

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

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

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February 7, 2018



SUN FRONTIER

Stock Code : 8934

Summary of the Results for the Third Quarter



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

For the cumulative third quarter, sales and income marked a record high.

(¥ million)

	Results	Sales and Profit Ratio	Year on Year Change	Rate of Change	Forecast of FY2018/3	Achievement Rate
Sales	33,473	—	+6,304	+23.2%	50,000	66.9%
Operating income	7,507	22.4%	+603	+8.7%	10,500	71.5%
Ordinary income	7,194	21.5%	+659	+10.1%	10,000	71.9%
Net income*	4,906	14.7%	+392	+8.7%	7,000	70.1%

(*) Net income attributable to owners of parent

Highlights

1) The business performance goes as planned

- For the 3rd quarter, **we earned record-high sales and profit.**
- The replanning business contributed to the overall results, keeping **ordinary income ratio over 20%.**

2) Procurement is progressing well.

- **Procurement for properties to sell in FY2019/3 has been almost finished.**
- Furthermore, we will procure buildings for rental to **increase the revenue from the rental building business.**
- Number of buildings in inventory related to replanning business at the end of this quarter is 42. **Balance of inventory assets increased to 36.0 billion yen. (increased 35.1% compared to the same period of previous fiscal year.)** (Number of buildings at the end of December 2016 is 39, worth 26.7 billion yen)

3) Increase of capital

- Between Dec. 2017 and Jan. 2018, capital was increased, **procuring about 7.1 billion yen.**
- It was allocated to the development of the hotel brand "Hiyori Hotels & Resorts."
- Our corporate group aims to **improve profitability, maintain the stability of business administration,** and enhance our corporate value.

Revenue/Profit Summary



			(¥ million)	
	Apr. to Dec. in the FY ended Mar 31, 2017	Apr. to Dec. in the FY ending Mar 31, 2018	Apr. to Dec. in the FY ended Mar 31, 2017	Apr. to Dec. in the FY ending Mar 31, 2018
Sales	27,168	33,473		
Real Estate Revitalization Business	23,899	28,741		
Replanning Business (including Hotel Development)	22,399	27,003		
Rental Building, Sublease	1,500	1,737		
Real Estate Service Business	2,331	2,345		
Operation Business	786	2,170		
Other Business	522	707		
Adjustment	(370)	(490)		
Gross Profit	10,012	11,039		
Real Estate Revitalization Business	8,127	8,931		
Replanning Business (including Hotel Development)	7,383	8,220		
Rental Building, Sublease	744	710		
Real Estate Service Business	1,375	1,424		
Operation Business	134	308		
Other Business	419	486		
Adjustment	(44)	(111)		
Selling and general administrative expenses	3,108	3,532		
Operating income			6,904	7,507
Non-operating income			7	12
Non-operating expenses			377	325
Ordinary income			6,534	7,194
Extraordinary loss/income			0	—
Corporate income tax, etc.			2,023	2,296
Profit or loss of Non-controlling interest			(1)	(7)
Net income			4,513	4,906

• **Gross profit ratio** of the third quarter of replanning business (including Hotel Development) is **30.4%** (gross profit ratio of the same period of last fiscal year was 33.0%).

• Operation business and other new businesses are all expanding smoothly. **Total sales grew 2.2 times year on year to 2.87 billion yen. Gross profit increased 1.4 times year on year to 790 million yen.**

Consolidated Balance Sheet

-Assets-



(¥ million)

	End of Mar. 2016	End of Mar. 2017	End of Dec. 2017	Increase/Decrease (Compared to the end of Mar. 2017)
Current assets	51,365	55,195	69,483	+14,287
Cash and deposits	15,413	16,246	21,930	+5,684
Inventory assets	32,714	36,186	45,243	+9,057
Breakdown) RP	27,189	26,039	36,078	+10,039
Hotel	5,525	7,254	5,530	(1,723)
Overseas, etc.	—	2,892	3,634	+741
Other current assets	3,237	2,762	2,308	(454)
Noncurrent assets	2,718	8,458	10,687	+2,228
Property, plant, and equipment	1,919	7,288	8,439	+1,151
Intangible assets	278	562	496	(66)
Investments and other assets	520	608	1,751	+1,143
Total assets	54,084	63,654	80,170	+16,516

While the sale of properties for replanning business progressed, procurement and commercialization progressed too. As a result, the balance of inventory assets grew 10 billion yen. As one hotel was sold, the balance of inventory assets of the hotels dropped 1.7 billion yen.

Property, plant, and equipment increased about 1.1 billion yen, due to the acquisition of a hotel (about 700 million yen) for increasing the revenue from rents and the progress of construction of Tabino Hotel Hida-Takayama. Investments and other assets grew about 1.1 billion yen, due to the guarantee money deposited for hotel development (1 billion yen), etc.

Capital increased 6.22 billion yen through a public offering. (In January, capital grew 930 million yen through a private placement for the over allotment amount.)

Consolidated Balance Sheet -Liabilities/Equity-



(¥ million)

	End of Mar. 2016	End of Mar. 2017	End of Dec. 2017	Increase/Decrease (Compared to the end of Mar. 2017)
Current liabilities	7,641	8,281	7,347	(933)
Short-term loans payable, etc.	3,353	3,438	1,531	(1,906)
Income taxes payable, etc.	973	802	1,883	+1,080
Other current liabilities	3,314	4,040	3,932	(107)
Noncurrent liabilities	16,298	19,686	27,377	+7,691
Long-term loans and bonds payable	15,055	18,626	25,729	+7,102
Other noncurrent liabilities	1,242	1,059	1,648	+588
Total liabilities	23,939	27,968	34,725	+6,757
Shareholders' equity	30,144	35,528	45,373	+9,845
Others	(0)	157	71	(86)
Total net assets	30,144	35,686	45,445	+9,758
Total liabilities and capital	54,084	63,654	80,170	+16,516

Transition of Equity Ratio

End of Mar. 2016	End of Mar. 2017	End of Dec. 2017
55.7%	56.0%	56.7%

Because of the progress of the procurement of properties for replanning business, loans payable increased by about 5.2 billion yen compared with the end of previous fiscal year and balance of interest-bearing debt of the end of Dec. 2017 became 27.2 billion yen.

Net income: up 4.9 billion yen, dividend payment: down 1.28 billion yen, capital: up 6.22 billion yen (up 930 million yen for a private replacement in Jan.)

Performance of Replanning Business

(Replanning (RP)/ Hotel Development)

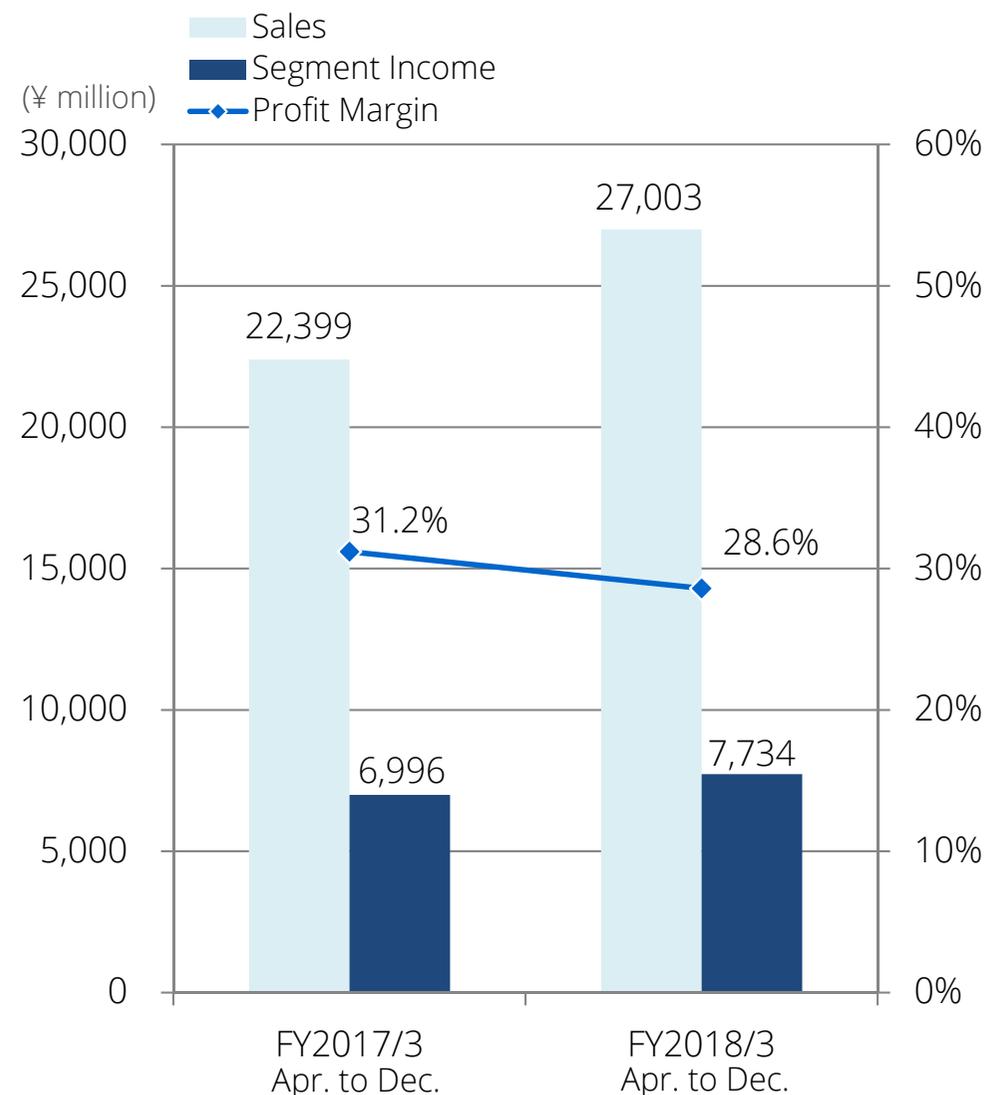


(¥ million)	Apr. to Dec. in the FY ended Mar 31, 2017	Apr. to Dec. in the FY ending Mar 31, 2018	Increase/Decrease
Sales	22,399	27,003	+20.6%
Segment income ^(Note1)	6,996	7,734	+10.6%
Profit margin	31.2%	28.6%	(2.6%pt)
No. of procured properties	23	31	+8
No. of sold properties	16	23	+7
No. of properties in stock as of the end Dec.	45 ^(Note2)	47 ^(Note2)	+2

- Sales and profit grew
- As we are keeping on making ingenious efforts towards procurement, commercialization and sales, as well as direct sales to our customers, **profit margin** of Replanning Business excluding Hotel Development **maintains at a high level of 30.6%**.
- The average business period for selling revitalized properties is 349 days (Hotel development excluded)
- Procurement progressed substantially, and the number of properties in inventory is 47 (42 for replanning business and 5 for hotel business.)
- **Balance of inventory assets is 41.6 billion yen** (36.0 billion yen of which is replanning business, 5.5 billion yen of which is hotel business.)

※Overseas business excluded.

※We have also procured **12 pieces of RP real estate worth 10.1 billion yen** as of the end of Jan.



(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.

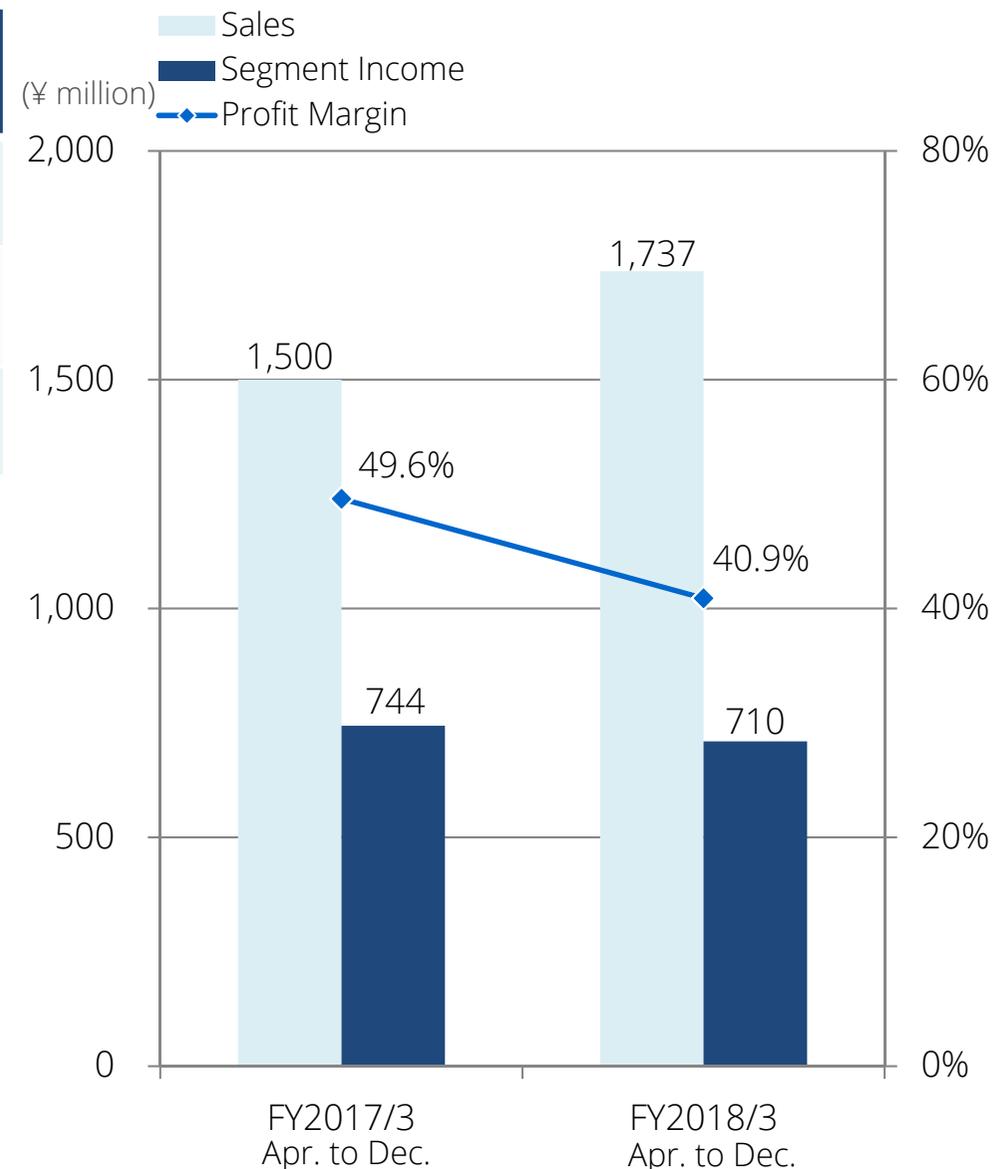
(Note2) Land procurement and development cases are also included in the inventory of replanning business.

Performance of Rental Building Business

(Rental Building / Sublease)



(¥ million)	Apr. to Dec. in the FY ended Mar 31, 2017	Apr. to Dec. in the FY ending Mar 31, 2018	Increase/Decrease
Sales	1,500	1,737	+15.8%
Segment income	744	710	(4.5%)
Profit margin	49.6%	40.9%	(8.7%pt)



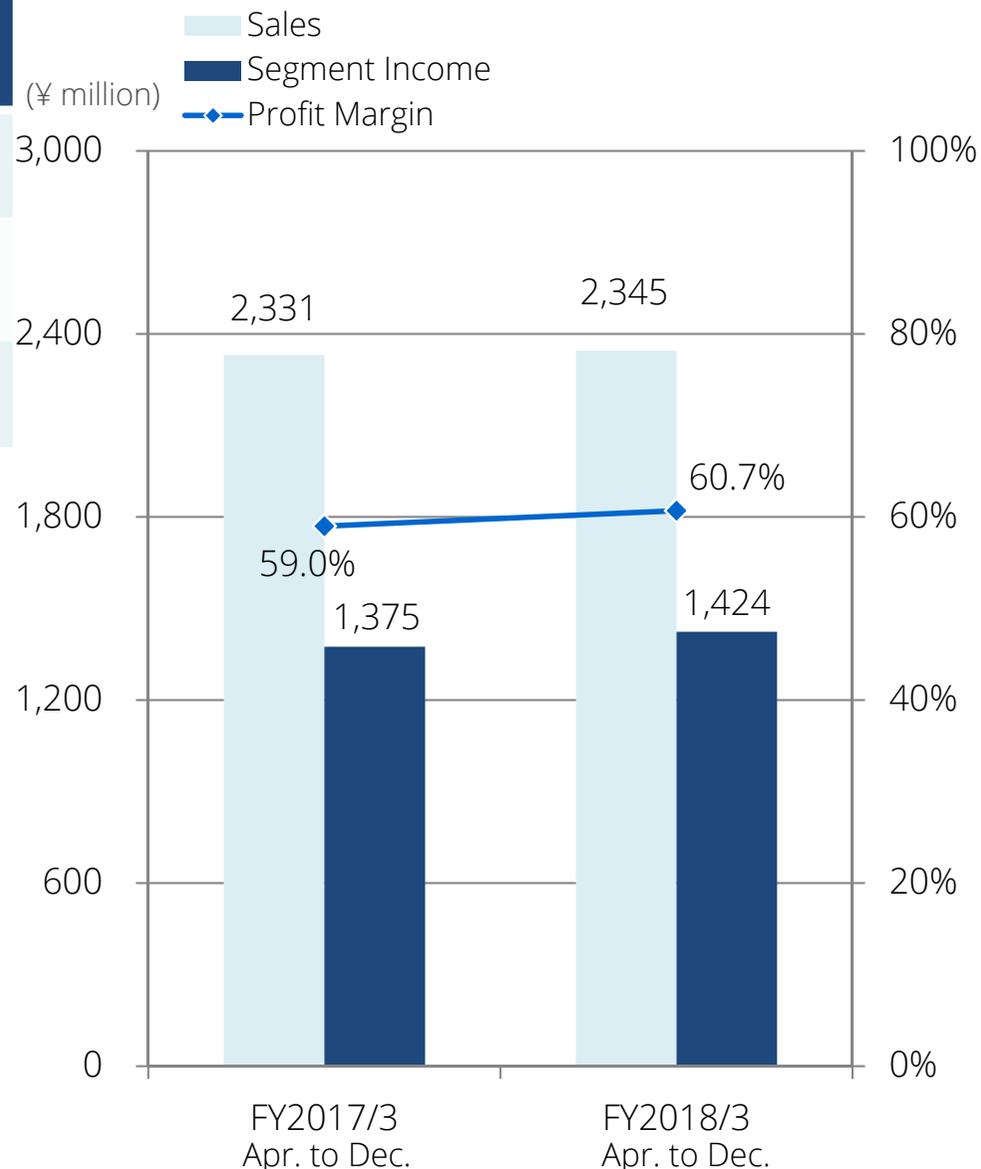
- Sales grew, because the revenue from rents increased due to the rise in the balance of inventory assets.
- On the other hand, the ratio of buildings that have many vacant units suited for the replanning business is high. As the ratio of cost, including depreciation, to sales increased, profit dropped.
- In Aug. 2017, we acquired an existing hotel in front of Toyama Station as fixed assets, for the purpose of increasing the revenue from rents.
- We will concentrate on the **expansion of the business with buildings to be owned for a long period of time for as stock type business**, in addition to flow type business.

Performance of Real Estate Service Business



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

(¥ million)	Apr. to Dec. in the FY ended Mar 31, 2017	Apr. to Dec. in the FY ending Mar 31, 2018	Increase/ Decrease
Sales	2,331	2,345	+0.6%
Segment income	1,375	1,424	+3.6%
Profit margin	59.0%	60.7%	+1.7%pt



<Sales Brokerage Business/Rental Brokerage Business >

■ The sales and profit of the brokerage business declined, but it served as **the driver for the creation of high added value from the viewpoint of our customers** in the processes of procurement, commercialization, and sale of PR real estate, and contributed to the revenue of the entire corporate group.

<PM Business/BM Business>

■ In the PM and BM businesses, we steadily increased managing properties, and offered services with high added value, including **meticulous tenant management and solving our customer's troubles**. As a result, sales and income rose, contributing to the growth of the business of real estate services.

【Variations in the number of managing properties buildings for PM and occupancy rate】

	No. of managing properties	Occupancy rate
End of Dec. 2015	315	96.3%
End of Dec. 2016	356	96.5%
End of Dec. 2017	369	95.5%

Performance of Operation Business

(Hotel Management / Space Rental)



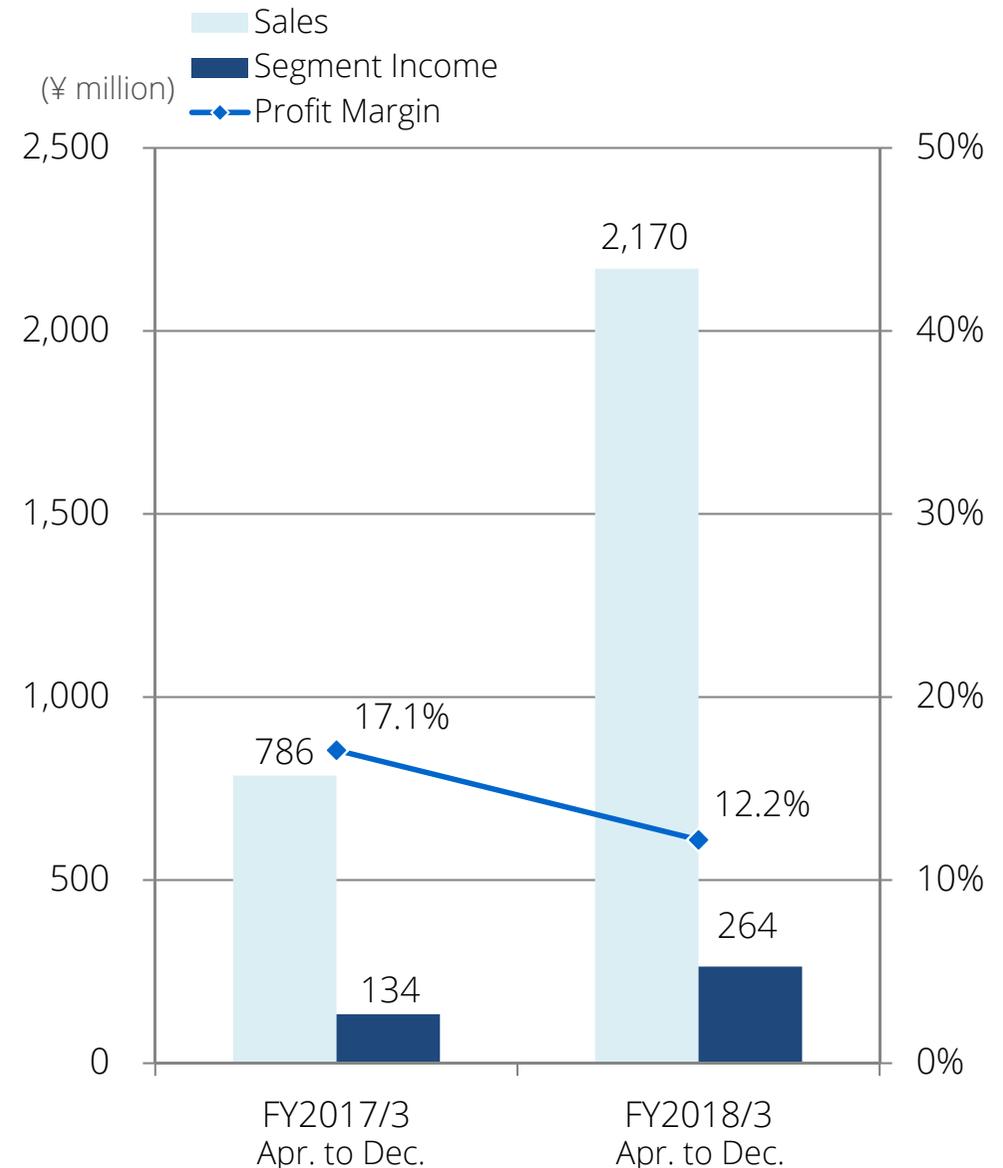
(¥ million)	Apr. to Dec. in the FY ended Mar 31, 2017	Apr. to Dec. in the FY ending Mar 31, 2018	Increase/Decrease
Sales	786	2,170	+176.0%
Segment income	134	264	+96.2%
Profit margin	17.1%	12.2%	(5.0%pt)

<Hotel Management Business>

- Both sales and profit grew significantly, thanks to the effects of M&A of "Sky Court Hotel Co., Ltd." at the end of year before last year and others.
- For "Hotel Sky Court" and "Spring Sunny Hotel", both occupancy rate and average spending per customer were healthy.
- "Hiyori Hotel Maihama" keeps second rank in the popular hotel section in a target area based on the word-of-mouth evaluation in a leading hotel booking website.

<Space Rental (Rental Conference Room) Business>

- By the 3rd quarter, we have newly opened 4 facilities in Nihonbashi, Yaesu, Nagata-cho, and Hamamatsu-cho, and the total number of facilities reached 9. In May 2018, a co-working space is to be opened in Yuraku-cho.
- Both sales and profit grew considerably, due to the steady increase of repeat users and introductions, and the favorable performance of newly-established rental rooms.

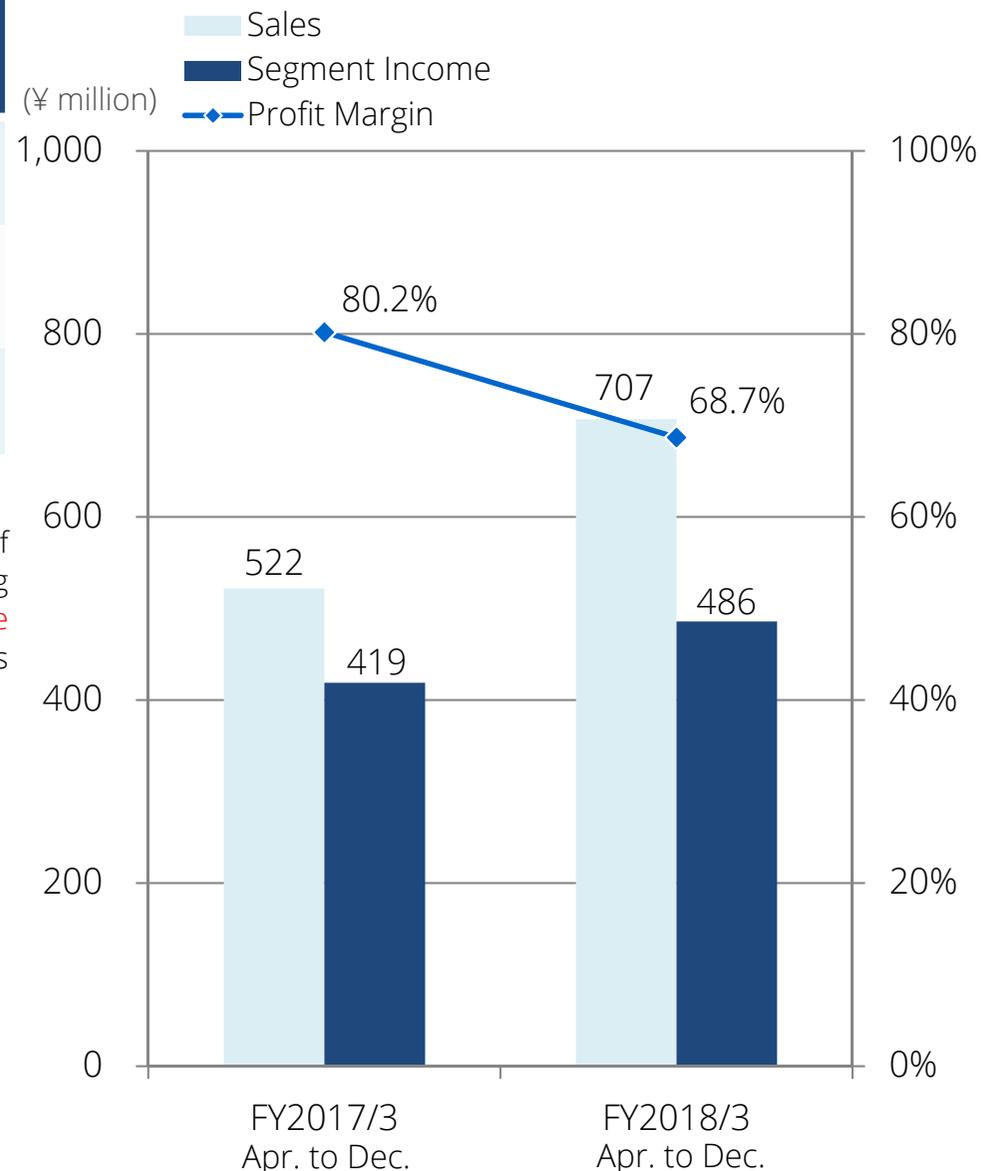


Performance of Other Business



(Rent Guarantee / Overseas Business, etc.)

(¥ million)	Apr. to Dec. in the FY ended Mar 31, 2017	Apr. to Dec. in the FY ending Mar 31, 2018	Increase/Decrease
Sales	522	707	+35.5%
Segment income	419	486	+16.0%
Profit margin	80.2%	68.7%	(11.6%pt)



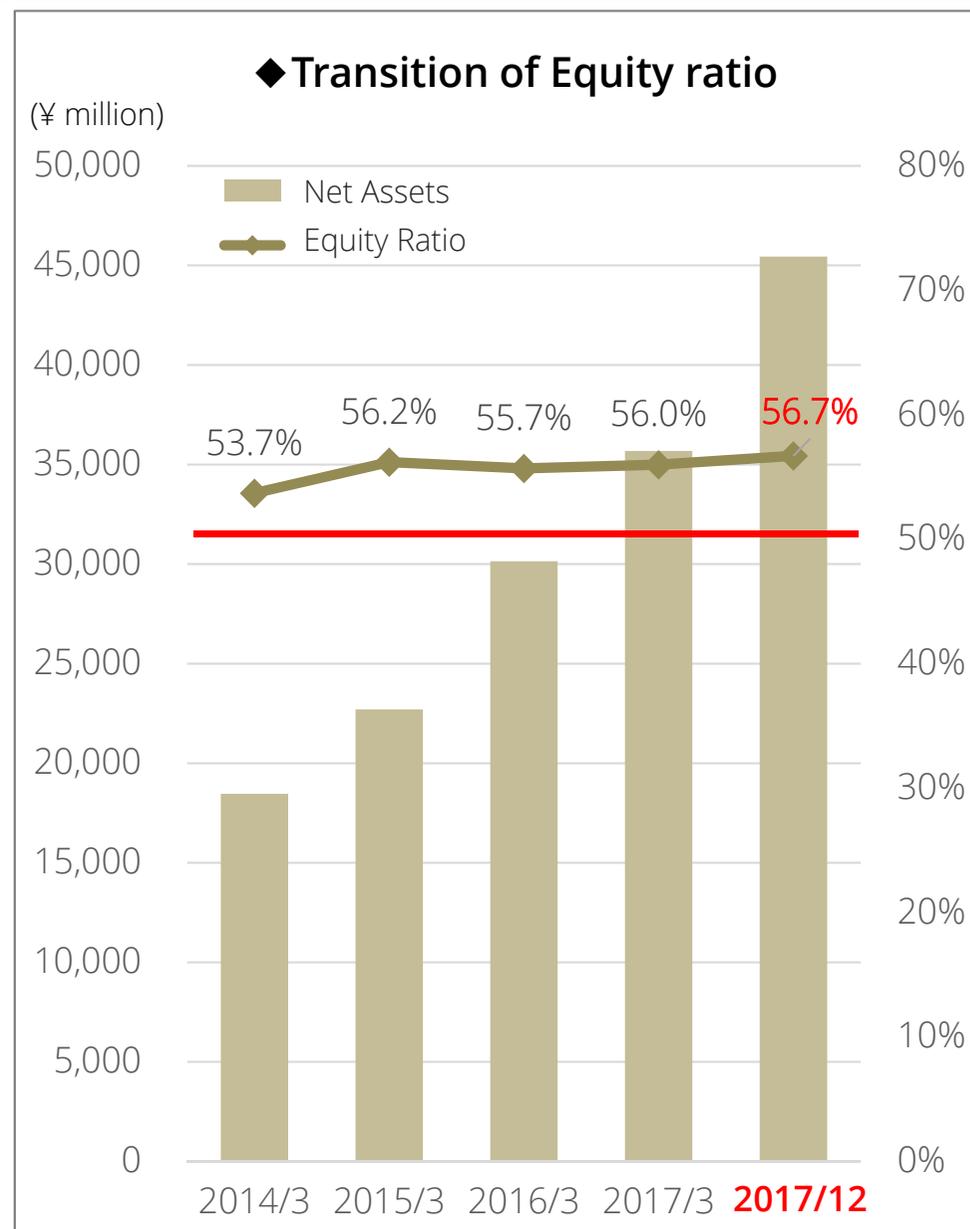
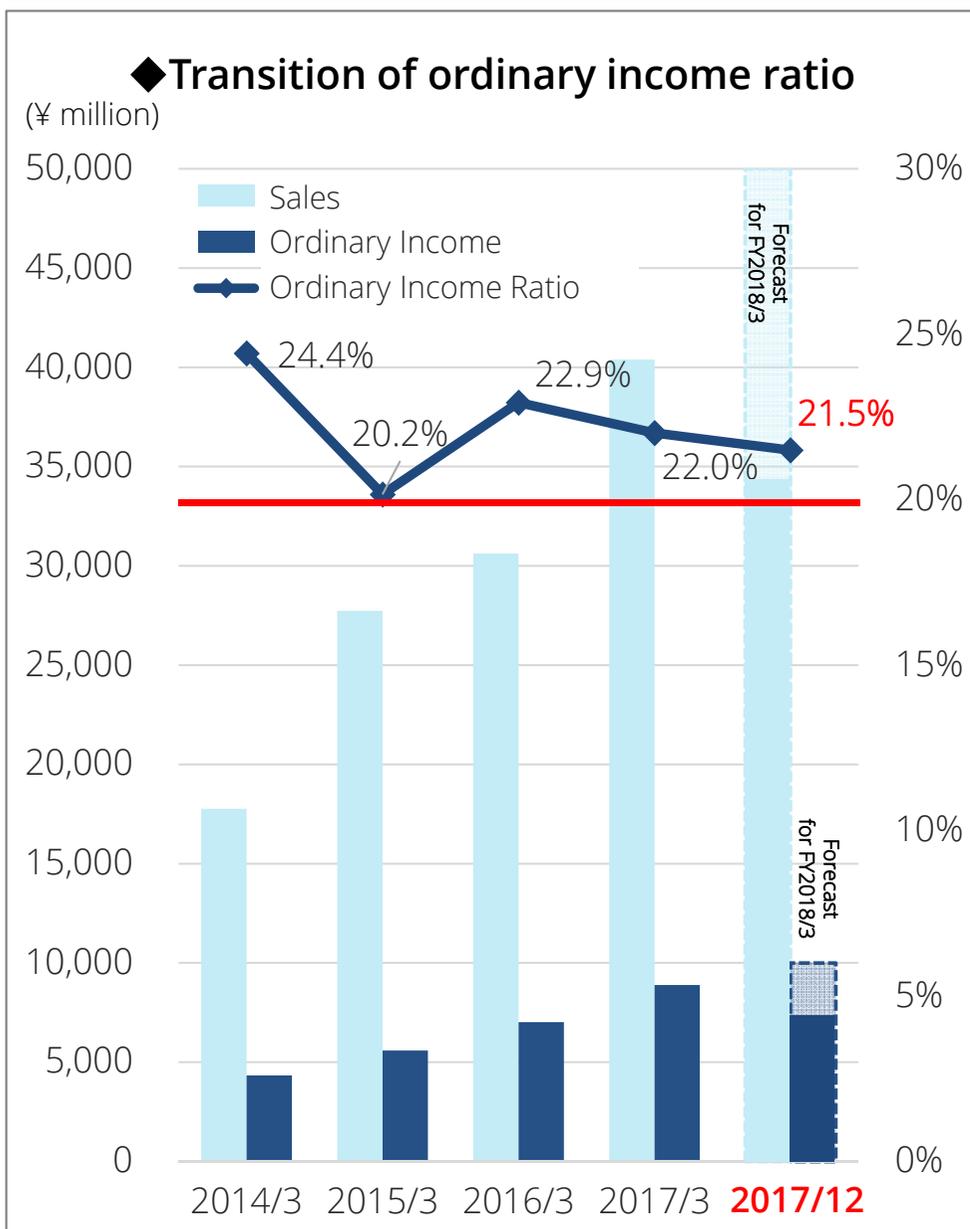
<Rent guarantee business>

- 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 about 30% as well.

<Overseas Business>

- Accelerate the development in Southeast Asia which is growing continuously.
 - ① Danang, the Biggest City in Central Vietnam
 - Owning and operating our first overseas hotel "The Blossom City"
 - **Construction for "Hiyori Garden Tower"**, high-rise urban apartment house of 28 floors and 306 units has **started in June, 2017**.
 - ② Jakarta, Capital of Indonesia
 - Promotion of construction of urban condominiums
 - Owning and operating Serviced Apartment "Kyo Serviced Apartment".

Valiation of Key Performance Indicators



Future Developments

- 1) **Business Environment**
- 2) **Managial Policy**
- 3) **Growth Strategies**

1. The global economy has been recovering, and is estimated to grow 3.9% (up 0.2% year on year) in 2018.

- ◆ According to IMF, economic growth was accelerated globally in 2017, exceeding forecasts especially in Europe and Asia.
- ◆ It is estimated that the reform of the U.S. tax systems will invigorate economic activities, while the economic growth in China will gradually become gentle.
- ◆ We pay attention to the risk that economic growth will become sluggish, due to the rise of protectionism around the world and the unexpected, sudden tightening of monetary policies.

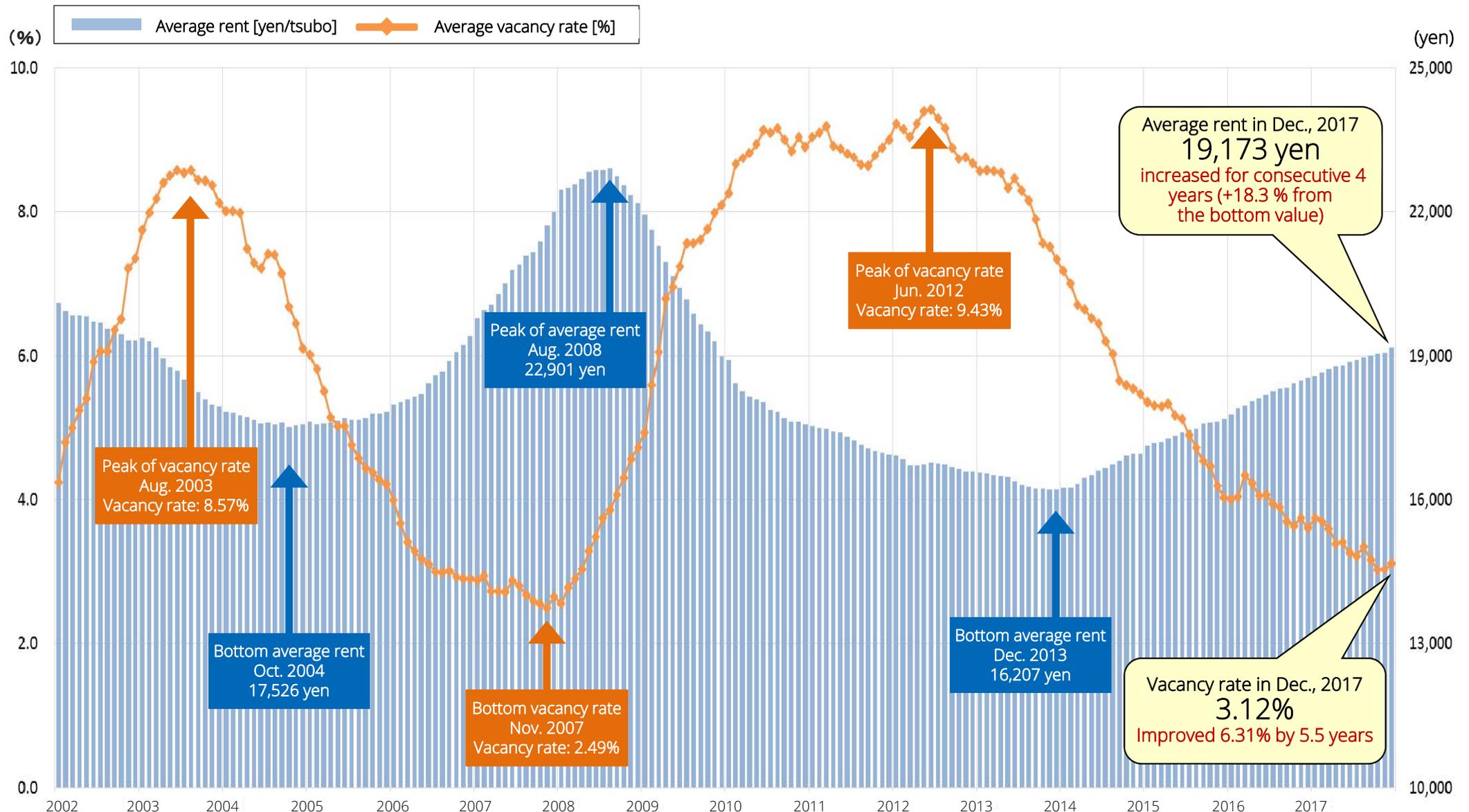
2. The Japanese economy is expected to recover gently, as the environments of employment and income are improving.

- ◆ The real growth rate of the Japanese economy increased for the 7th consecutive quarter. It is underpinned by favorable equipment investment and foreign demand.
- ◆ The number of foreign visitors to Japan and their consumption amount marked a record high. The consumption amount exceeded 4 trillion yen for the first time.
- ◆ We need to pay attention to the uncertainties of overseas economies, the fluctuations in the financial and capital markets, and geopolitical risks of North Korea, etc.

3. The urban office building market is still thriving, because demand is healthy thanks to good corporate performance.

- ◆ Average rent is slightly rising, and vacancy rate is low. Demand can be considered to remain healthy.
- ◆ Although we have some concerns over the office supply volume this year, but it is expected that the demand-supply balance will remain relatively good.
- ◆ For J-REIT, the funds for investment trust with monthly distribution have excess outflow, but the performance of each company is healthy as a whole.

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



※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) Managerial Policy

Not for profit, but for trust.

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

Sun Frontier's Vision and Policies



Vision

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

Customers

Building owners, asset holders, and wealthy individual

Core Business

Real estate revitalization and utilization

Policies

Not for profit, but for trust.

To focus on people rather than property

Solve any real estate related difficulties from the perspective of our customers

Strategies

Central
Tokyo

Office

Strength

Tenant
Finding
Capability

Real Estate
Revitalization
Capability

Operation Capability

Office Buildings

Real Estate Revitalization Business



Re-planning(RP)
Building Rental
Real Estate Securitization

Real Estate Services Business

Rental Brokerage / Sales Brokerage
Property Management(PM) / Building
Maintenance(BM)
Construction Planning / Interior Design
Asset Consulting
Rent Guarantee
Rental Conference Room and Small Office

Hotel

Hotel Possession and Operation
Hotel Development, Revitalization
and Sales

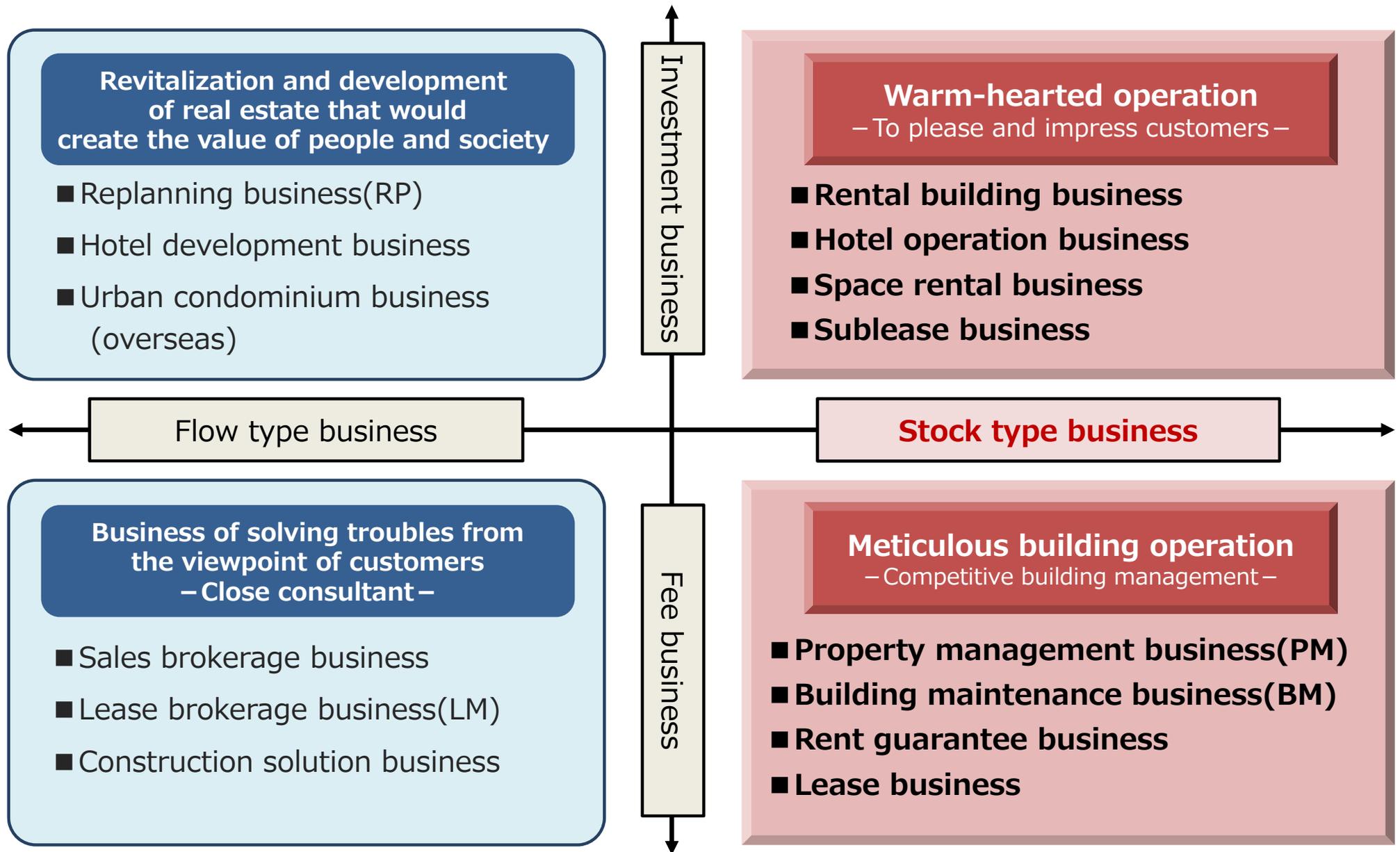
Overseas

Hotel Management and Housing Developments
in Vietnam
Hotel Management and Detached House
Developments in Indonesia
Attract investment from Taiwan to Tokyo

3) Growth Strategy

To increase “flow type business” and
expand the “stock type business”
—To strengthen the earning foundation —

Flow type business and Stock type business SUN FRONTIER

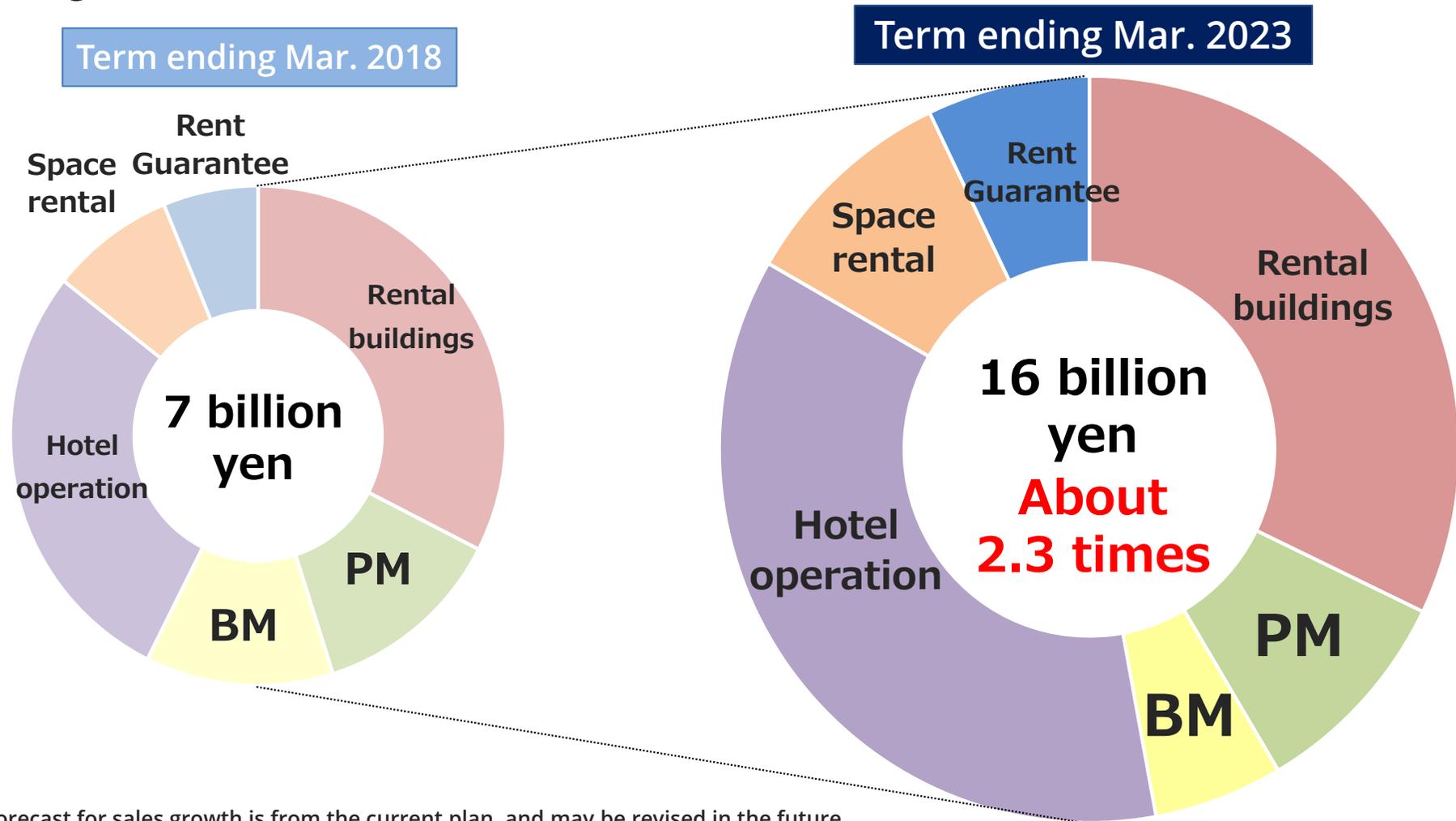


Sales growth of the stock type business in the coming 5 years



Theme: To contribute to society by utilizing real estate and spaces in buildings

We put importance on the needs of customers, make them happy and improve convenience, and create high added value, to increase customers.

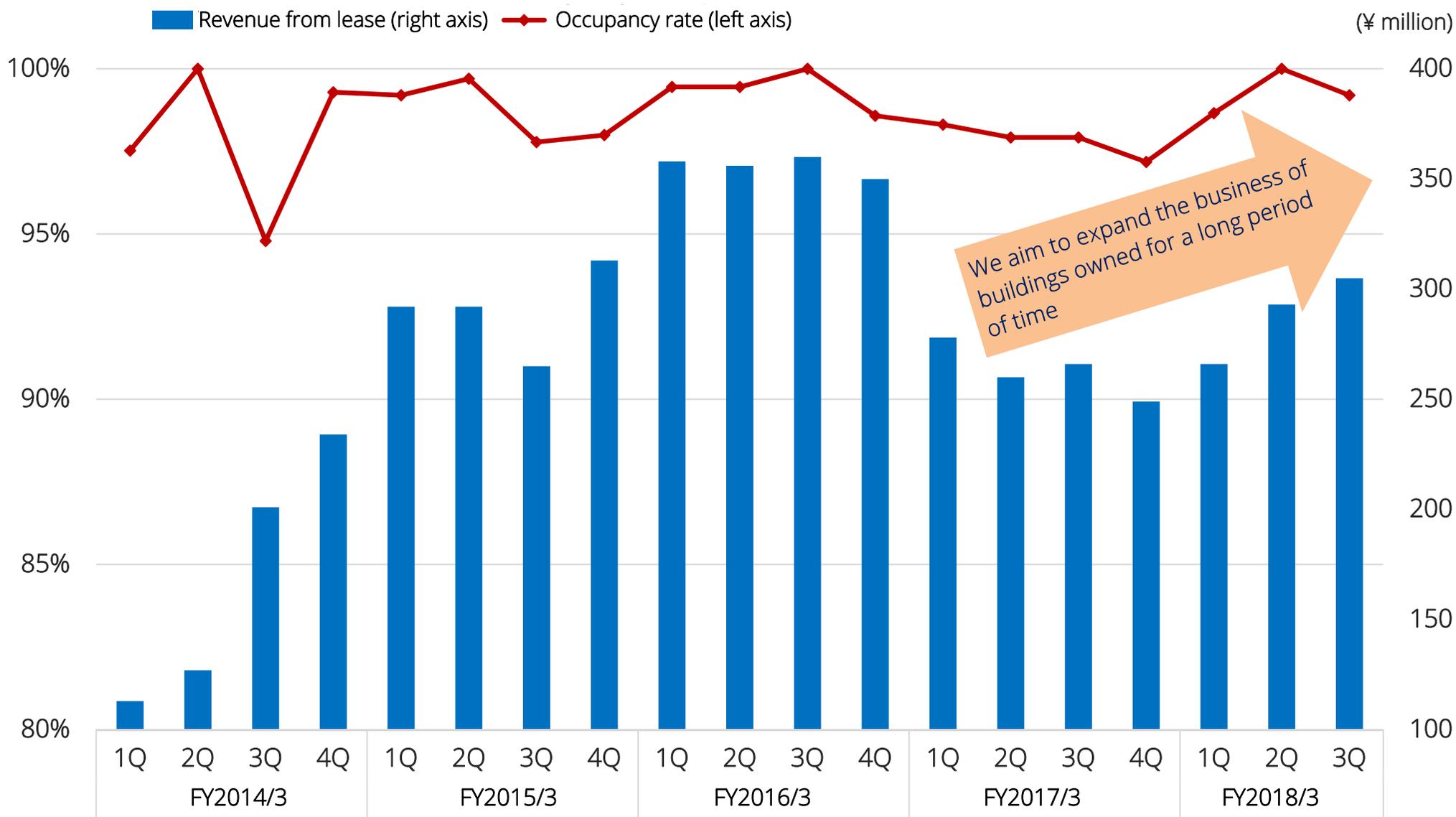


※ The forecast for sales growth is from the current plan, and may be revised in the future.

Analysis of the Current Situation (1)

Variations in revenue from rental buildings and occupancy rate SUN FRONTIER

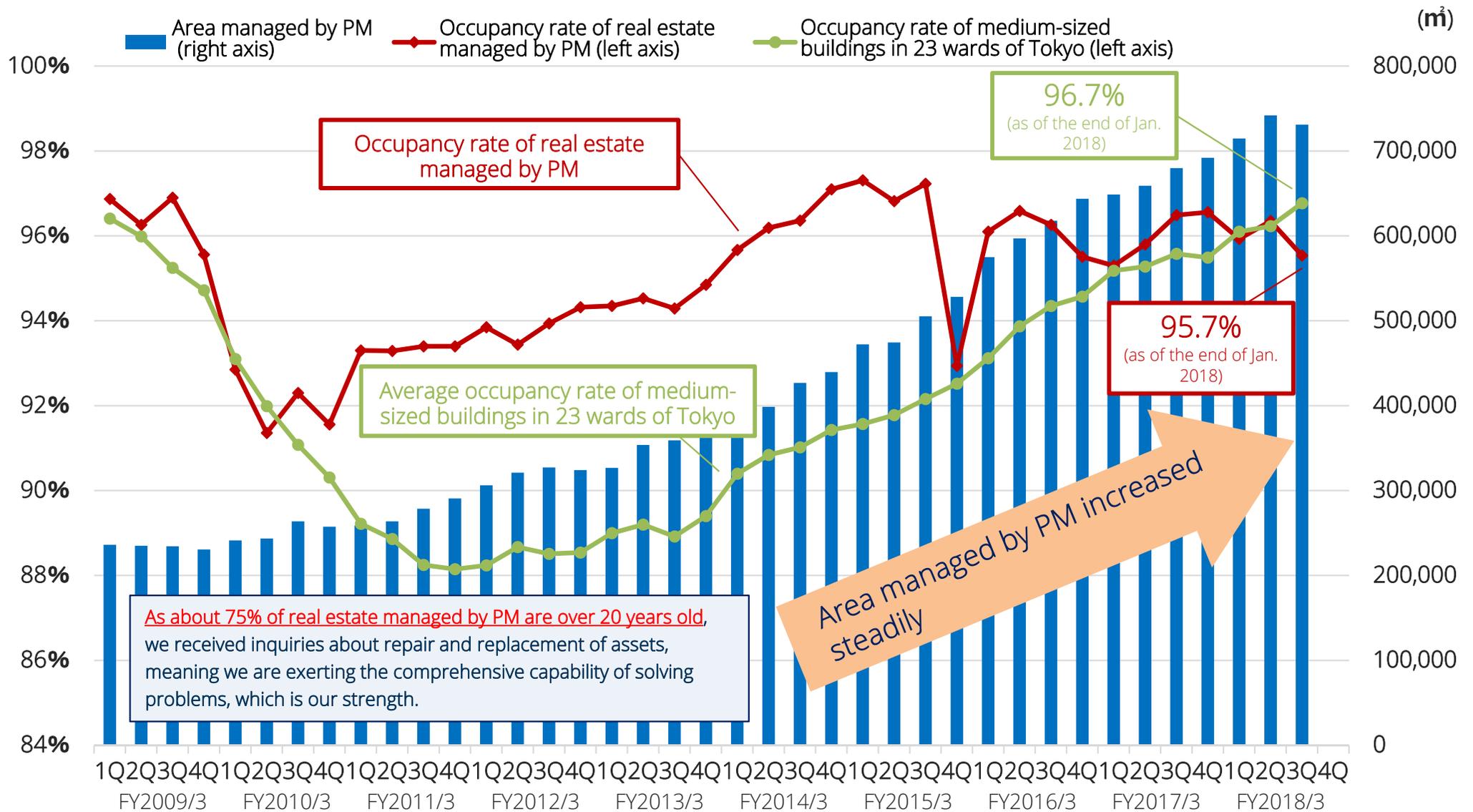
(medium and long-term RP and hotels in operation)



※Revenue from rental buildings: Rents from RP real estate owned for a medium/long period of time and hotels in operation

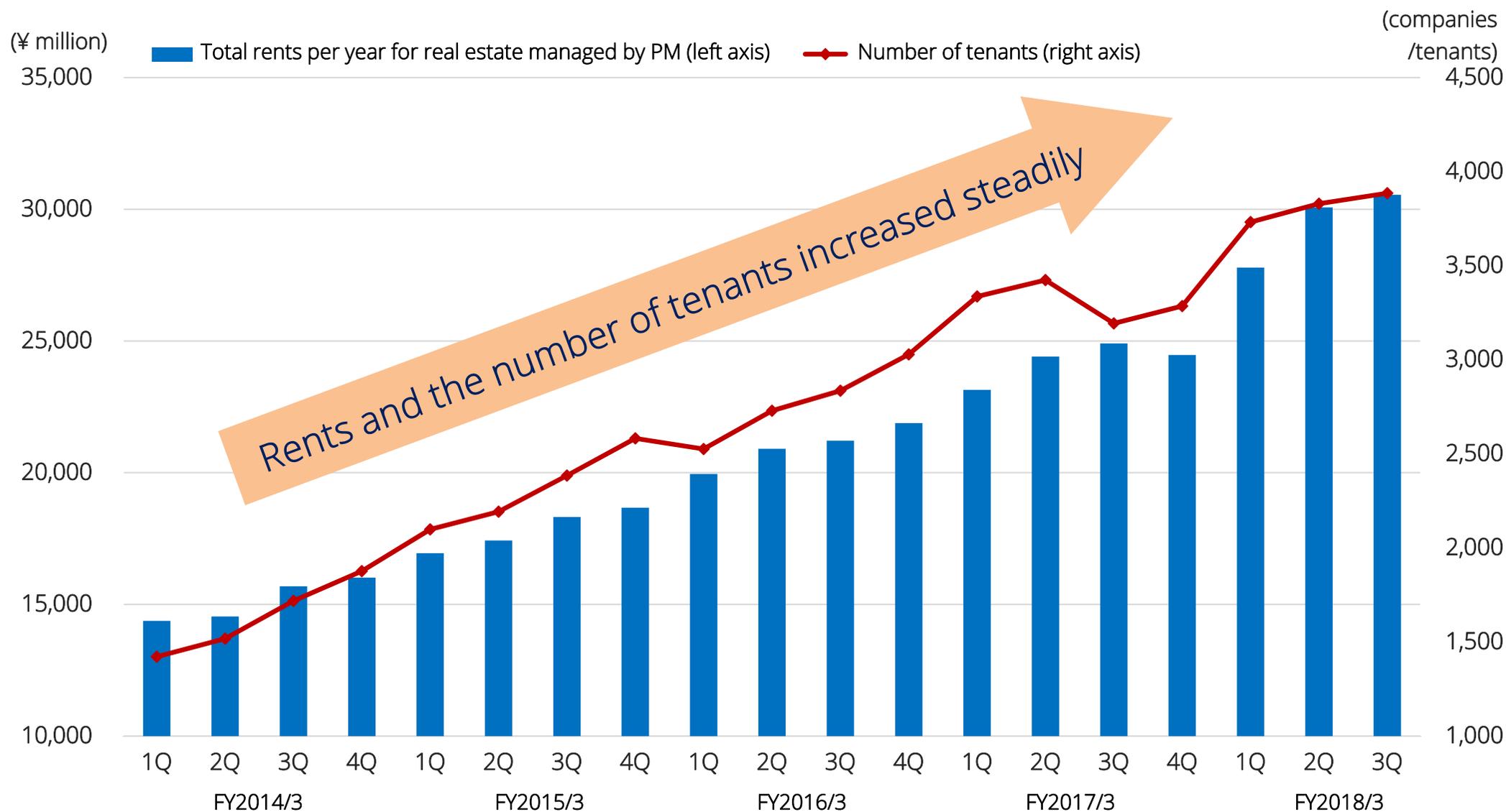
※Occupancy rate: Total Area Occupied / Total Area for Rental; 3 month weighted average

Variations in the occupancy rate and area of buildings managed by PM



※Source: The average occupancy rate of medium-sized buildings in 23 wards of Tokyo was calculated by our company with reference to "Monthly Report on Office Market Surveys" by Sanko Estate.
 ※Occupancy rate: Total Area Occupied / Total Area for Rental; Occupancy rate and managed area include those of real estate subject to our RP.

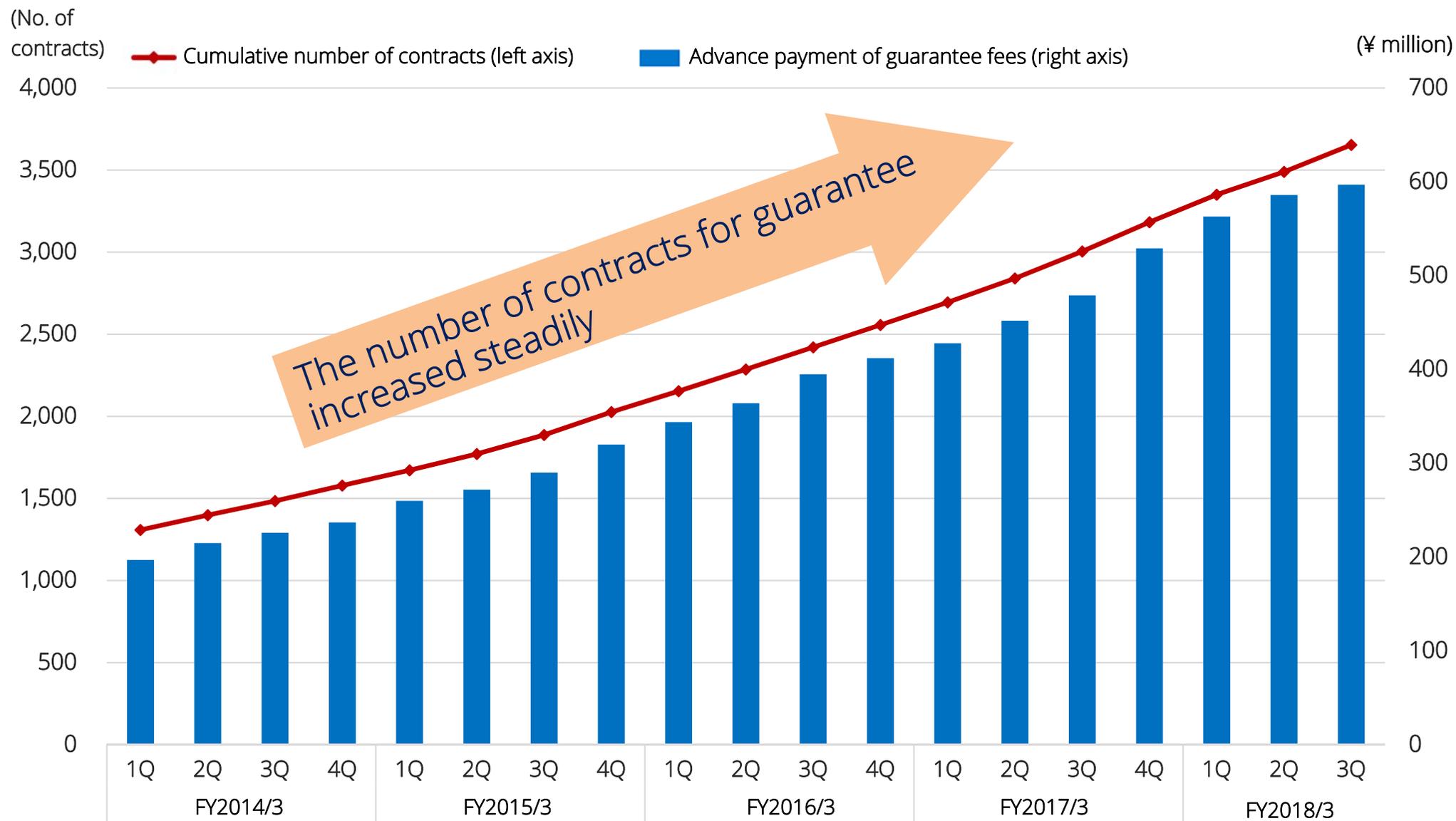
Variations in the revenue from rents for real estate managed by PM and the number of tenants



※Total rents per year: The total amount of rents converted to a yearly amount from the amount which tenants of real estate managed by PM were claimed at the end of each quarter
 ※Number of tenants: The number of tenants of real estate managed by PM (as of the end of each quarter)

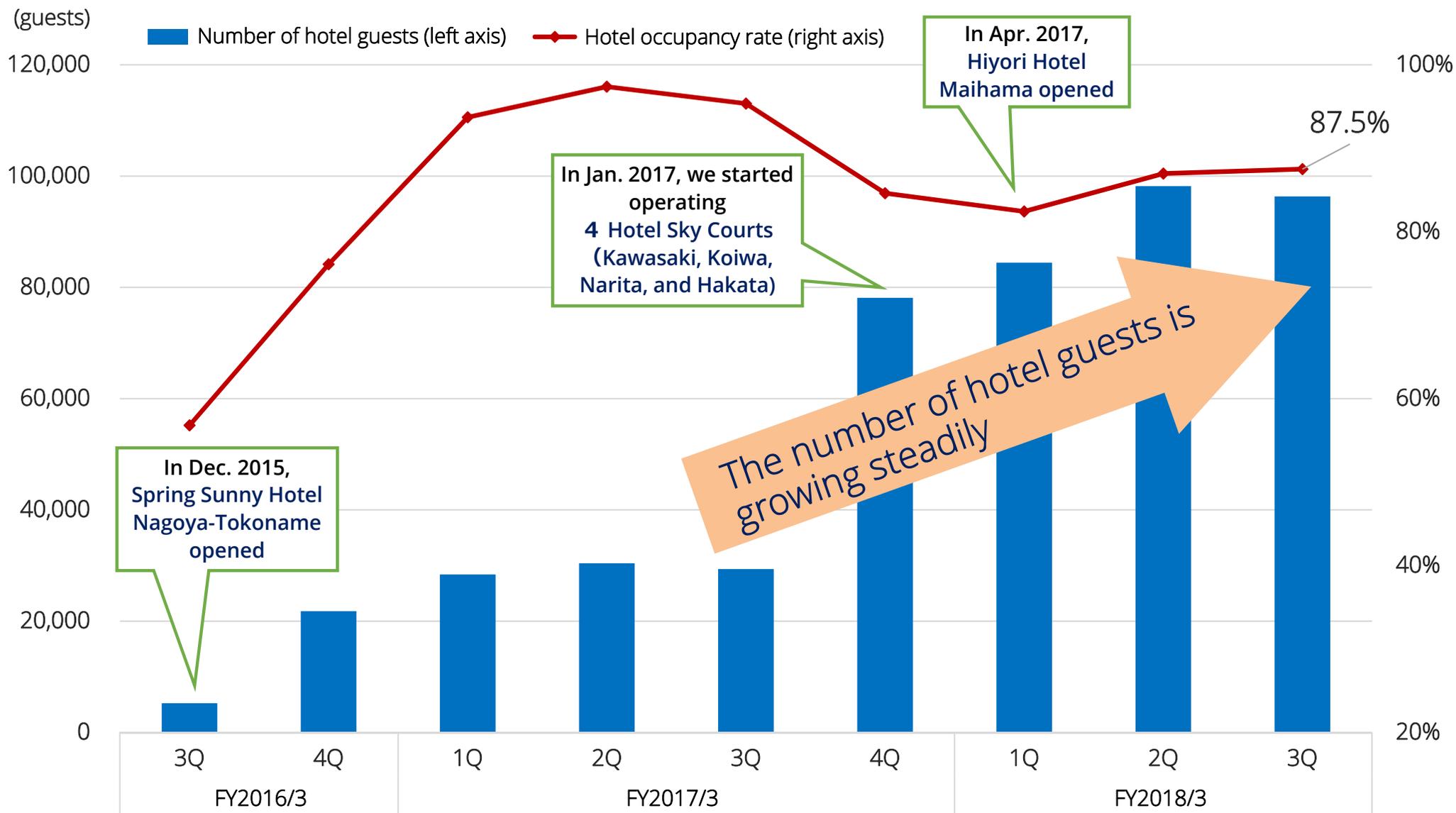
Analysis of the Current Situation (4)

Variations in the guarantee fee and the number of contracts in rent guarantee business



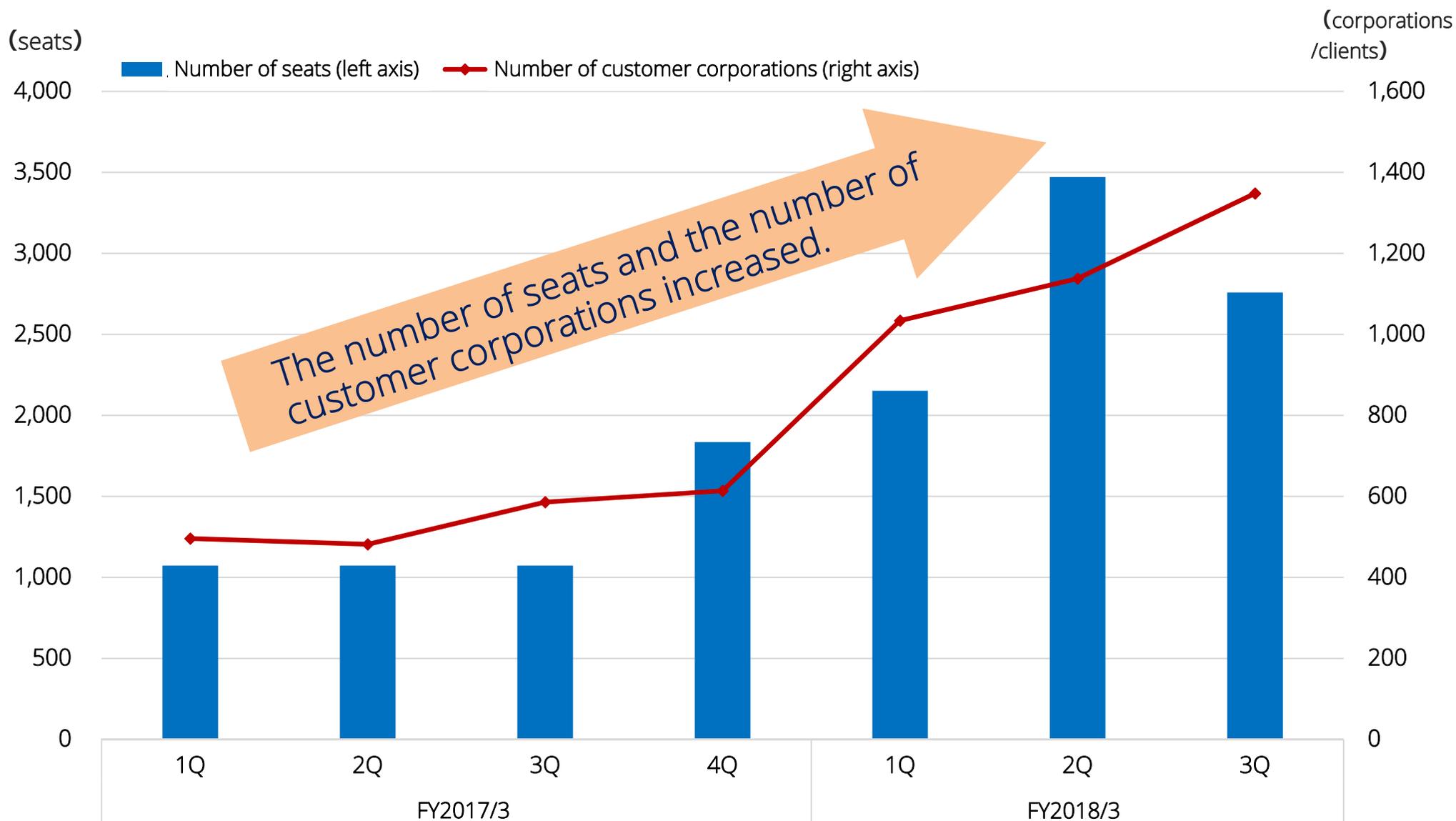
※Advance payment of guarantee fees: Balance of advances for the guarantee contract as of the end of a quarter

Variations in the occupancy rate and the number of guests of hotels



※Hotel occupancy rate = Total number of occupied guest rooms / Total number of available guest rooms; 3 month weighted average

Variations in the number of seats of rental conference rooms and the number of customer corporations



※Number of seats: The number of seats of rental conference rooms as of the end of each quarter

Target Fields

We communicate with real estate markets, and actively operate our business in four business fields where demand will grow.



1. Rise in the international position of Tokyo



2. Utilization of surplus money and expanding investment funds



3. Business targeted at visitors to Japan



4. Asia region which are growing rapidly

Four-pronged Strategy for Future Growth SUN FRONTIER



Creation of waterfront space by combining buildings and a canal



Appearance
Before



Appearance
After



1. Purchase of a building that satisfies the old aseismic standards
2. Aseismic reinforcement while existing tenants stay
3. The purpose of use of the first floor changed from a parking area to a restaurant through enlargement work
4. **A walkway built inside the premises to access the canal-side esplanade. Refreshing space created by constructing a stair-like bench**
5. Sale to a wealthy individual

【Property Outline】

- Location: Shibaura, Minato-ku, Tokyo
- Structure: 7-story reinforced concrete building with a flat roof
- Date of completion: 1976 (42 years old)
- Purpose of use: office, apartment, shop
- Land area: 306.55㎡ (92.73 tsubo)
- Gross floor area: 1339.99㎡ (405.34 tsubo)



The connection with the canal was actualized by reaching an agreement among the government and private sectors and the local community.

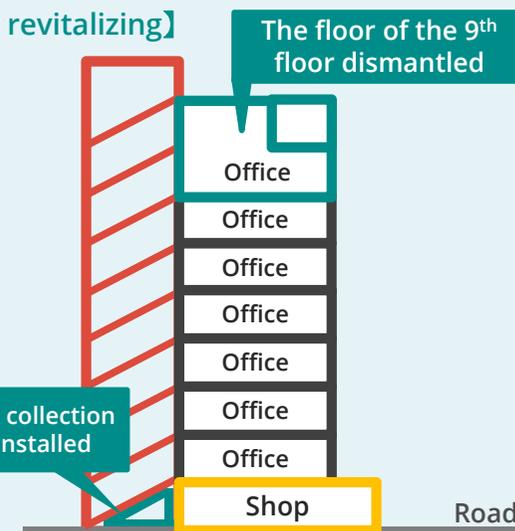
To cancel excess of floor area ratio, and create a space with openness



【Before revitalizing】



【After revitalizing】



Indoor After

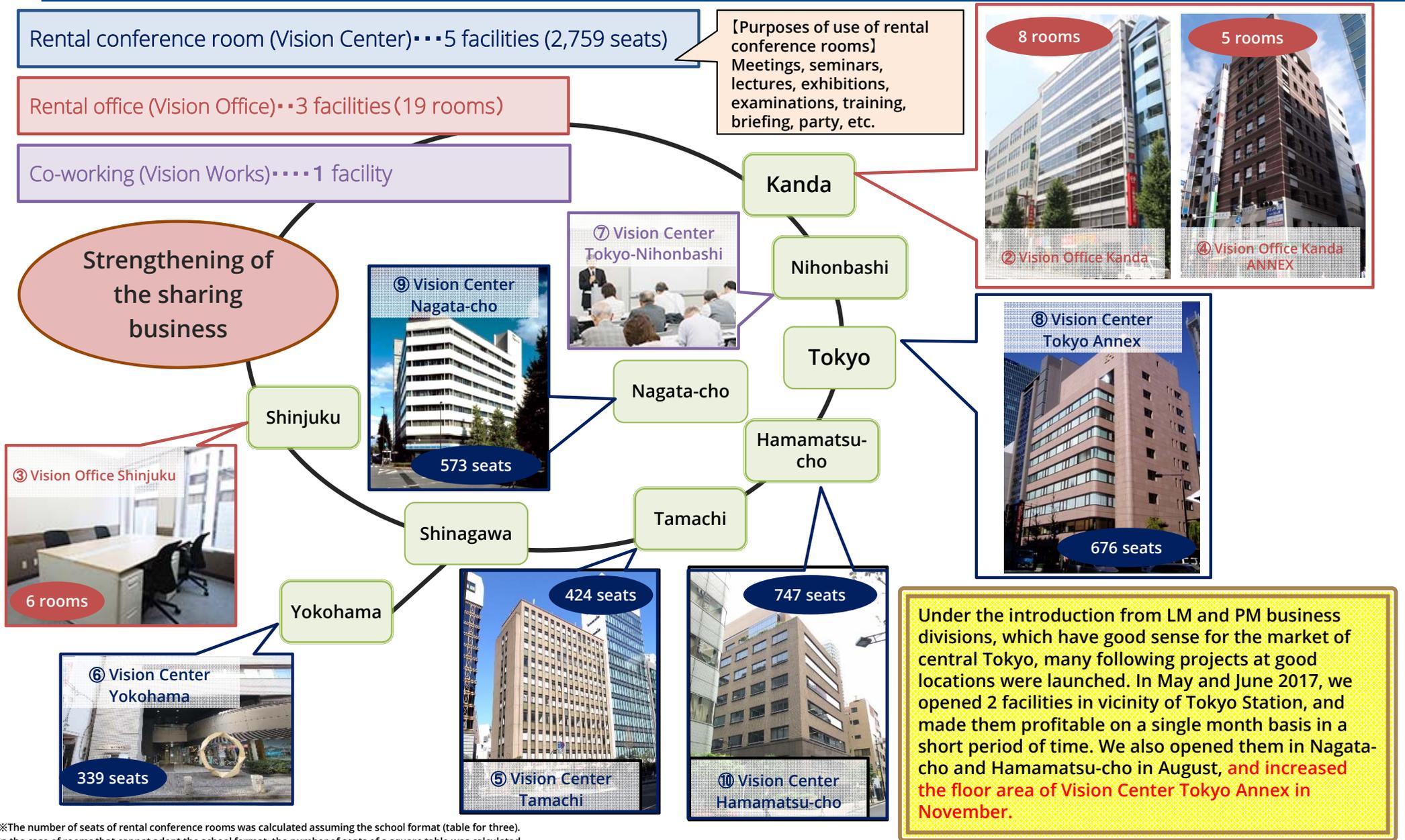


1. The parking area was transformed into a shop. We purchased a building whose floor area ratio is excessive.
2. The floor slab of the 9th floor was dismantled while tenants stayed. Floor area was reduced, to correct floor area ratio.
3. A ceiling height of over 5.4 m was secured on the 8th floor. A space with openness was created.
4. Sale to repeat customers

【Property Outline】

- Location: Nishi-shimbashi, Minato-ku, Tokyo
- Structure: 9-story reinforced concrete building with a flat roof
- Date of completion: 1988 (30 years old)
- Purpose of use: office, shop
- Land area: 174.46㎡ (52.77 tsubo)
- Gross floor area: 1,855.28㎡ (349.37 tsubo)

The space rental service of the sharing business is offered at a total of 9 facilities



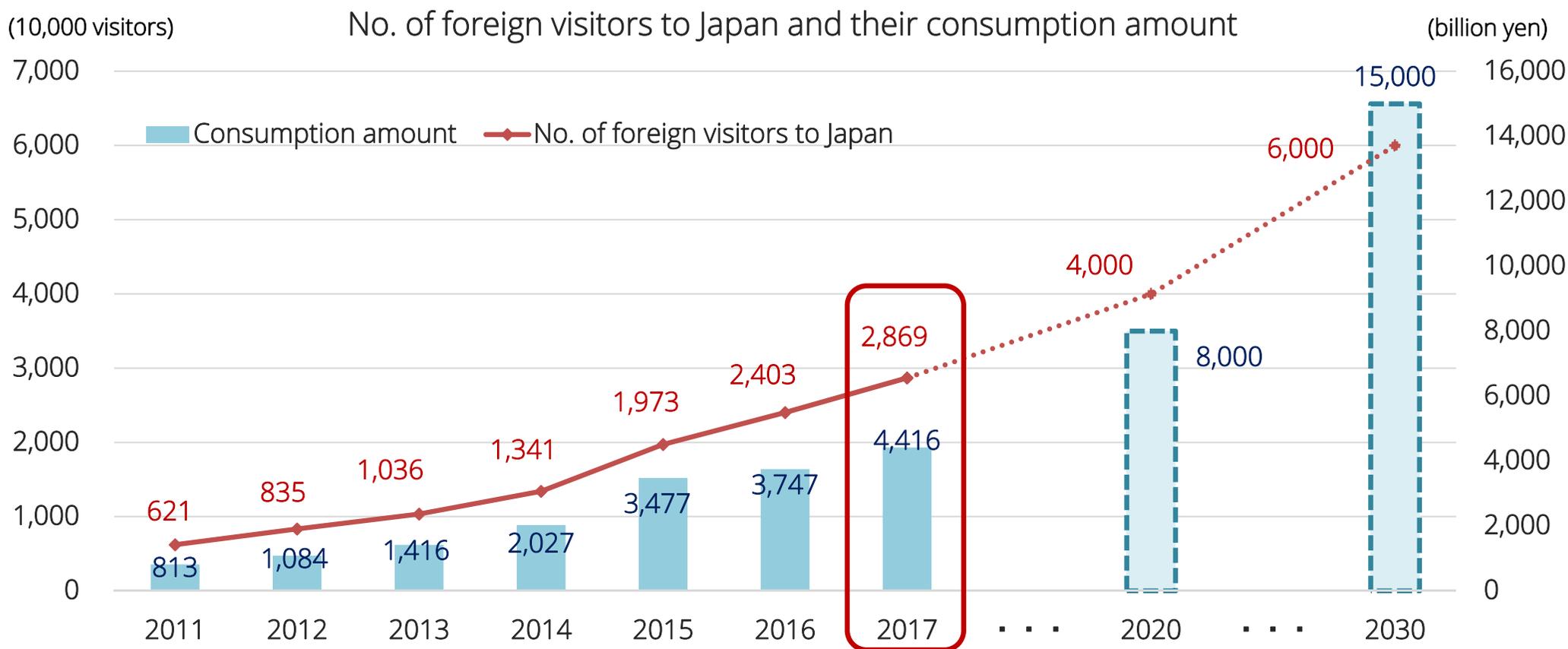
※The number of seats of rental conference rooms was calculated assuming the school format (table for three). In the case of rooms that cannot adopt the school format, the number of seats of a square table was calculated.

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



The number of foreign visitors to Japan exceeded 10 million for the first time in 2013, and has skyrocketed, due to the yen depreciation, the relaxation of requirements for visas, the improvement in income levels in Asia, etc. **It reached 28.69 million in 2017, and their consumption amount exceeded 4 trillion yen.**

The government of Japan set the goals of increasing the number of foreign visitors to Japan to 40 million by 2020 and 60 million by 2030, and boosting their consumption amount to 8 trillion yen by 2020 and 15 trillion yen by 2030.



※Source: Produced by our company with reference to the documents released by Japan National Tourism Organization

※The dotted line represents an estimate.

Theme “Heart-warming Hotel”



【Features】

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 **1,253**

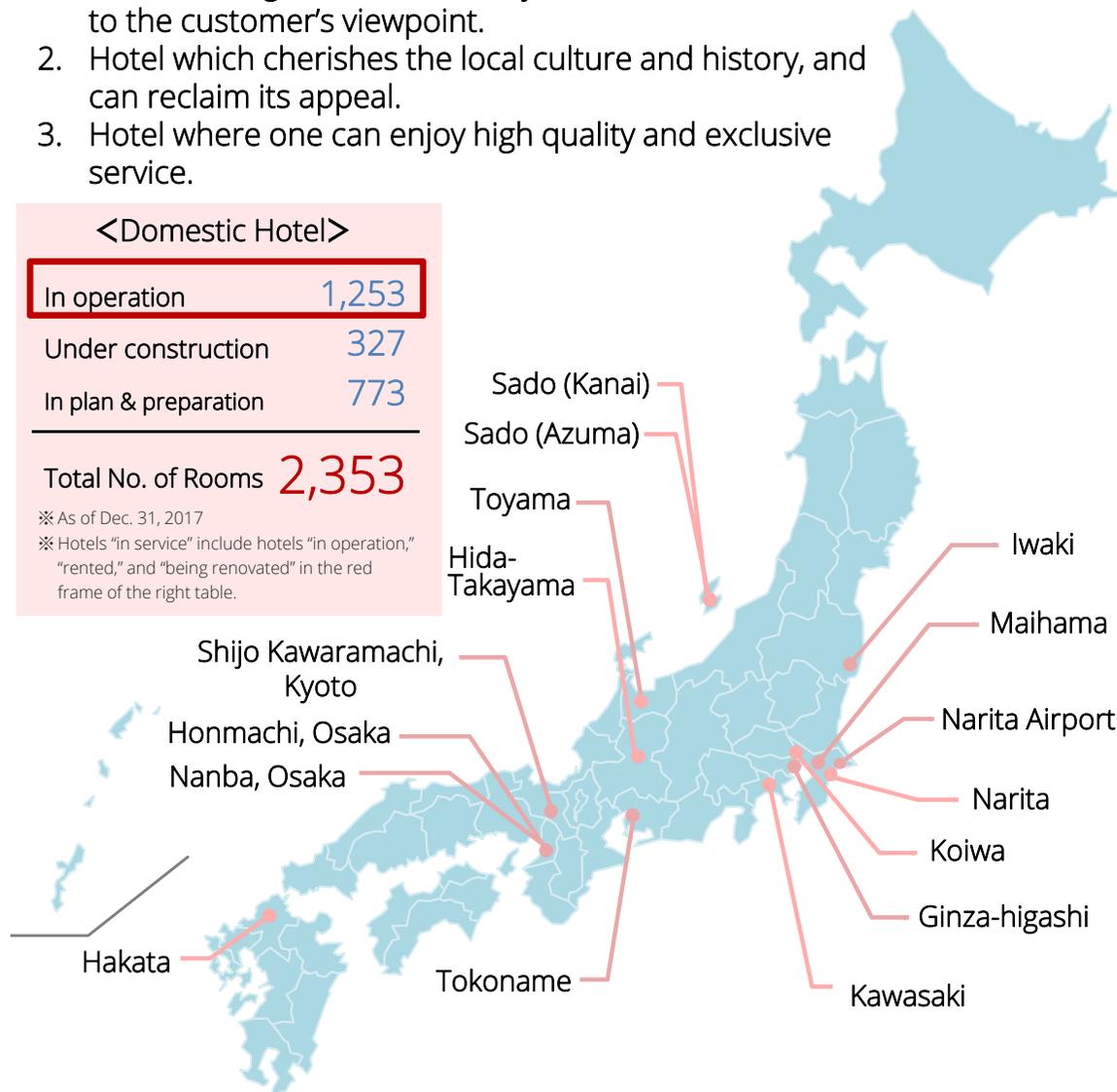
Under construction 327

In plan & preparation 773

Total No. of Rooms **2,353**

※ As of Dec. 31, 2017

※ Hotels “in service” include hotels “in operation,” “rented,” and “being renovated” in the red frame of the right table.



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

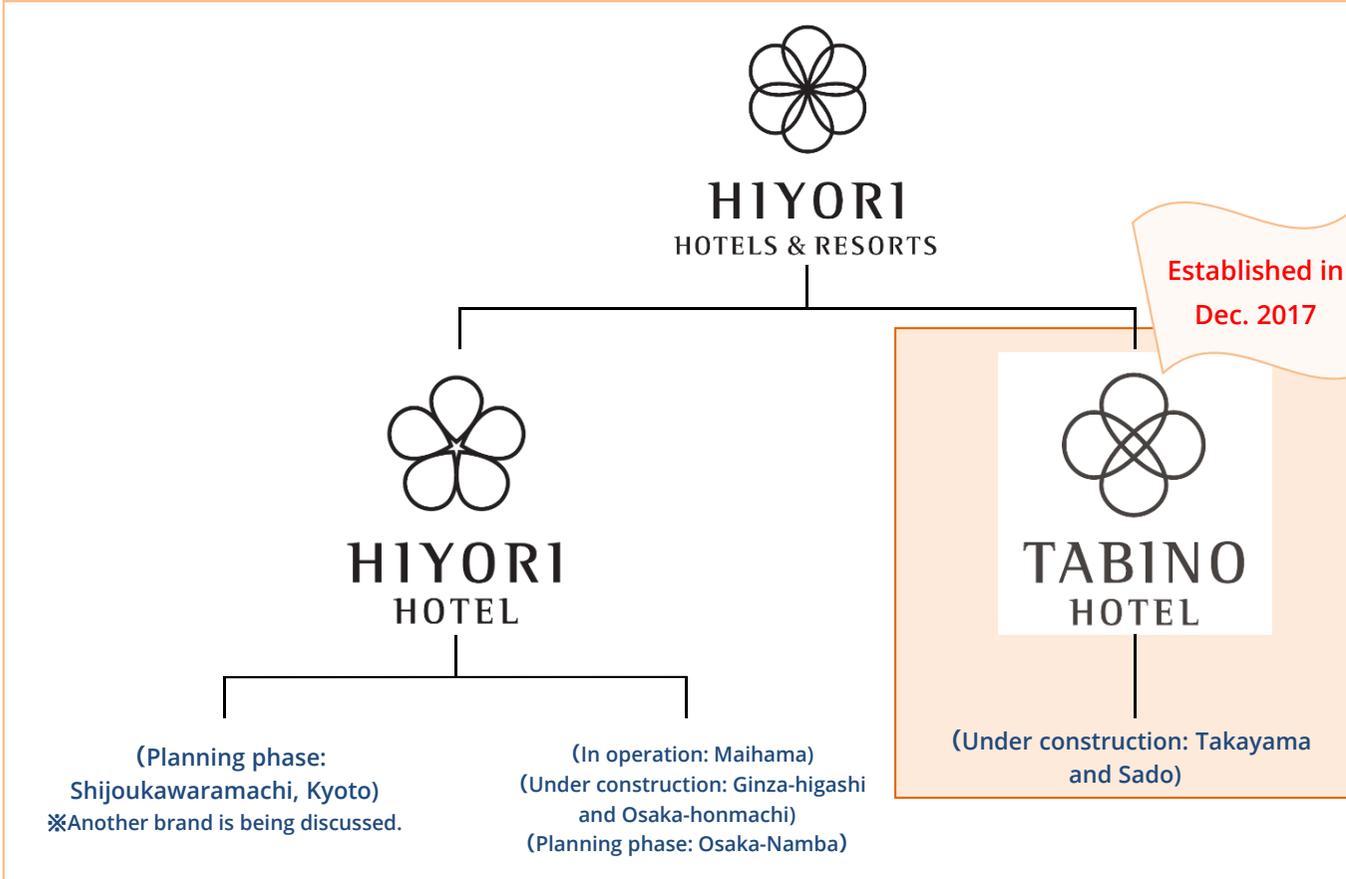
<List of Domestic Hotel>

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		210
Revitalizing	—	Original	Sado (Azuma)		55
Under Construction	Apr. 2018	Original	Hida-Takayama		81
Under Construction	Jul. 2018	Original	Sado (Kanai)		111
In plan	Jun. 2019	Original	Nanba, Osaka		224
Under Construction	Aug. 2019	Original	Ginza-higashi		135
In plan	Sep. 2019	Original	Honmachi, Osaka		193
In plan	Jun. 2021	Original	Shijo Kawaramachi, Kyoto		146
In plan	TBD	TBD	Narita Airport		210

Brand structure of hotels we operate



Our hotel brand "Hiyori Hotels & Resorts"



Collaborative hotel brand
"Spring Sunny Hotels & Resorts"

Collaborative brand with the Spring Group in China
(In operation: Tokoname)

SPRINGSUNNY
Hotels & Resorts

Sky Court Hotel

Acquired the existing hotel chain through M&A.
(In operation: Kawasaki, Narita, Koiwa, Hakata)

スカイコートホテル株式会社
SKY COURT HOTEL Co.,Ltd.

Upper

30,000-50,000 yen

Upper middle

15,000-25,000 yen

Economy

8,000-12,000 yen

Budget

Up to 10,000 yen

Debut of "TABINO HOTEL"



On Dec. 6, 2017, we **launched the new brand "TABINO HOTEL,"** targeting active travelers, as part of our hotel brand "Hiyori Hotels & Resorts." In the spring of 2018, we plan to open the first hotel in "Hida-Takayama," Gifu Prefecture, and the second hotel in "the Sado Island" Niigata Prefecture. We will focus on rural areas that possess buried cultures, history, and attractive nature, and engage in **the hotel business for vitalizing regions** under the theme of each region's attractive features.



Tabino Hotel Hida-Takayama



Lobby



Open-air bath

【Property Outline】

- Location: Takayama-shi, Gifu Prefecture
- Structure: 2-story wooden building with a zinc-coated steel roof
- To be opened in Apr. 2018
- **Number of guest rooms: 81**
- Land area: 2,421.34㎡ (732.45 tsubo)
- Gross floor area: 1,848.11㎡ (559.05 tsubo)

Tabino Hotel Sado



Appearance



Big bath

【Property Outline】

- Location: Chigusa, Sado-shi, Niigata Prefecture
- Structure: 5-story steel-framed building with a flat roof
- To be opened in Jul. 2018
- **Number of guest rooms: 111**
- Land area: 3,010.07㎡ (910.54 tsubo)
- Gross floor area: 2,998.00㎡ (907.11 tsubo)

Introduction of hotels under development

< Developed and run by our group >

Ginza-Higashi

Appearance



Our first hotel in Ginza

【Property Outline】

- Location: Chuo-ku, Tokyo
- Structure: 11-story reinforced concrete building
- **To be opened in Aug. 2019**
- **Number of guest rooms: 135 rooms**
- Land area: 551.38m² (166.79 tsubo)
- Gross floor area: 3,725.00m² (1,126.81 tsubo)

Shijo Kawaramachi, Kyoto

Rooftop terrace for enjoying the landscape of Kamogawa



Guest room with an open-air bath

Urban sightseeing hotel at a good location along the Kawaramachi Street

【Property Outline】

- Location: Shimogyo-ku, Kyoto-shi, Kyoto
- Structure: 9-story reinforced concrete building with one basement
- **To be opened in Jun. 2021**
- **Number of guest rooms : 146 rooms**
- Land area: 871.70m² (263.68 tsubo)
- Gross floor area: 6,617.83m² (2,001.89 tsubo)

< Run by our group >

Namba, Osaka

Appearance



Twin-tower hotel 1 min. on foot from "Namba Station" of the Nankai Line

【Property Outline】

- Location: Naniwa-ku, Osaka-shi, Osaka
- Structure: (Northern premises) 10-story steel-framed building with one basement, (Southern premises) 9-story steel-framed building with one basement
- **To be opened in Jun. 2019**
- **Number of guest rooms : 224 rooms**
- Land area: 1,281.4m² (387.62 tsubo)
- Gross floor area: 6,784.41m² (2,052.28 tsubo)

Honmachi, Osaka

Appearance



High-rise hotel, 3 min. on foot from "Honmachi Station" of the Midosuji Line

【Property Outline】

- Location: Chuo-ku, Osaka-shi, Osaka
- Structure: a 17-story steel-framed (partially reinforced concrete) building with one basement
- **To be opened in Sep. 2019**
- **Number of guest rooms: 193 rooms**
- Land area: 754.75m² (228.31 tsubo)
- Gross floor area: 8,194.32m² (2,478.78 tsubo)

※ The photos, schedule, scale, etc. are based on the current plan, and they may be changed.

– Hotel business for developing a region Acquired the business of running “Hotel Azuma”



Establishment of Sun Frontier Sado Co., Ltd.

On Nov. 22, 2017, we established “Sun Frontier Sado Co., Ltd.,” which conducts the project for vitalizing the region in Sado-shi, Niigata Prefecture. On Jan. 10, 2018, this company took over the business of “Hotel Azuma,” a Japanese-style inn.

We will strive to vitalize the region and produce a model for the entire Japan, by spotlighting local cultures, foods, and nature, promoting the development of the traffic network, sports events, Japanese drums, folk crafting, etc., reeling in sightseers from inside and outside Japan, and energizing the economy of Sado.

【Corporate profile】

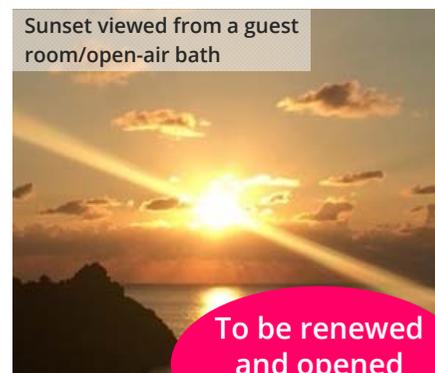
- Name: Sun Frontier Sado Co., Ltd.
- Location: 1-5-2 Yuraku-cho, Chiyoda-ku, Tokyo
- Representative: Tomoaki Horiguchi, Representative Director / President
- Main businesses: To own, lease, manage, and run hotels, commercial facilities, sporting facilities, etc.
- Capital: 100 million yen (100% invested by Sun Frontier Fudousan Co., Ltd.)

“Hotel Azuma,” the closest inn to sunset

Hotel Azuma was established as the Japanese-style restaurant “Azuma” in the old Aikawa-machi in 1925. It has been popular as the closest inn to sunset, because it is located at the westernmost part of the mountain area in northern Sado cordillera. The sunset on the Sea of Japan viewed from the open-air bath or guest room is picturesque. In the lawn garden with an area of 7,000 tsubo (23,100 m²), there are the epitaph of the haiku poet Seishi Yamaguchi, Iwatsuka Tumulus, etc. In addition, you can enjoy walking along the promenade reaching the seashore.



Appearance



Sunset viewed from a guest room/open-air bath

To be renewed and opened in Apr. 2018

【Outline of Agatsuma】

- Location: Aikawaohura, Sado-shi, Niigata Prefecture
- Number of guest rooms: 55
- Land area: 23,916.00 m² (7,234.59 tsubo)
- Gross floor area: 6,435.22 m² (1,946.65 tsubo)

Overseas expansion

Concept "To Realize the Happiness of Everyone in Asia with People who Share the Same Values."



With services and quality based on Japanese specs, we will meet the growing demand for housing and accommodation, and contribute to economic growth in each region.

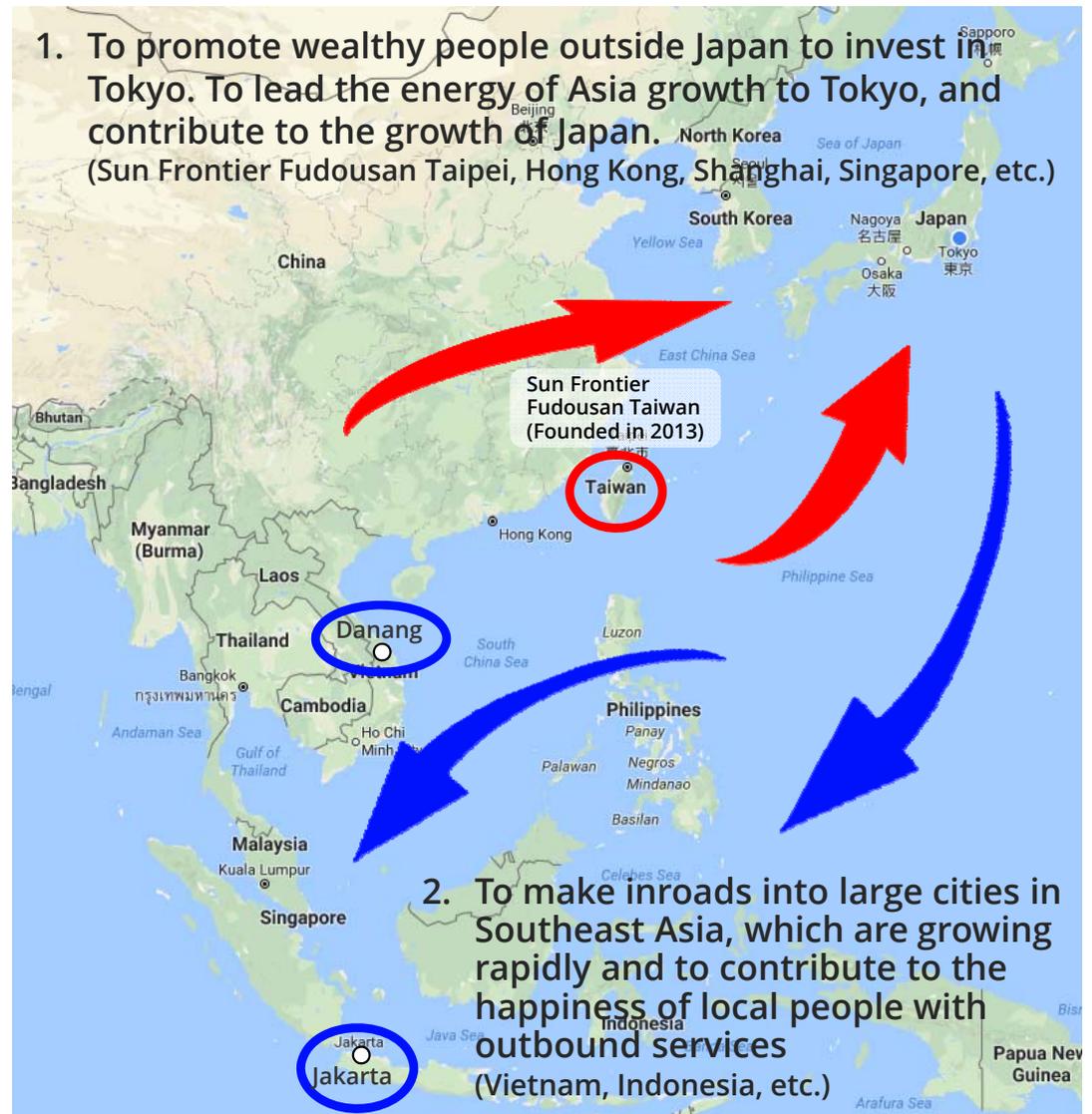
★ Projects in Vietnam

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+SA 156 rooms +Residence 229 houses+Shop

🇮🇩 Projects in Indonesia

Status	Open	Location /Use	Scale
All sold		Jakarta detached house	5 houses
Under construction	Undecided	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 2015. Beside the first overseas hotel "The Blossom City" opened in August, 2016, the high-rise urban apartment house project as our 2nd project, "HIYORI Garden Tower" has started construction in June, 2017.

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

Effect Drawing (Appearance)



High-rise apartment of 28 floors

Construction for 306 units
started in June, 2017



Mockup (Bedroom)



Mockup (Living Room)

Direct flights from Narita/Kansai Airport to Danang went into service (Narita: 1 flight per day / Kansai: 4 flights per week.)
60 direct flights per week from China.
134 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 -



In Mar. 2016, the local affiliate "Sun Frontier Indonesia" launched the business of building and selling urban housing in the urban center of Jakarta, the capital of Indonesia, and various projects are ongoing.



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

Effect Drawing
All houses have a pool



9 houses under construction



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

Appearance



Internal pool

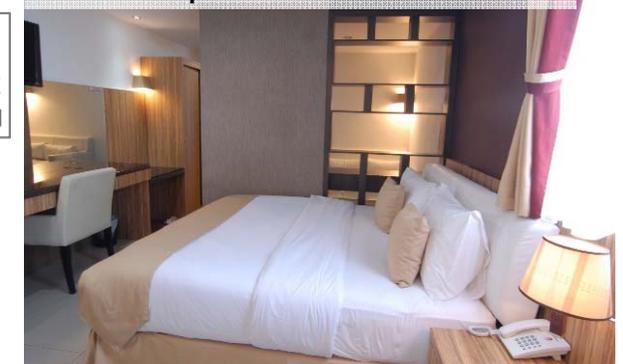


Operation started on Dec. 2016

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Serviced Apartment with 90 rooms



Basic Policy for Profit Distribution

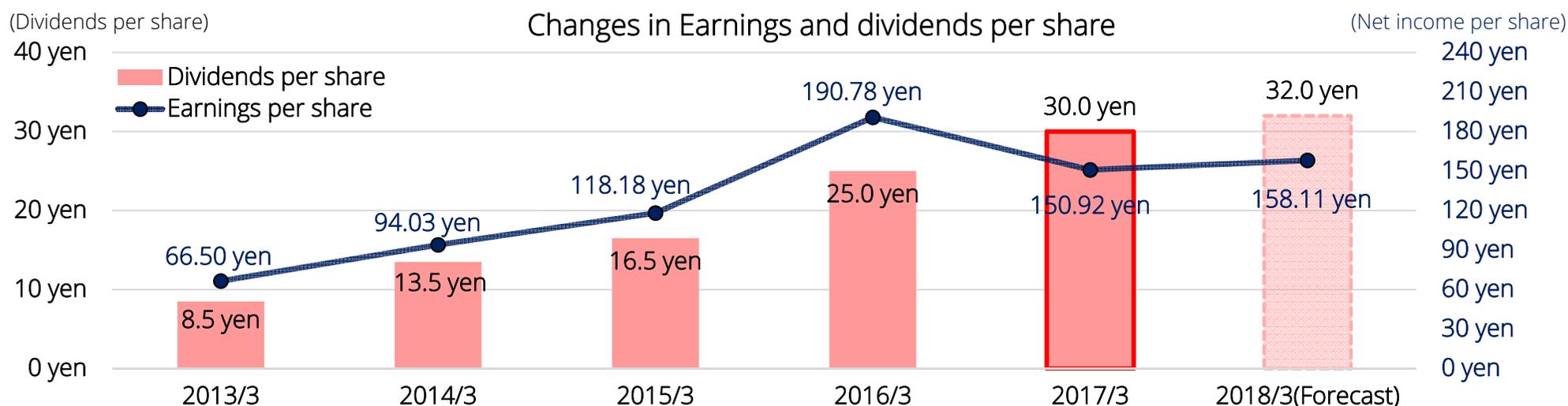


The basic policy of our corporate group is to **comprehensively contribute to the benefit of shareholders** by (1) striving to **return profits to shareholders stably** on a long-term basis, (2) securing investment funds for **actively conducting** the hotel and overseas businesses for future growth, and (3) **improving the stability of finance**.

Through the capital increase executed in Dec. 2017 and Jan. 2018, **the number of outstanding shares rose from 42,755,500 to 48,755,500, and net income per share is estimated to grow 4.8% from the end of the previous term to**

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3 (Forecast)
Net income per share	66.50 yen [※]	94.03 yen	118.18 yen	190.78 yen	150.92 yen	158.11 yen
dividends per share	8.50 yen [※]	13.50 yen	16.50 yen	25.00 yen	30.00 yen	32.00 yen
payout ratio	12.8%	14.4%	14.0%	13.1%	19.9%	19.5%
Payout ratio for reference (after considering effective tax rate)	22.1%	23.3%	19.7%	19.3%	20.9%	—

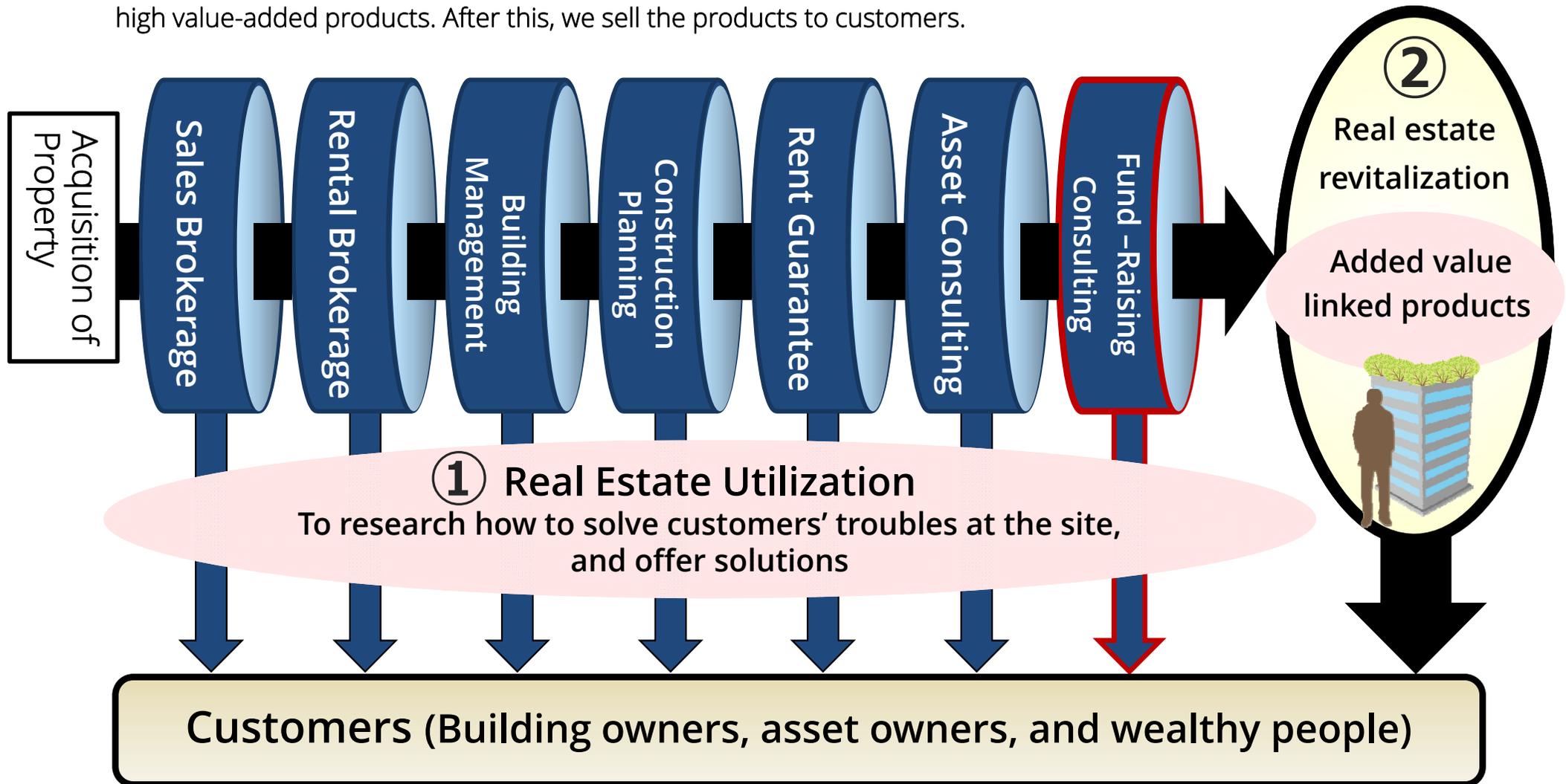
※ Our company carried out 100-for-1 stock split for common shares on Oct. 1, 2013. Accordingly, the dividend per share divided by 100 is shown for easy comparison.



4) Reference

Business Structure of Office Buildings Business

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 put together the know-how and customer 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 customers.



Three roles of the branch network specializing in the urban center

1. To specialize in the introduction of tenants to the owners of small to medium-sized office buildings in the urban center

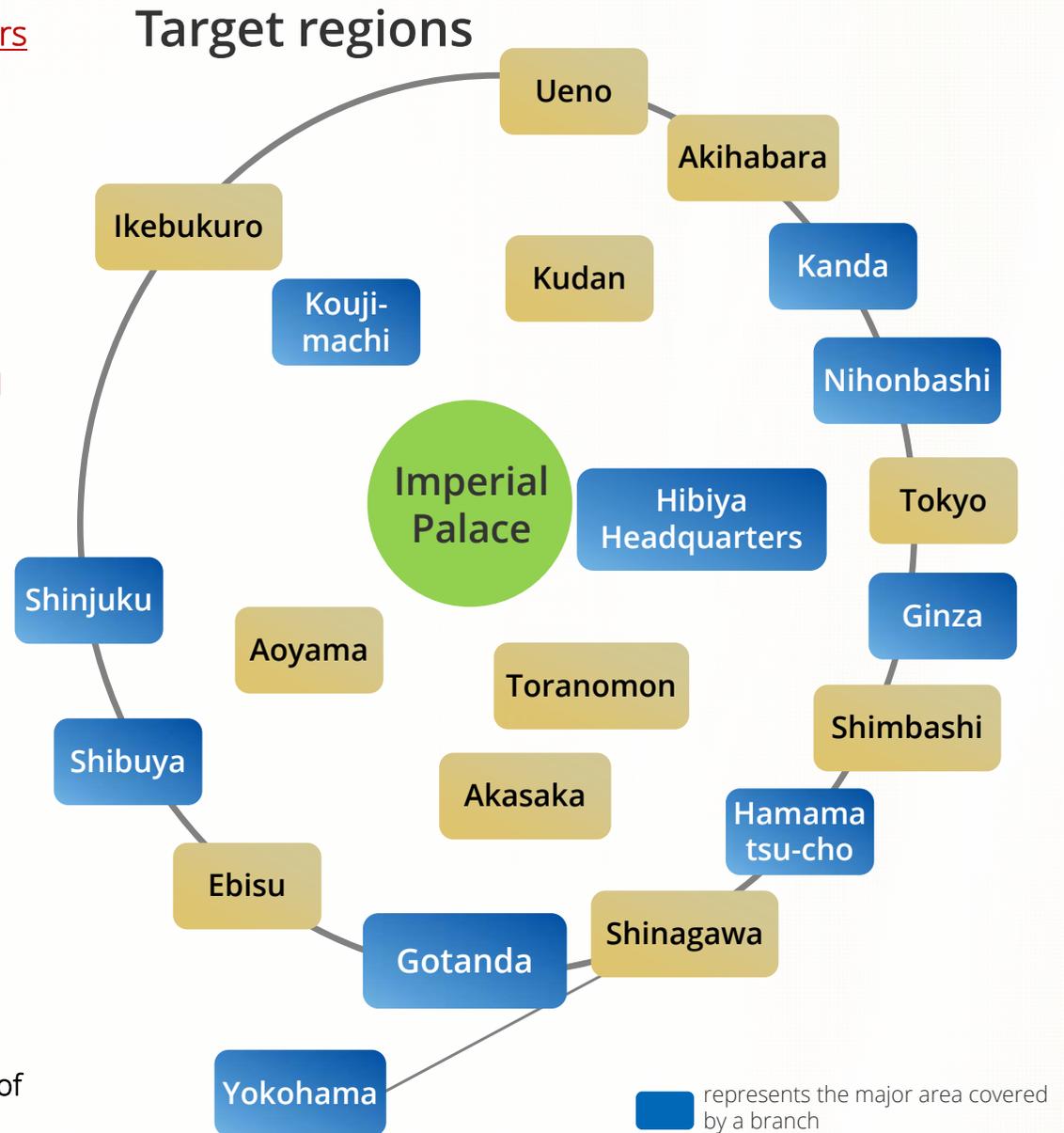
We are operating **10 branches** in Chiyoda, Chuo, Minato, Shinjuku, Shibuya, and Shinagawa Wards and Yokohama. 84 members of the rental team and 105 members of the administration team* finds tenants by utilizing their familiarity with local information while **specializing in the introduction and management of tenants for owners.** (*Fixed-term, part-time, and temporary workers)

2. To deal with the needs for solving troubles from the viewpoint of owners

In addition to introducing tenants, we **offer consulting services for solving troubles** for owners, and meet a variety of needs related to real estate by marshalling our sections.

3. To procure real estate for Real Estate Revitalization Business

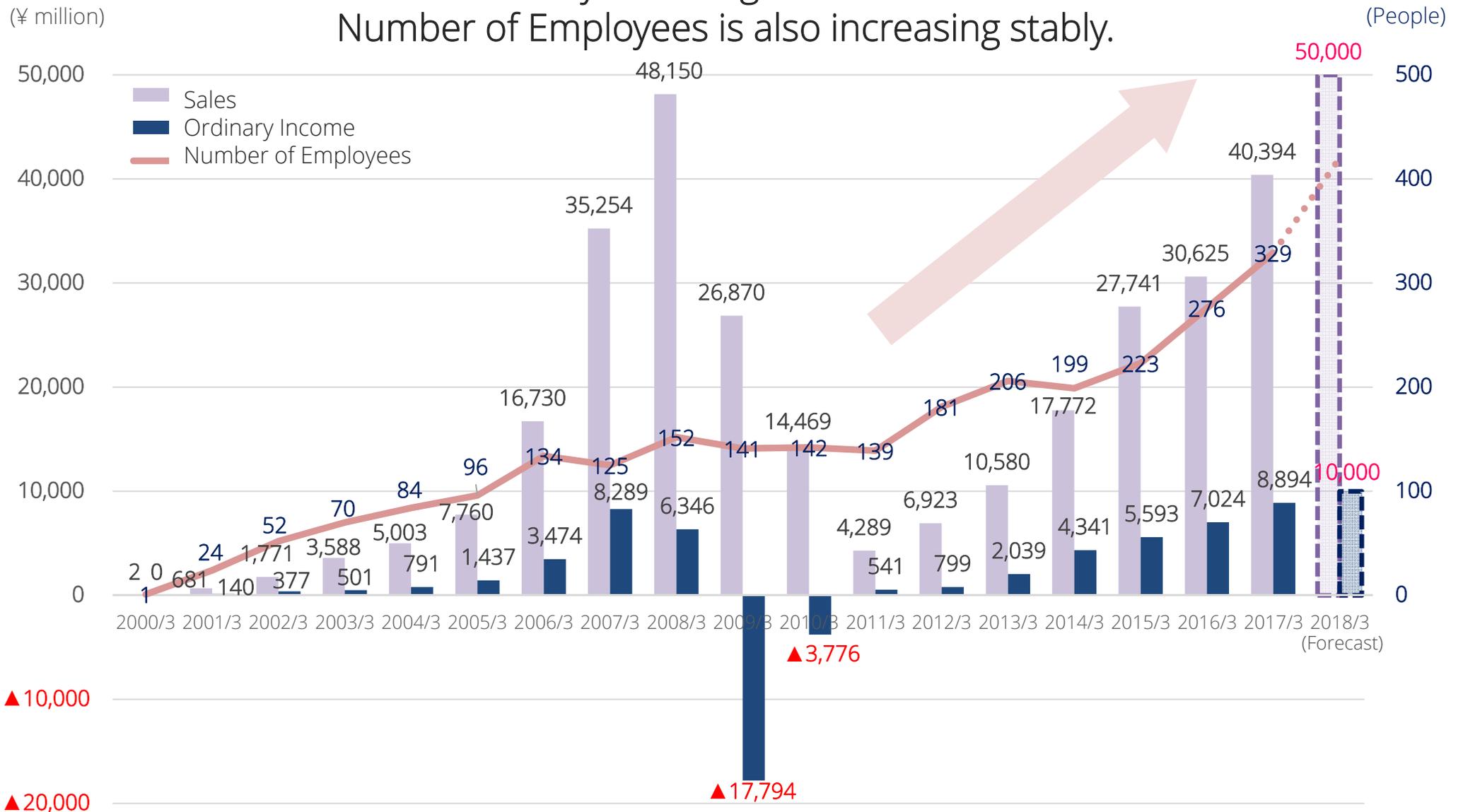
Through discussions with owners, we rent their buildings in a lump. Or We directly buy buildings when owners encounter inheritance, their buildings deterioration or they become tired of management of buildings.



Variations of Sales / Ordinary Income / Number of Employees



Sales and ordinary income grew for 6 terms in a row.
Number of Employees is also increasing stably.



Efforts for Creating Corporate Culture



Cleaning every morning



Reading the philosophy pocketbook together every morning



Morning assembly of all employees every Monday



Morning assembly at the headquarters



New employee training in which the president gives a lecture



Company Overview

Name	Sun Frontier Fudousan Co., Ltd.
Head Office	1-2-2 Yurakucho, Chiyoda-ku Tokyo
Established	April 8, 1999
Date of listing	November 19, 2004 (JASDAQ Securities Exchange) February 26, 2007 (The first section of the Tokyo Stock Exchange)
Capital	¥11,965 million (As of the end of Jan., 2018)
Representative	President: Tomoaki Horiguchi
Employees*	Full-time employees: 368 (Including part-time employees: 680)
Average Age*	32.8 years old (*As of the end of Jan., 2018)
Business	Revitalization of real estate Real Estate Service (Brokerage, management, construction planning for real estate, compensation for rent in arrears, Rental building operation, consultancy for assets) Hotel Development and operation
Settlement Month	March
Listed in	The first section of the Tokyo Stock Exchange (Code Number: 8934)



Head Office : Hibiya, Chiyoda-ku, Tokyo

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