand "HIYORI HOTELS & RESORTS"** has started full operation after 3 months of soft opening. This hotel is located 5 minutes away by car from Maihama Theme Park. Setting our main target customer as "family, girls' lunch or night out, couple", we provide guest room where **Ryukyu tatami is laid and little children can walk around with bare feet**, we also provide a rich variety of amenities and equipment like foot sole massager and shoe dryer. We are aiming at creating a **"Heart-warming Hotel"** where customers can feel **personalized "Omotenashi (Japanese Hospitality)"**.

 <p>First Original Brand Hotel "Hiyori Hotel Maihama"</p>	<p>Twin Room</p> 	 <p>Ryukyu tatami where one can relax with bare feet.</p>
<p>Opening Ceremony</p>  <p>July 1, 2017 Grand Opening</p>	<p>Family Room with Four Beds</p> 	<p>Rental baby necessities such as baby bed.</p> 
<p>Pillow Bar</p> 	 <p>Specialty Chosen High Quality Amenities</p>	

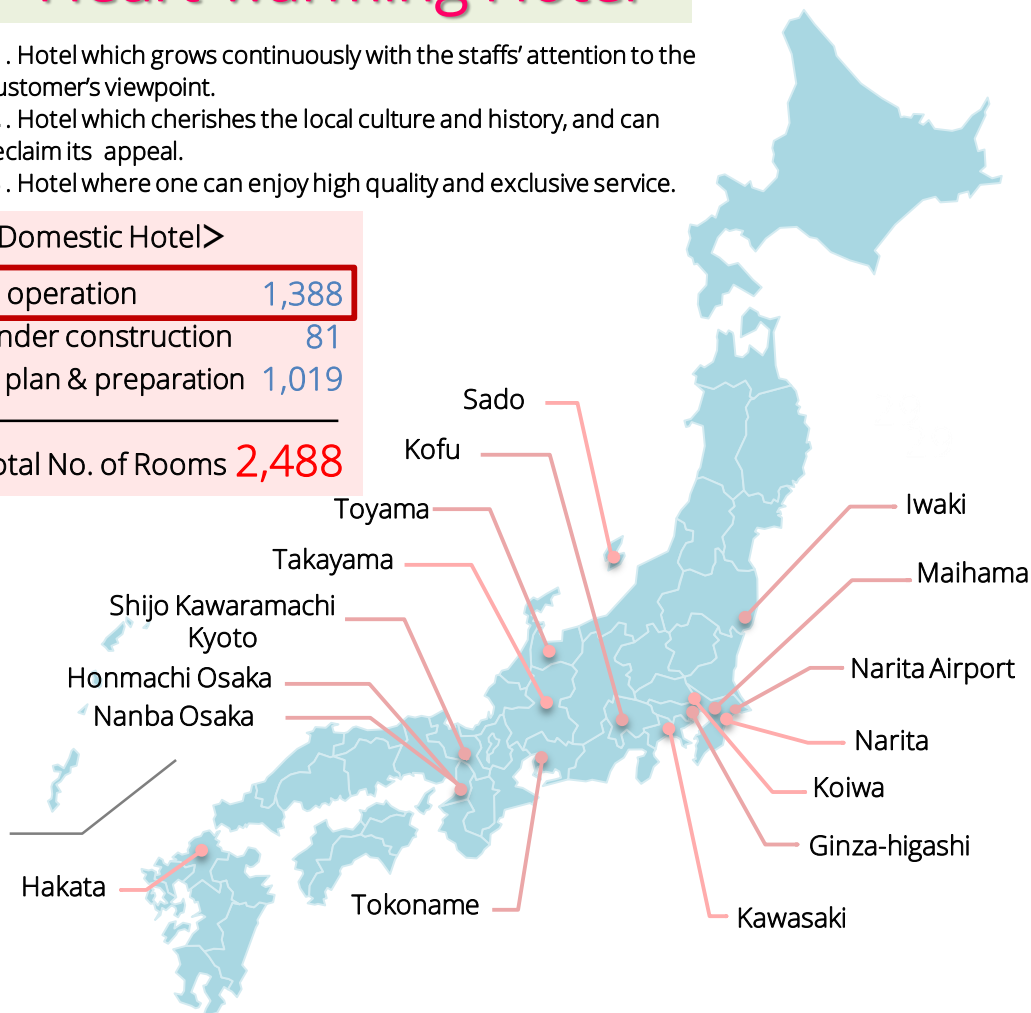
Concept and Development of Hotel Business — Inbound City-tourism Hotel —

“Heart-warming Hotel”

1. Hotel which grows continuously with the staffs' attention to the customer's viewpoint.
2. Hotel which cherishes the local culture and history, and can reclaim its appeal.
3. Hotel where one can enjoy high quality and exclusive service.

<Domestic Hotel>

In operation	1,388
Under construction	81
In plan & preparation	1,019
Total No. of Rooms	2,488



(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
In operation	Apr. 2017	Original	Maihama	80
Rented	—	Other Company	Toyama NEW	210
Rented	Sep. 2017	Other Company	Kofu	190
Under Construction	Apr. 2018	Original	Takayama	81
In plan	Jul. 2018	Original	Sado	111
In plan	Jun. 2019	Original	Nanba Osaka NEW	224
In plan	Sep. 2019	Original	Ginza-higashi	135
In plan	Sep. 2019	Original	Honmachi Osaka	193
In plan	Oct. 2019	Original	Shijo Kawaramachi Kyoto	146
In plan	Undecided	Undecided	Narita Airport	210

Together with collaborative brand “SPRINGSUNNY”, our own original brand hotel “HIYORI HOTELS & RESORTS” is also in progress.

Collaborative brand

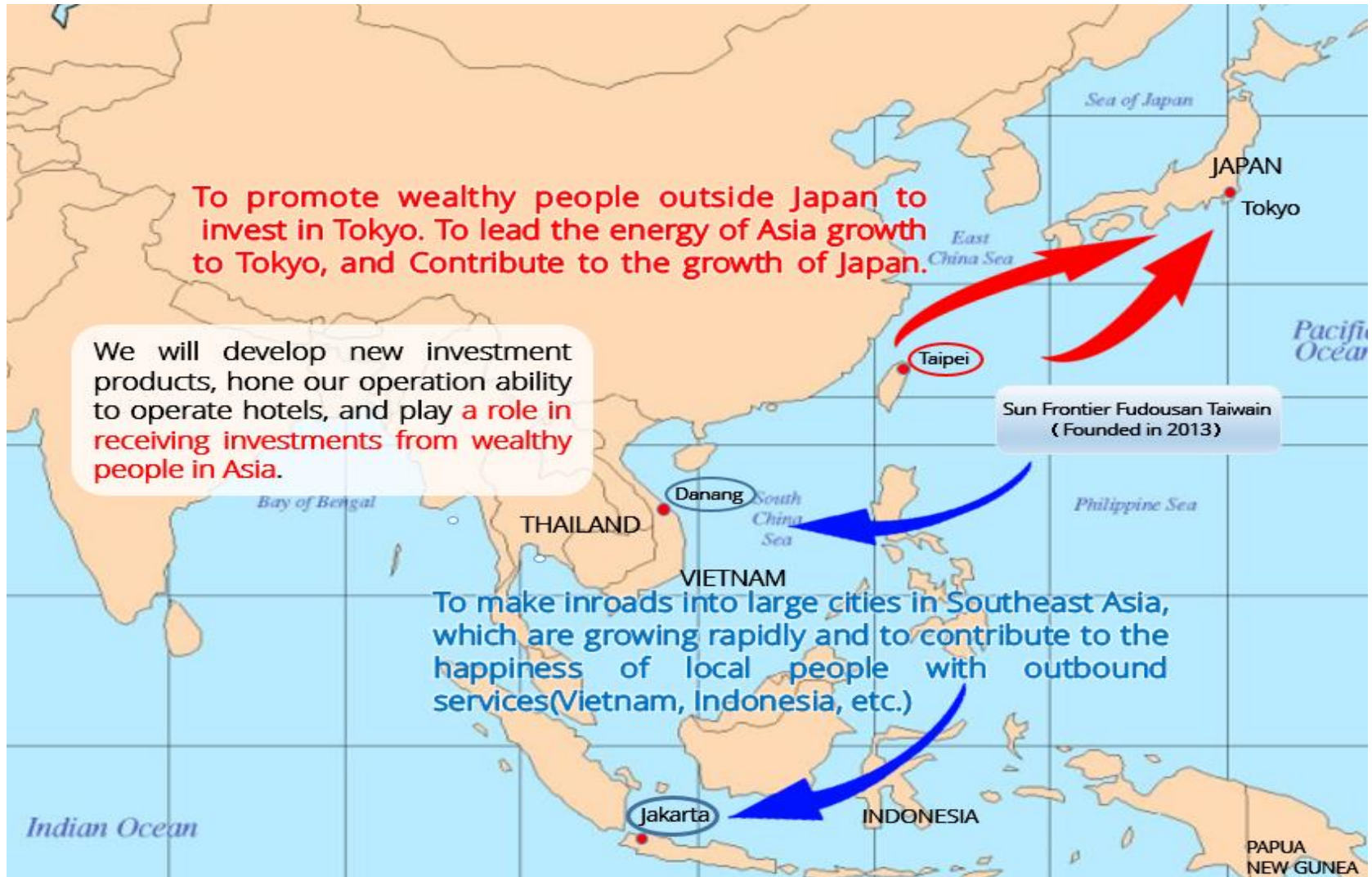


Original brand



Overseas expansion - Two directions -

Aiming at becoming a company that can play a role in receiving investments from wealthy people in Asia.



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Concept "To Realize the Happiness of Everyone in Asia with People who Share the Same Values."
 Developing our outbound business in rapidly-growing cities in South-East Asia and contributing to the happiness and prosperity of the local people there.

 **Projects in Vietnam**

Status	Open	Location /Use	Scale
In operation	Aug. 2016	Danang Hotel "The Blossom City"	45 rooms
Under construction	1st half of 2019	Danang Condominium Residence "Hiyori Garden Tower"	306 houses
In plan	Undecided	Danang commercial complex	Hotel・SA156 rooms +Residence 229 houses+Shop

Interior decoration of first overseas hotel
"The Blossom City"

Opened on
Aug, 2016



 **Projects in Indonesia**

Status	Open	Location /Use	Scale
All sold		Jakarta detached house	5 houses
Under construction	Sep. 2017	Jakarta detached house "CASA EMERALD GANDARIA"	9 houses
In operation	—	Jakarta Residence+SA "Kyo Serviced Apartment"	90 rooms



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



Danang, Vietnam, Project No.2



~ High-rise urban apartment house project ~

Danang was 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 the first overseas hotel "The Blossom City" opened on August, 2016, we are preparing for the high-rise apartment project as our 2nd project. Project No.3 is also in progress.



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

Effect Drawing
(Appearance)
High-rise
condominium
of 28 floors



Construction for
306 flats
started in June, 2017



Mockup (Bedroom)



Mockup (Living Room)

Direct flights from Narita Airport to Danang went into service (besides 5 flights per week, now there are 15 temporary flights per month in August).
76 direct flights per week from China.
77 direct flights per week from Korea.
Danang is an area that many companies want to help develop, while gathering worldwide attention as a fascinating resort area.
It is only a 10-minute drive from Danang Airport to the city center, and a 15-minute drive to a beautiful beach where there are many hotels. Located at an 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.



Bldg. No.2 City Type Ready-built House
"CASA EMERALD GANDARIA"

Sep. 2017 ~
9 houses will be
completed successively

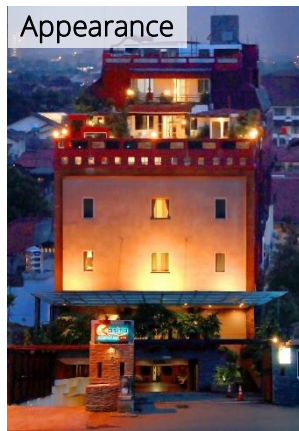


Effect Drawing (Appearance)

Effect Drawing
(Interior)



Bldg. No.3 Serviced Apartment
"Kyo Serviced Apartment"



<Logo Mark>



Operation started
on Dec. 2016

Serviced Apartment with 90 rooms



(Reference) Introduction of Corporate Culture Efforts to Create Corporate Culture of “Working for Workmates”



Sports Training Camp



Basketball



Arm Wrestling King



Tug of War between East and West Team



Soccer

269 employees took part in this Camp on July 7 and 8 in 2017



Birthday Party in June and July 2017

Employee Training Trip (Overseas)



Visit to projects in progress in Danang, Vietnam

Employee Training Trip (Domestic)



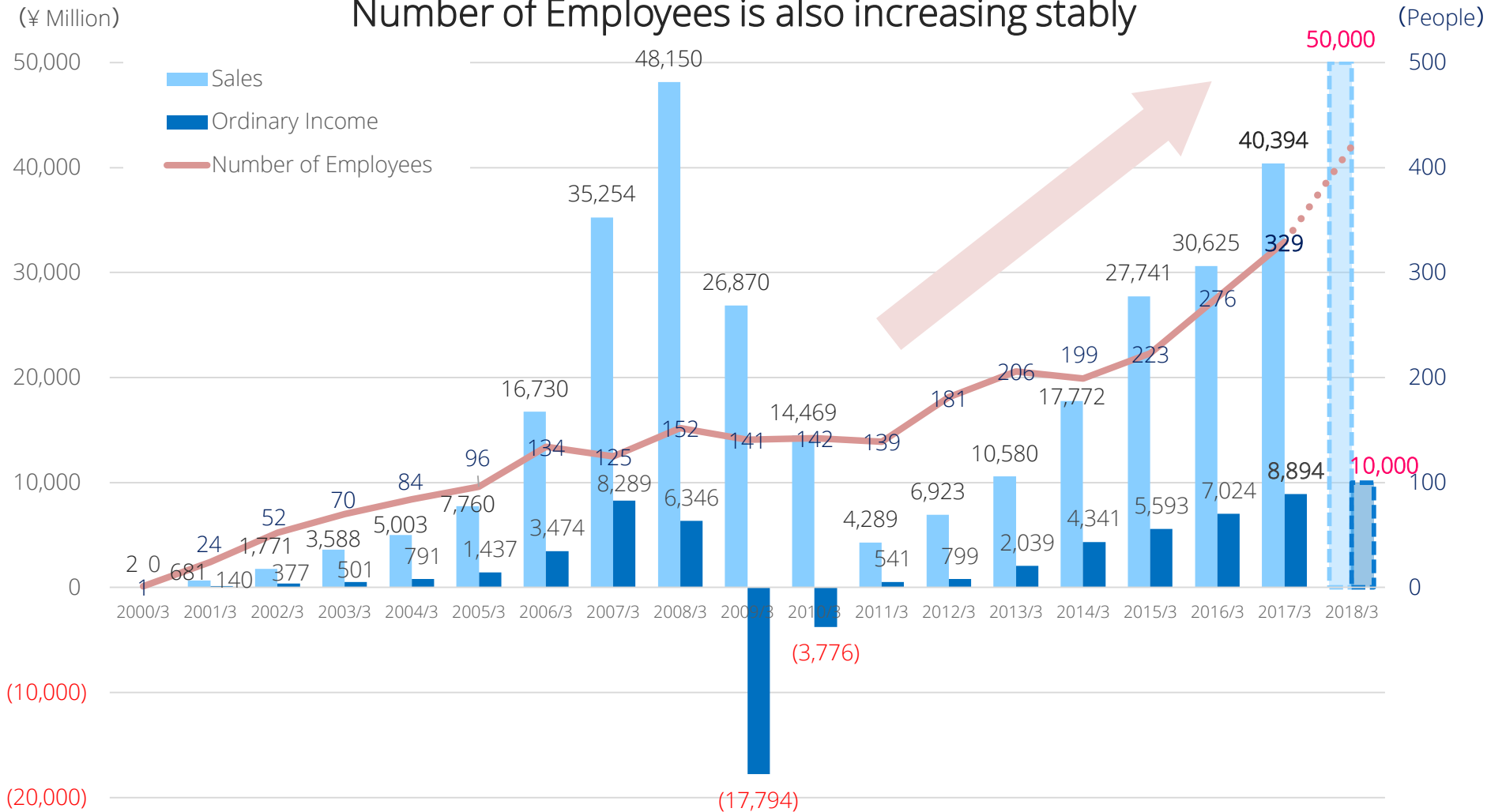
Enryaku-ji Temple on Mt. Hiei in Kyoto

(Reference)

Transition of Sales / Ordinary Income / Number of Employees



Both sales and profit are showing a steady rise
Number of Employees is also increasing stably



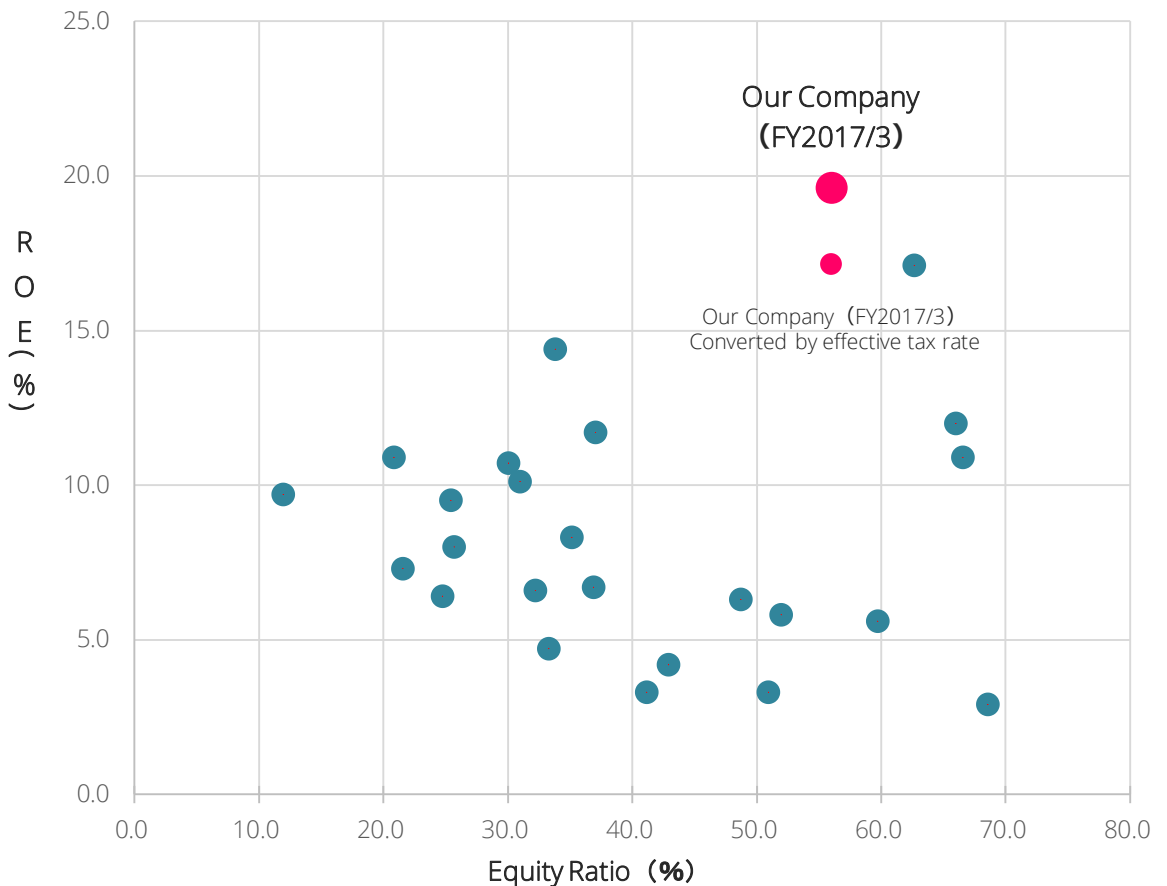
(Reference)

Realized Return on Equity Ratio of High Level while Keeping High Equity Ratio



■ Correlation Diagram of Equity Ratio and Return on Equity Ratio

For Top 25 Companies*1 of Market Capitalization in the Real Estate Sector (non-housing)



ROE Ranking for Top 25 Companies of Market Capitalization*2

	Company Name	ROE	Equity Ratio	Ordinary Income Ratio
1	Sun Frontier Fudousan	19.6%	56.1%	22.0%
2	Raysum	17.1%	62.7%	19.9%
3	Tosei	14.4%	33.8%	17.0%
4	AEON DELIGHT	12.0%	66.0%	5.9%
5	Kyoritsu Maintenance	11.7%	37.0%	8.5%
6	Sumitomo Realty & Development	10.9%	20.9%	18.1%
7	NIPPON KANZAI	10.9%	66.6%	6.4%
8	Hulic	10.7%	30.1%	23.8%
9	Nomura Real Estate HD	10.1%	31.0%	12.1%
10	UNIZO HD	9.7%	11.9%	25.2%
11	Mie Kotsu Group HD	9.5%	25.4%	5.3%
12	AEONMALL	8.3%	35.2%	17.2%
13	NTT Urban Development	8.0%	25.7%	15.2%
14	Tokyu Fudosan HD	7.3%	21.6%	7.9%
15	Mitsui Fudosan	6.7%	36.9%	12.9%
16	Bitsubishi Estate	6.6%	32.2%	15.1%
17	Tokyo Tatemono	6.4%	24.8%	12.0%
18	Parco	6.3%	48.8%	4.9%
19	Keihanshin Building	5.8%	52.0%	33.0%
20	TOC	5.6%	59.7%	30.1%
21	HEIWA REAL ESTATE	4.7%	33.3%	20.2%
22	DAIBIRU	4.2%	42.9%	24.6%
23	Kabuki Za	3.3%	41.2%	12.7%
24	Showa Aircraft Industry	3.3%	50.9%	7.2%
25	TOKYO RAKUTENCHI	2.9%	68.6%	13.6%
Average (Our Company Excluded)		8.2%	40.0%	15.4%

*1 Based on Data from QUICK System of QUICK Corp. The classifications of real estate company (non-housing) are specified in Kaisha Shikiho. Market capitalization is calculated according to the closing price of June 19, 2017.

*2 ROE Ranking for Top 25 Companies of Market Capitalization in the Real Estate Sector (non-housing, 56 companies in total).

Company Overview



Name	: Sun Frontier Fudousan Co., Ltd.
Head Office	: Toho Hibiya Building (Hibiya Chanter) 14F : 2-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006
Established	: April 8, 1999
Stock Listing	: First Section of the Tokyo Stock Exchange on February 26, 2007 (Stock code 8934)
Capital	: ¥8,387 million
Representative	: President, Tomoaki Horiguchi
Employees	Full-time staff 352 Consolidated (666 including temporary and part-time staff)
Average Age	: 32.3 (as of Jul 31, 2017)
Main Group Companies	SF Building Support Inc. Sun Frontier Real Estate Investment Advisors Inc. : Yubi Inc. Sun Frontier Fudousan Taiwan Co., Ltd. Sun Frontier Hotel Management Inc.
Settlement Month	: 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 Solution / Rent Guarantee

3. Hotel development and operation

Investment, development, operation

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We appreciate your understanding.

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SUN FRONTIER