

# Consolidated Financial Statements for the Fiscal Year ended 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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May 9, 2018



**SUN FRONTIER**

Stock Code : 8934

# Highlights of the Whole Fiscal Year



## Summary for the Fiscal Year Ended March 31, 2018

Sales and ordinary income increased for the 7th consecutive term. Operating and ordinary income as well as dividend marked a record high.

(¥ Million, except for per share figures. )

	Results	Year on Year Change	Rate of Change	Forecast of FY2018/3	Achievement Rate
Sales	47,463	+7,069	+17.5%	50,000	94.9%
Operating income	11,239	+1,859	+19.8%	10,500	107.0%
Ordinary income	10,755	+1,861	+20.9%	10,000	107.6%
Net income*	7,420	+967	+15.0%	7,000	106.0%
Dividend per share	33.5	+3.5	+11.7%	32.0	104.7%

\*Net income attributable to owners of parent

## Highlights

### 1) The replanning business remained at a high profit rate.

- **The replanning business remained at a high profit rate.** (Segment profit rate: Previous term 27.6% → **Current term 29.7%**)
- We have evolved our unique business model in which each department consolidates expertise and maximizes the attractiveness of buildings by repeatedly devising ingenuity to increase added value from the customer's point of view in all processes composed of procurement, commercialization, and sales.
- Procurement for properties to sell in this FY has been completed. We will focus on procurement for properties to sell in the next FY and medium-to long term projects aimed at increasing rent income.

### 2) The operation business showed steady growth.

- The space rental business will grow from 6 locations at the end of the previous FY to **12 locations** at the end of the current FY. A new co-working space will be opened in Yurakucho in May 2018.
- In the hotel management business, both sales and profit have greatly increased due to the year-round contribution of Hotel Sky Court compared with 3 months contribution in the previous FY and operation of new hotels. As of the end of the current FY, there were **1,105 rooms operating in 8 buildings in Japan**. We opened "Tabino Hotel Hida - Takayama" on May 2 this year and will open "Tabino Hotel Sado" in July.

# Changes of the Consolidated Results



Operating income and ordinary income marked a record high for **2 consecutive terms**.  
**Dividend increased for 6 consecutive terms**. Ordinary income ratio remained at over 20%.

(¥ 1 Million yen, except for per share figures.)

	FY Ended March, 2014	FY Ended March, 2015	FY Ended March, 2016	FY Ended March, 2017	FY Ended March, 2018	Profit margin on sales
Sales	17,772	27,741	30,625	40,394	47,463	—
Operating income	4,531	5,850	7,387	9,380	11,239	23.7%
Ordinary income (ordinary income ratio)	4,341 (24.4%)	5,593 (20.2%)	7,024 (22.9%)	8,894 (22.0%)	10,755	22.7%
Net income*	4,020	5,053	8,157	6,452	7,420	15.6%
Net income per share	94.03	118.18	190.78	150.92	167.62	—
Dividend per share	13.50	16.50	25.00	30.00	33.50 (Plan)	

\*Net income means profit attributable to owners of parent

# Revenue/Profit Summary



(¥ million)

	FY Ended March, 2017	FY Ended March, 2018		FY Ended March, 2017	FY Ended March, 2018
<b>Sales</b>	<b>40,394</b>	<b>47,463</b>	<b>Operating income</b>	<b>9,380</b>	<b>11,239</b>
Real Estate Revitalization Business	35,636	40,997	Non-operating income	15	16
Replanning Business (including Hotel Development)	33,635	38,642	Non-operating expenses	501	500
Rental Building, Sublease	2,000	2,355	<b>Ordinary income</b>	<b>8,894</b>	<b>10,755</b>
Real Estate Service Business	3,141	3,225	Extraordinary loss/income	1	0
Operation Business	1,330	2,898	Corporate income tax, etc.	2,444	3,344
Other Business	689	931	Profit or loss of Non-controlling interest	(2)	(9)
Adjustment	(403)	(589)	<b>Net income</b>	<b>6,452</b>	<b>7,420</b>
<b>Gross Profit</b>	<b>13,700</b>	<b>16,264</b>			
Real Estate Revitalization Business	11,026	13,334			
Replanning Business (including Hotel Development)	10,012	12,324			
Rental Building, Sublease	1,013	1,010			
Real Estate Service Business	1,900	1,993			
Operation Business	203	387			
Other Business	533	586			
Adjustment	36	(37)			
<b>Selling and general administrative expenses</b>	<b>4,319</b>	<b>5,024</b>			

- **Gross profit ratio** of the replanning business (including Hotel development) is **31.9%** (gross profit ratio of last fiscal year was 29.8%).

- The operation business and other business are expanding smoothly. **Total sales grew 1.9 times year on year to ¥3.82 billion. Gross profit increased 1.3 times year on year to ¥970 million.**

# Consolidated Balance Sheet

## -Assets-



(¥ million)

	FY Ended March, 2016	FY Ended March, 2017	FY Ended March, 2018	Increase/Decrease (Compared to the end of Mar. 2017)
<b>Current assets</b>	<b>51,365</b>	<b>55,195</b>	<b>80,893</b>	<b>+25,698</b>
Cash and deposits	15,413	16,246	23,892	+7,646
Inventory assets	32,714	36,186	54,593	+18,407
Breakdown) RP	27,189	26,039	45,525	+19,486
Hotel	5,525	7,254	5,291	(1,963)
Overseas, etc.	—	2,892	3,775	+883
Other current assets	3,237	2,762	2,407	(355)
<b>Noncurrent assets</b>	<b>2,718</b>	<b>8,458</b>	<b>10,867</b>	<b>+2,410</b>
Property, plant, and equipment	1,919	7,288	8,565	+1,277
Intangible assets	278	562	474	(87)
Investments and other assets	520	608	1,827	1,218
<b>Total assets</b>	<b>54,084</b>	<b>63,654</b>	<b>91,761</b>	<b>+28,106</b>

The balance of inventory assets grew ¥18.4 billion, among which ¥19.4 billion was attributed to the replanning business projects. Since two hotels were sold, the hotel inventory assets of the hotel business dropped ¥1.9 billion.

Property, plant, and equipment increased about ¥1.3 billion as a result of acquisition of a hotel aiming at increasing rent income and progress in construction of "Tabino Hotel Hida-Takayama", etc. Investments and other assets increased ¥1.2 billion due to the guarantee money deposited for hotel development.

Cash and deposits increased ¥7.6 billion through a public offering, etc.

# Consolidated Balance Sheet

## -Liabilities/Equity-



(¥ million)

	FY Ended March, 2016	FY Ended March, 2017	FY Ended March, 2018	Increase/Decrease (Compared to the end of Mar. 2017)
<b>Current liabilities</b>	7,641	8,281	10,155	+1,873
Short-term loans payable, etc.	3,353	3,438	2,716	(721)
Income taxes payable, etc.	973	802	3,178	+2,375
Other current liabilities	3,314	4,040	4,260	+220
<b>Noncurrent liabilities</b>	16,298	19,686	32,756	+13,069
Long-term loans and bonds payable	15,055	18,626	30,865	+12,238
Other noncurrent liabilities	1,242	1,059	1,890	+831
<b>Total liabilities</b>	23,939	27,968	42,912	+14,943
Shareholders' equity	30,144	35,528	48,750	+13,221
Others	(0)	157	99	(58)
<b>Total net assets</b>	30,144	35,686	48,849	+13,163
<b>Total liabilities and capital</b>	54,084	63,654	91,761	+28,106

### Transition of Equity Ratio

End of Mar. 2016	End of Mar. 2017	End of Mar. 2018
55.7%	56.0%	<b>53.2%</b>

Because of the progress of procurement of the properties for the replanning business, loans payable increased about ¥11.5 billion compared with the end of the previous FY and balance of interest-bearing debt became ¥33.5 billion.

Shareholders' equity increased ¥13.2 billion due to recording of net income (¥7.42 billion), dividend payment of the previous term (negative ¥1.28 billion) and a public offering (¥7.15 billion).

# Performance of Replanning Business

(Replanning (RP)/ Hotel Development)

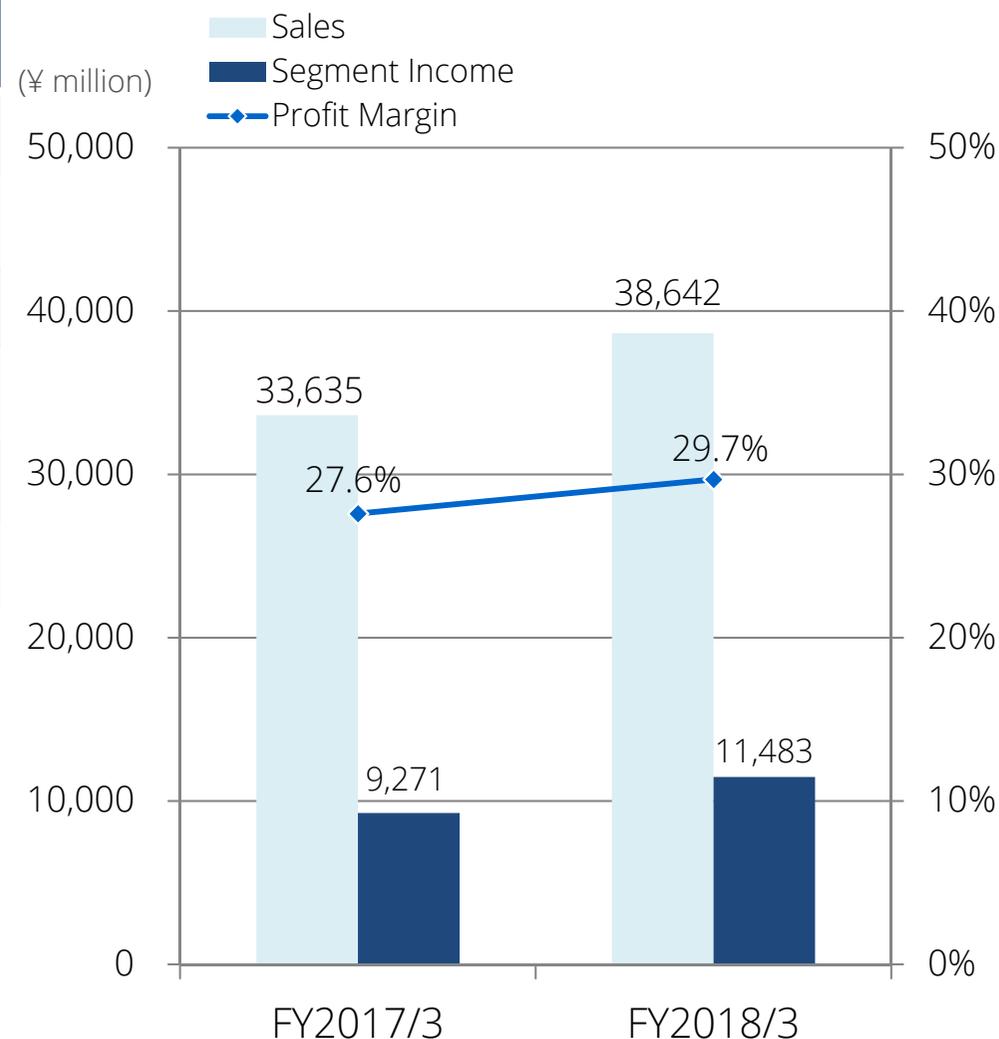


(¥ million)	FY Ended March 31, 2017	FY Ended March 31, 2018	Increase/decrease
Sales	33,635	38,642	+14.9%
Segment income (Note1)	9,271	11,483	+23.9%
Profit margin	27.6%	29.7%	+2.1%pt
No. of procured properties	31	49	+18
No. of sold properties	30	35	+5
No. of properties in stock as of the end Mar.	39	53(注2)	+14

- 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, **segment margins remained at a high level of 29.7%**.
- The average business period for selling revitalized properties is 344 days. (Hotel development excluded)
- Procurement progressed steadily, and the number of properties in inventory is 53. (49 for the replanning business and 4 for the hotel business.)
- **Balance of inventory assets is ¥50.8 billion** (¥45.5 billion of which is replanning business and ¥5.2 billion of which is the hotel business.)

※ Overseas business is excluded.

※ We have also procured or contracted **10 replanning properties worth ¥ 6.47 billion** as of the end of April.



(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.

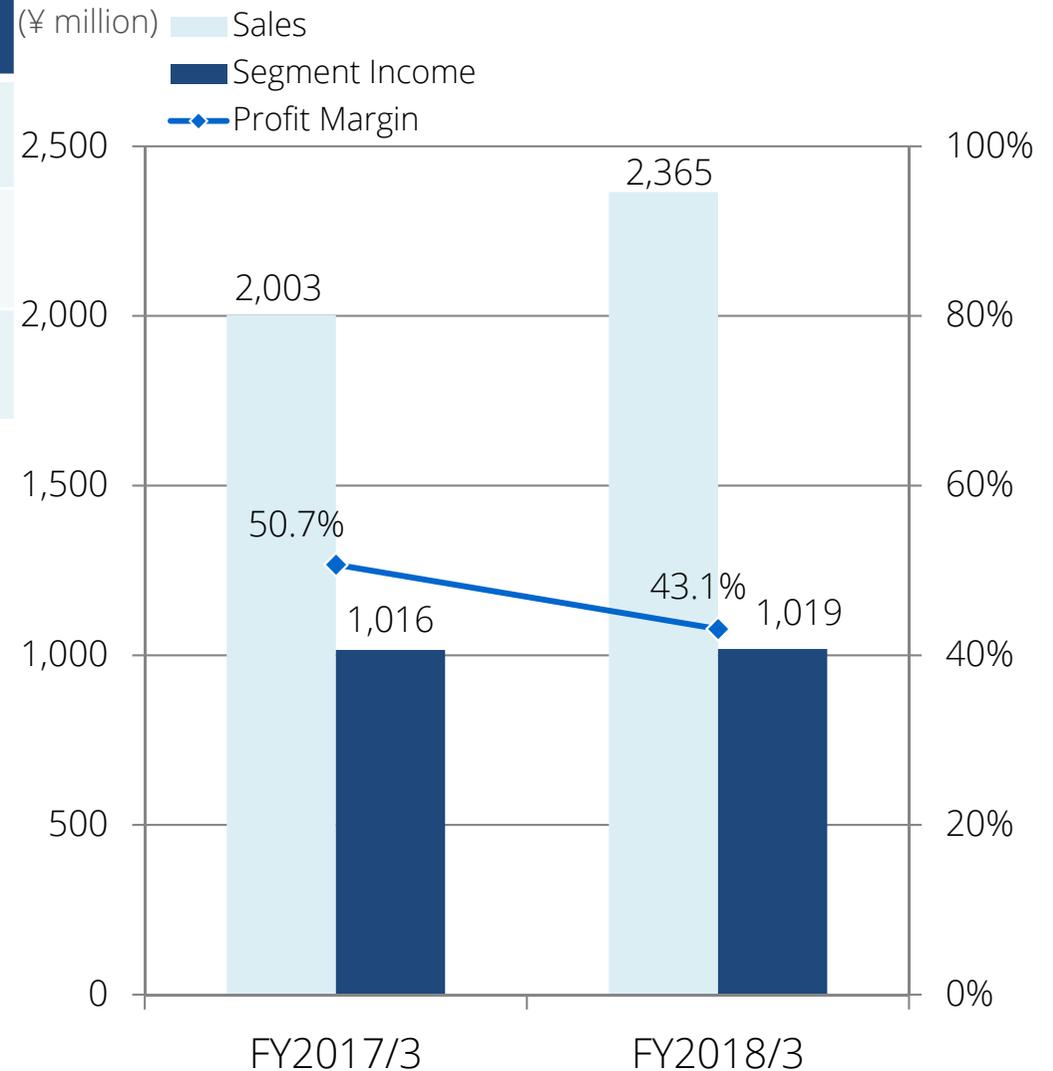
(Note2) Land procurement and development cases are also included in the inventory of replanning business.

# Rental Building Business

(Rental Building / Sublease)



(¥ million)	FY Ended March 31, 2017	FY Ended March 31, 2018	Increase/decrease
Sales	2,000	2,355	+17.7%
Segment income	1,013	1,010	(0.3%)
Profit margin	50.7%	42.9%	(7.8%pt)



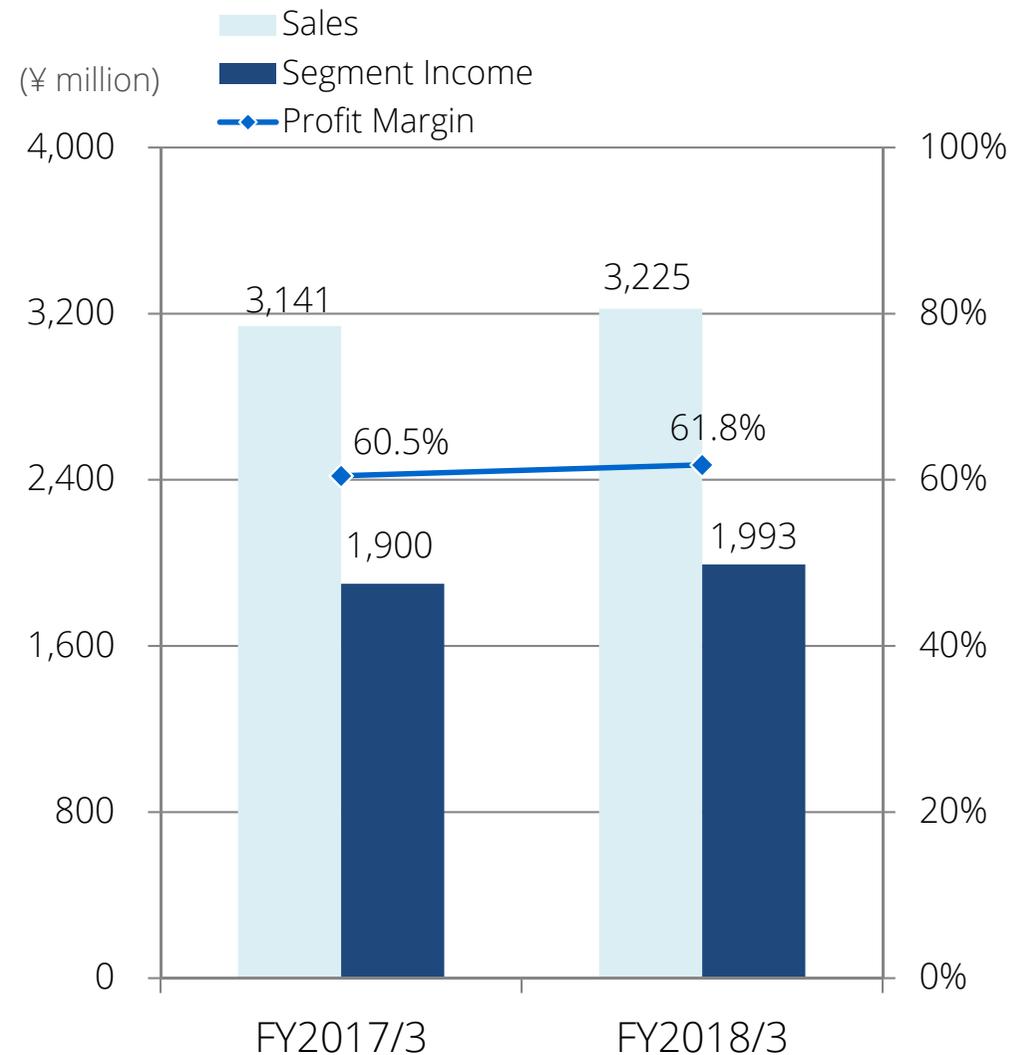
- As procurement of replanning properties progressed, and income from rents from inventories increased. Sales grew as the rents from hotel properties is added.
- On the other hand, the ratio of buildings that have many vacant units suited for the replanning business is high. As the ratio of cost, including depreciation, to sales increased, profit remain on a plateau and profit margin dropped.
- In August 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 focus on procurement med-to-long-term replanning properties, aiming at increasing rent income.

# Real Estate Service Business



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

(¥ million)	FY Ended March 31, 2017	FY Ended March 31, 2018	Increase/ decrease
Sales	3,141	3,225	+2.7%
Segment income	1,900	1,993	+4.9%
Profit margin	60.5%	61.8%	+1.3%pt



## <PM Business/BM Business>

■ In the PM and BM businesses, we offered services with high added value by **providing meticulous tenant management and solving our customers' troubles** as well as working on revenue improvement by modifying conditions for fair rents. As a result, we **contributed to expanding the customer base and business base of the entire group.**

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

	No. of managing properties	Occupancy rate
End of Mar. 2016	333	95.5%
End of Mar. 2017	362	96.6%
End of Mar. 2018	372	95.7%

## <Sales Brokerage Business/Rental Brokerage Business >

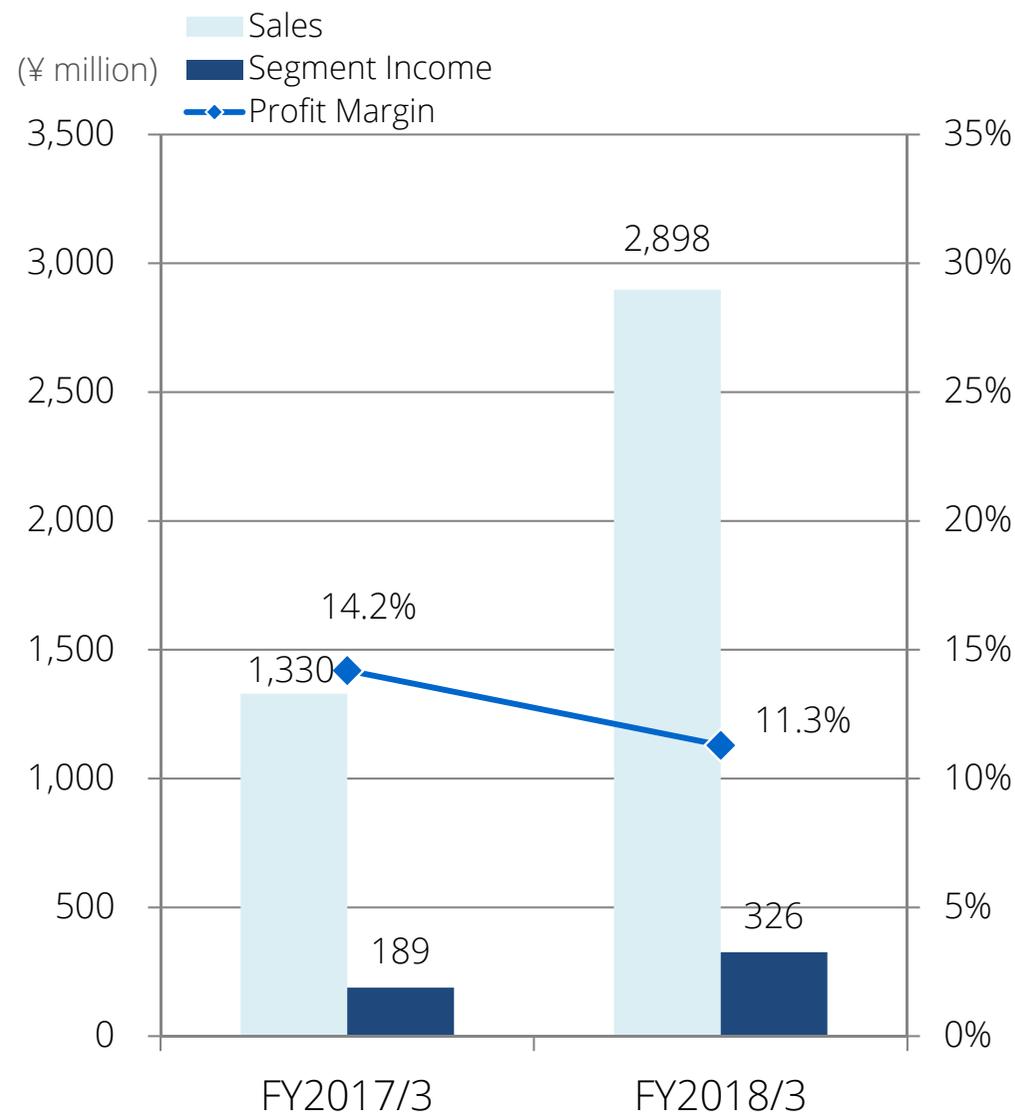
■ Sales and profit of the brokerage business declined, but it served as **the driver for the creation of high added value from the viewpoint of our customers** in the processes of procurement, commercialization, and sale of RP real estate, and contributed to the revenue of the entire corporate group.

# Performance of Operation Business

(Hotel Management / Space Rental)



(¥ million)	FY Ended March 31, 2017	FY Ended March 31, 2018	Increase/ decrease
Sales	1,330	2,898	+117.8%
Segment income	189	326	+72.9%
Profit margin	14.2%	11.3%	(2.9%pt)



- ◆ Both sales and profit grew significantly.
- ◆ Both hotel management business and space rental business were healthy, as occupancy rate and average daily rate per room grew, while the number of newly opened facilities also increased.
- ◆ We will **accelerate the opening up of new facilities**. Although the profit rate may not rise for a while due to expenses to open up new facilities, we will improve the profit rate by increasing the operating facilities drastically and expanding the businesses in the future.

## <Hotel Management Business>

- “Hotel Sky Court” made the year round compared with 3 months contribution in the previous FY. Also for “SPRINGSUNNY Hotel” and “Hiyori Hotel Maihama”, both occupancy rate and average daily rate per room were healthy.
- In April this year, “Hotel Azuma” was renewed and opened. We opened “Tabino Hotel Hida Takayama” on May 2<sup>nd</sup> and will open “Tabino Hotel Sado” in July.

## <Space Rental (Rental Conference Room) Business>

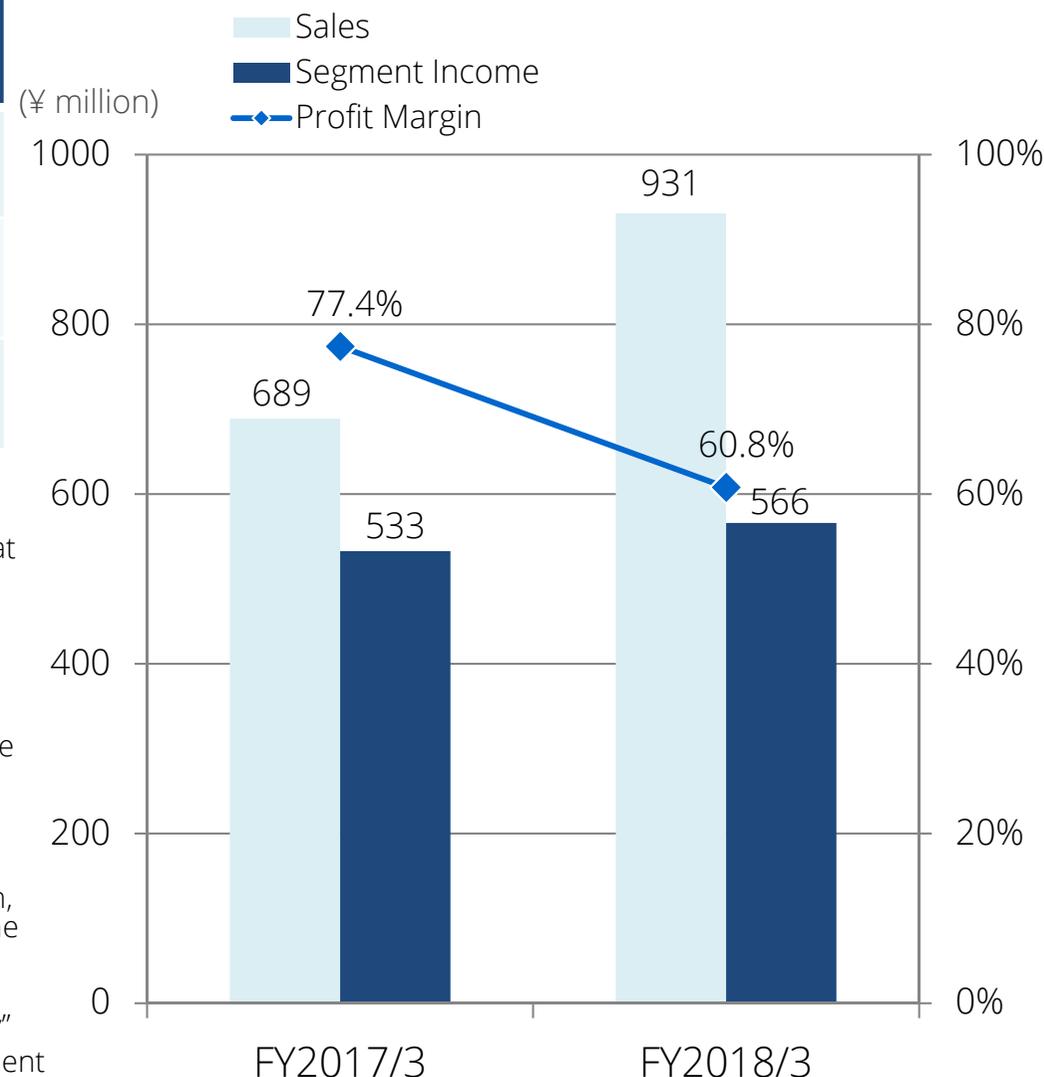
- As of the end of March 2018, we have a total of 12 facilities (double the number in a year). On May 14, we will open a new co-working space, “Vision Works Yurakucho”.

# Performance of Other Business



(Rent Guarantee / Overseas Business, etc.)

(¥ million)	FY Ended March 31, 2017	FY Ended March 31, 2018	Increase/ decrease
Sales	689	931	+35.1%
Segment income	533	566	+6.3%
Profit margin	77.4%	60.8%	(16.6%pt)



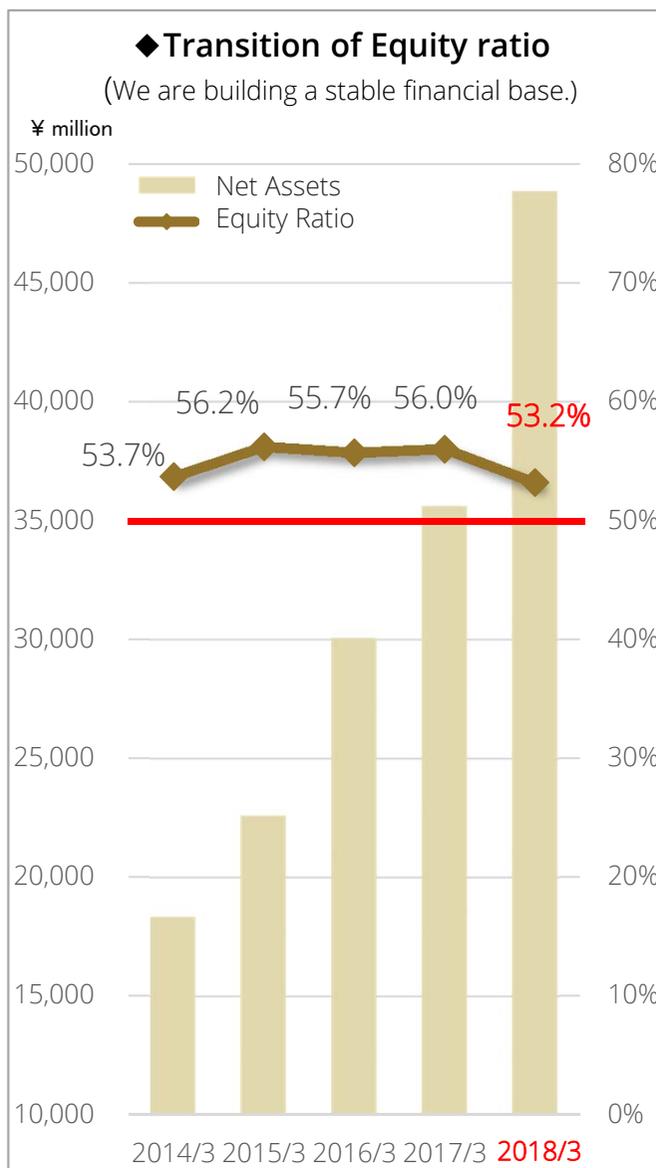
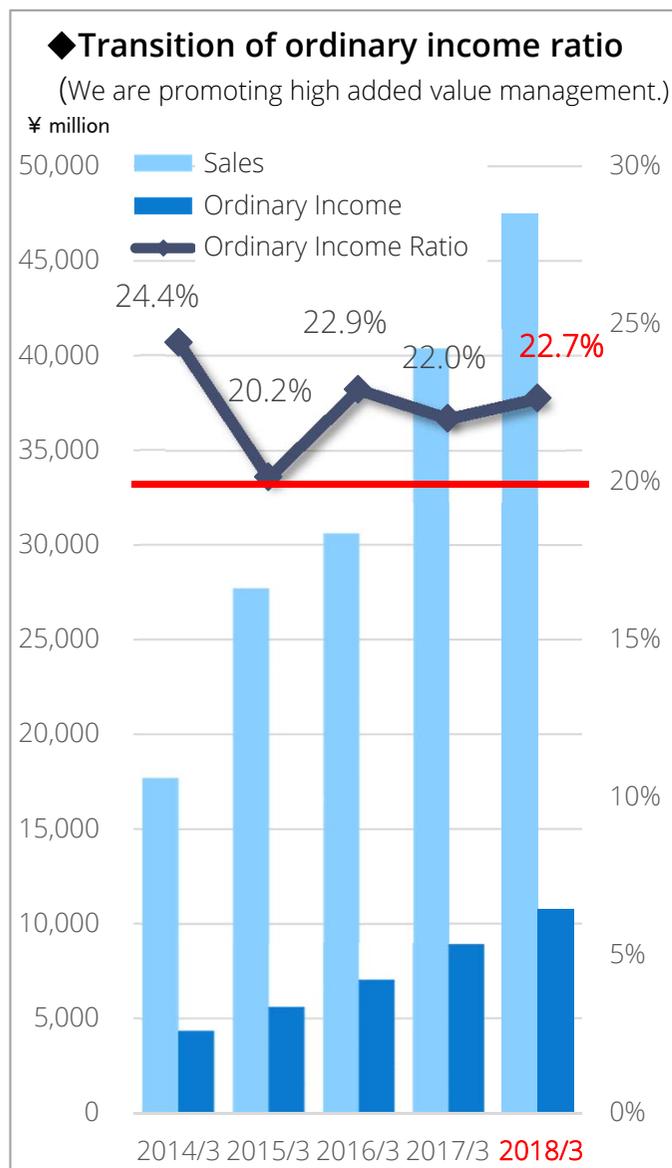
## <Rent guarantee business>

- We have achieved the results by consistently supporting building owners through rent guarantee, lawsuit, tenant vacation and tenant recruitment at the time of delinquent payment. As a result, **cases of new guarantee and guarantee renewal are increasing steadily**. Both sales and income increased significantly.
- With the most significant and comprehensive revision(enforcement in 2020) of claims related articles in Civil Code since its enactment of 1896, demand for the guarantee business is expected to increase. Therefore, we will strengthen seminar activities targeting building owners and create opportunities for new added values.

## <Overseas Business>

- By supplying excellent housing with high quality and plans made in Japan, we will respond to the growing housing and accommodation needs of the local areas and contribute to economic development.
  - 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 (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"

# Variation of Key Performance Indicators



※After effective tax rate conversion... It is calculated assuming that the effective tax rate for each business year (30.86% in the FY ended March 2017) was imposed, excluding the impact of tax burden reduction from tax loss carryforwards.

## **2) Financial Forecasts**

# **for the Fiscal Year Ending March 31, 2019**

# Financial Forecasts

## for the Fiscal Year Ending March 31, 2019



	FY 2018/3	Forecast of FY 2019/3	Rate of Change
<b>Sales</b>	47,463	58,000	+22.2%
(1) Real Estate Revitalization Business	40,997	47,734	+16.4%
Replanning Business (Including Hotel Development)	38,642	45,015	+16.5%
Rental Building Business	2,355	2,719	+15.4%
(2) Real Estate Service Business	3,225	3,972	+23.1%
(3) Operation Business	2,898	3,801	+31.1%
(4) Other Business	931	2,951	+216.7%
Adjustment	(589)	(458)	—
<b>Gross Profit</b>	16,264	18,566	+14.2%
(1) Real Estate Revitalization Business	13,334	14,784	+10.9%
Replanning Business (Including Hotel Development)	12,324	13,543	+9.9%
Rental Building Business	1,010	1,241	+22.8%
(2) Real Estate Service Business	1,993	2,464	+23.6%
(3) Operation Business	387	438	+13.1%
(4) Other Business	586	880	+50.0%
Adjustment	(37)	—	—
<b>SGA Expenses</b>	5,024	6,266	+24.7%
<b>Operating income</b>	11,239	12,300	+9.4%
<b>Ordinary income</b>	10,755	11,800	+9.7%
<b>Net income</b>	7,420	8,200	+10.5%
<b>Cash Dividends per Share (Yen)</b>	33.50	34.50	+3.0%

- The core business is the office building business in central Tokyo.
- We will steadily grow the revitalization business to which the entire company's capacities are consolidated.
- Thereafter, we will strengthen the stock-type business including rental buildings. We will build a stable revenue structure.

- We will grow the operation business and other business.

- The gross profit ratio of the Replanning Business is based on the assumption that the rent will remain the same and the current market situation will not change.  
FY ended March 2017: 29.8%  
FY ended March 2018: 31.9%  
→ FY ending March 2019: 30.0%

- Sales fee of ¥1.11 billion is estimated. (¥0.5 billion in the FY ended March 2018)
- The company is expecting to have about 60 new employees.

- The dividend is expected to be ¥34.5, up ¥1.0 year on year.

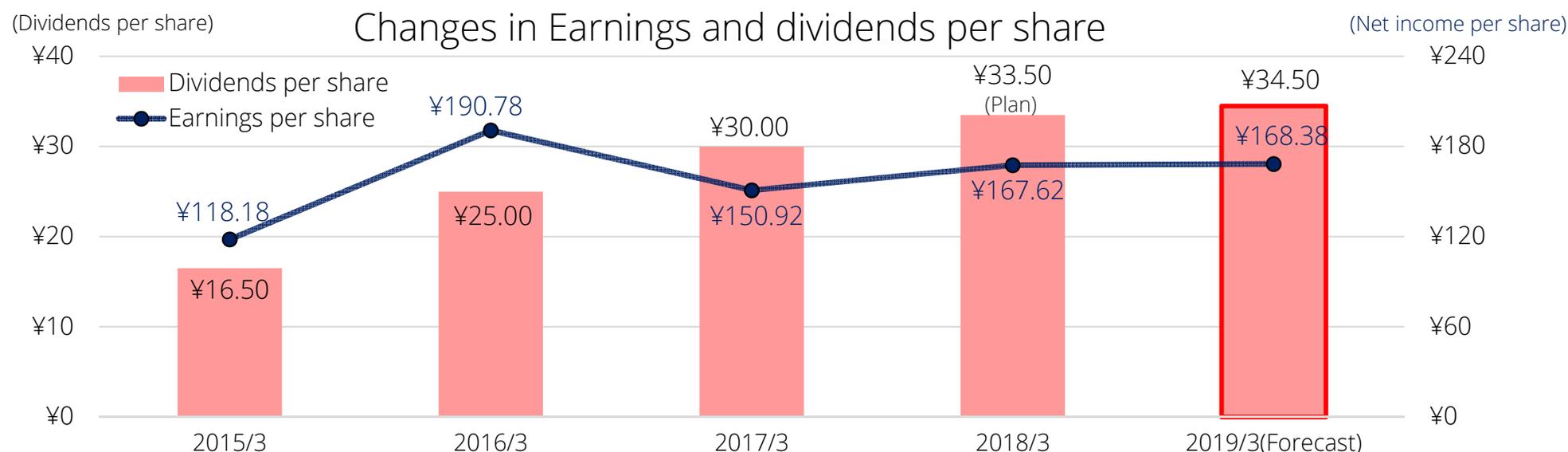
# Basic Policy for Profit Distribution



Our basic policy for shareholders is to **comprehensively contribute to the benefit of shareholders** by (1) striving to **stably return profits to the shareholders** 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**.

Net income per share for the fiscal year ending March 2019 is estimated to be **¥168.38**, an increase for the 2 consecutive term, and the dividend per share is estimated to be **¥34.50**, an increase for the 7 consecutive term.

	2015/3	2016/3	2017/3	2018/3	2019/3 (Forecast)
Net income per share	¥118.18	¥190.78	¥150.92	¥167.62	¥168.38
Dividends per share	¥16.50	¥25.00	¥30.00	¥33.50 (Plan)	¥34.50
payout ratio	14.0%	13.1%	19.9%	20.0%	20.5%
Payout ratio for reference (after considering effective tax rate)	19.7%	19.3%	20.9%	—	—



### 3) Mid-term 5-year Management Plan till the Fiscal Year Ending March 2023

**Our goal is**

**“To become the company that is based  
on the businesses that contribute to  
national interests.”**

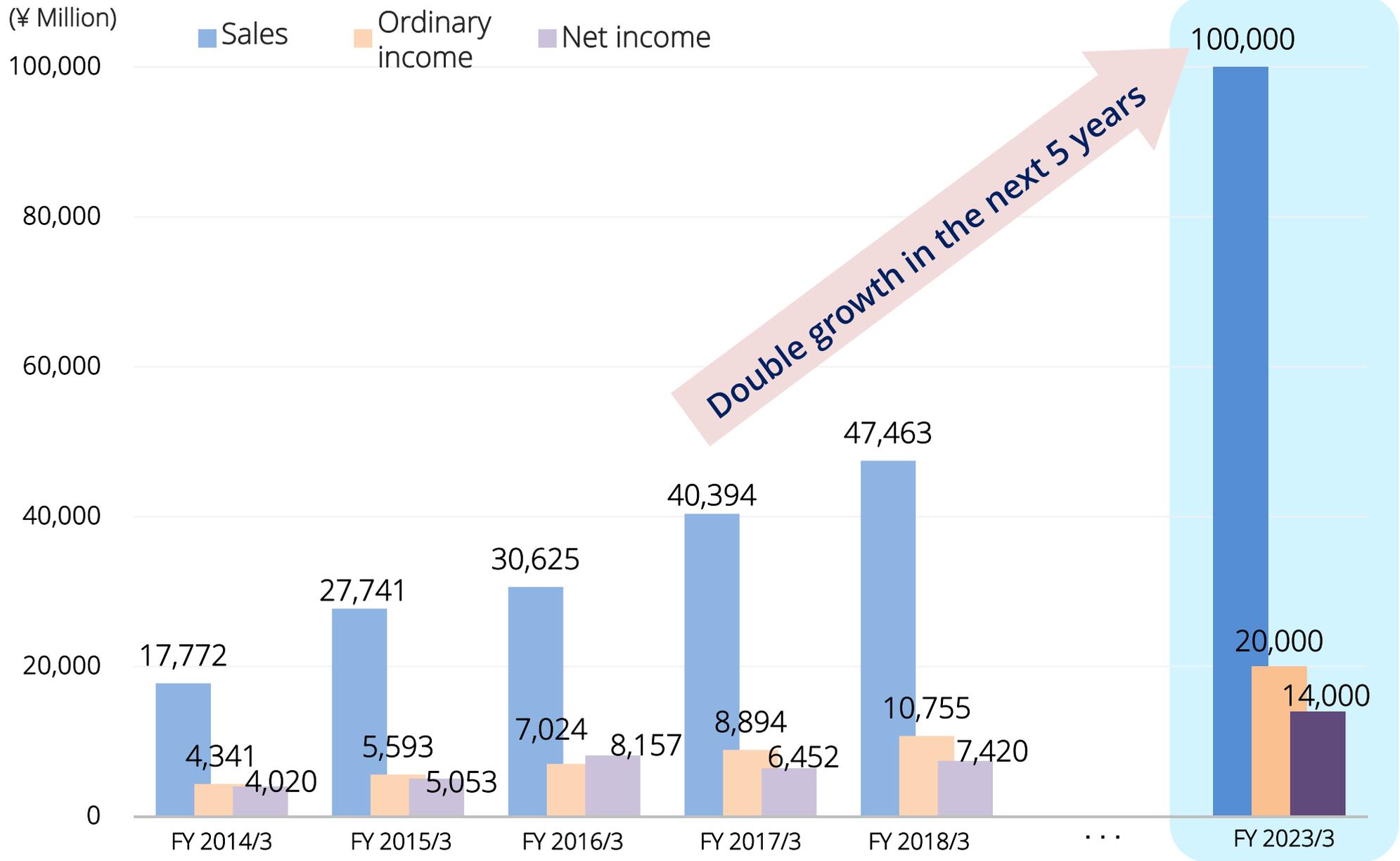
**Basic policy: Expansion of the businesses that are specialized in central Tokyo and growth market**

< 3 strategies >

1. To grow our core “Urban office building business” by focusing central Tokyo where we can demonstrate strengths and strong influence and creating distinctive added values.
2. To focus on “hotels” and “Asia”, which are the growing markets and proactively and aggressively conduct businesses.
3. To actively use “M&A” to accelerate the growth.

As a result, we will build a revenue structure of “standing on the flow and stock feet” to achieve medium to long-term stable growth.

# Changes in the most recent 5 years and targets for the FY ending March 2023



# Quantitative Goals of FY ending March 2023



FY 2018/3 Results		FY 2023/3 Goals	
<b>【Profit estimates】</b>		<b>【Profit estimates】</b>	
Sales	¥47,463 million	¥100,000 million	
Ordinary income	¥10,755 million	¥20,000 million	
Net income	¥7,420 million	¥14,000 million	
<b>【Management indexes】</b>		<b>【Management indexes】</b>	
Equity ratio	53.2%	Over 50.0%	
Ordinary income ratio	22.7%	Over 20.0%	

# Four-pronged Strategy for Future Growth SUN FRONTIER



# 1) Expansion of the Current Businesses

- Deepening and expansion of the office building business -



Sales target of the office building business for the FY ending March 2023:

¥80 billion

(Approximately twice as much as the FY ended March 2018)

## <Replanning business >

We will focus on medium and small office buildings in central Tokyo, aiming to deepen and expand our revitalization and development businesses.

## <Real estate service business (LM・PM, etc.)>

By offering professional services that are not provided by other companies in the same industry, we will contribute to the building owners, establish deeper ties by repeatedly solving small troubles, and become a “real estate partner/ consulting company” that the customers can consult with anything. We will expand the range of customers and make them the customer base of office building business.

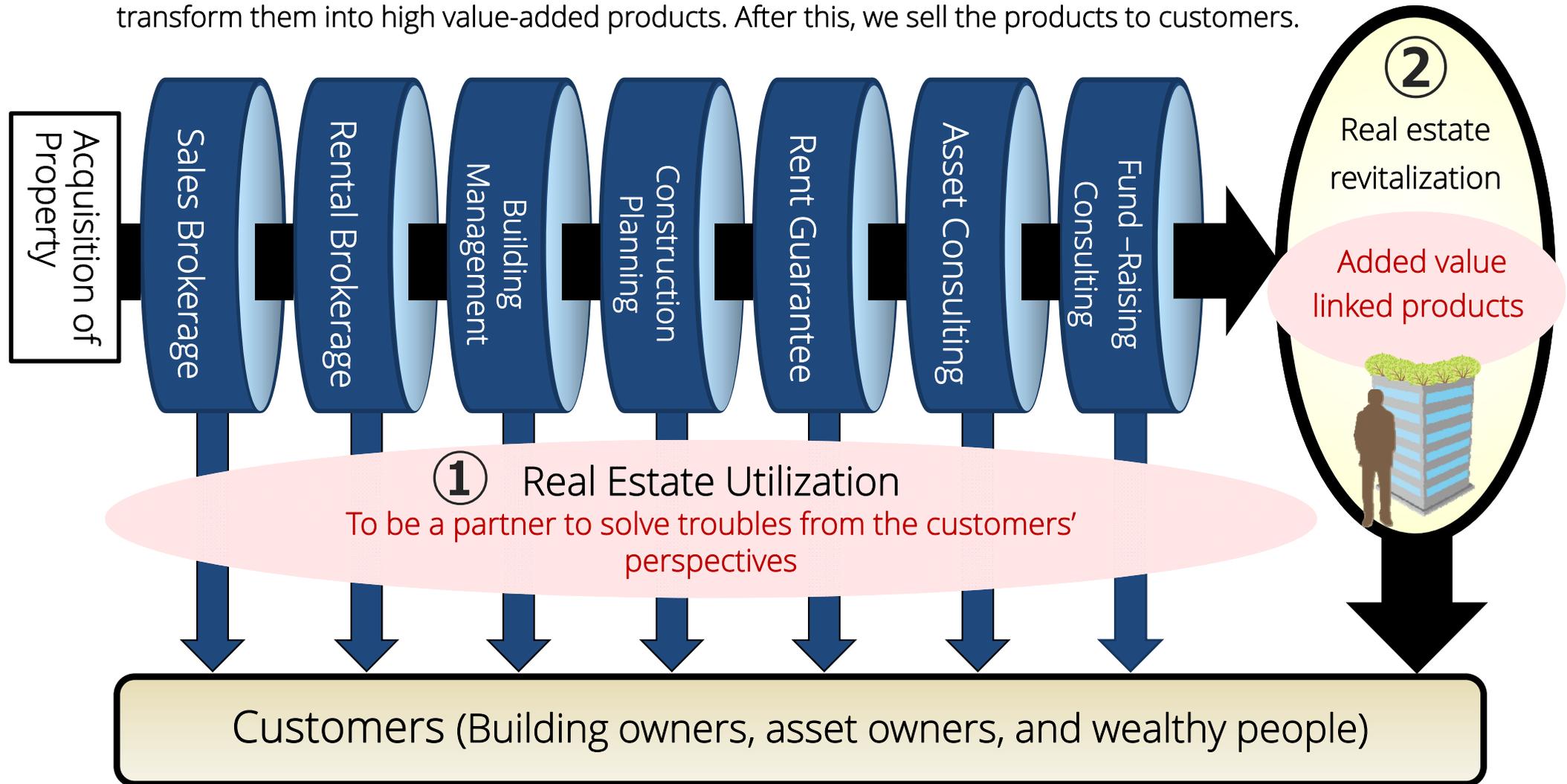
## <Space rental business>

We will rapidly expand the sharing business such as rental conference rooms and co-working spaces, making full use of our experiences to enhance added value of office buildings.

To produce differentiated added values.

# Business Structure of Office Buildings Business SUN FRONTIER

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.



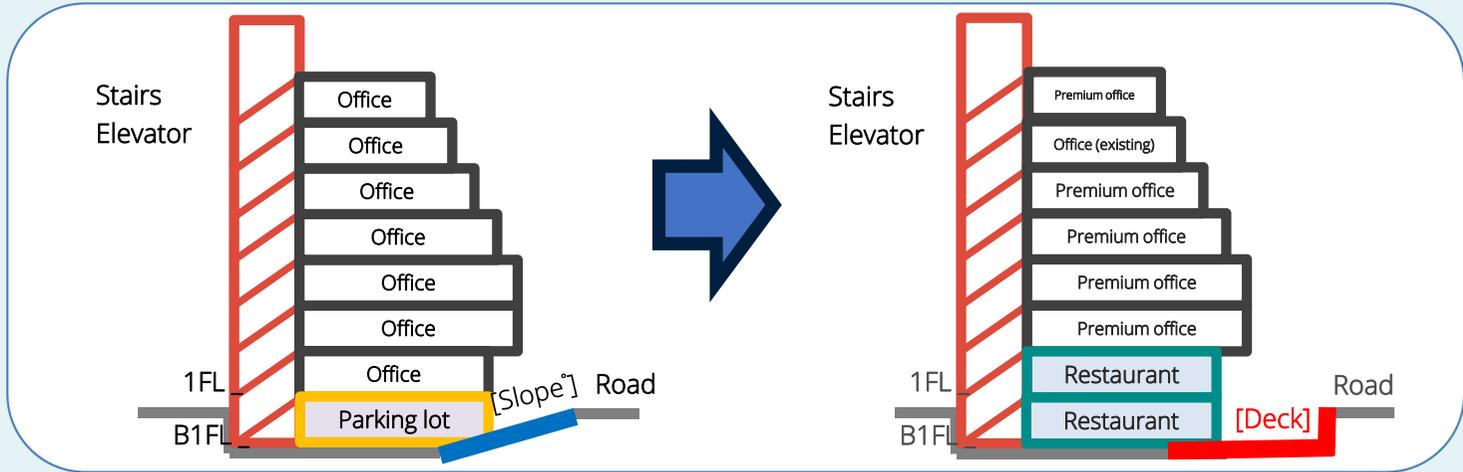
# Creating added value through persistent ingenuity



Appearance **After**

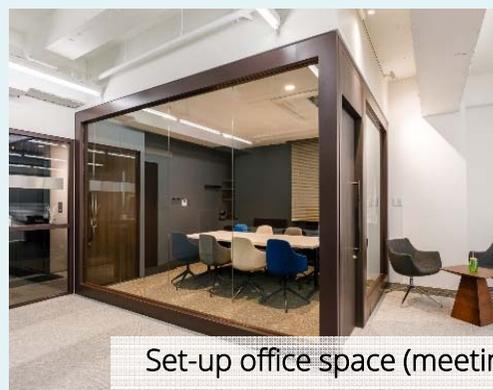
**【Points】**

- ◆ The semi-underground and first floor office areas which used to be parking lot before were converted to restaurant spaces.
- ◆ The slope to the parking lot was renovated to a deck exclusive the restaurant and the entrance with staircase.
- ◆ The semi-underground parking lot was renovated to a store space under 100 square meters without changing the purpose of use. We secured natural smoke exhaust, arranged green and created a stylish BBQ restaurant.



**【Property overview】**

- Location : Higashi-Nihonbashi, Chuo-ward, Tokyo
- Structure : Steel-reinforced concrete, Deck roof, 7 floors and 1 basement
- Completion of construction: 1991 (27 years old)
- Purpose: Shops, offices
- Land area: 169.51 m<sup>2</sup> (51.27 tsubo)
- Gross floor area: 822.61 m<sup>2</sup> (248.83 tsubo)



Set-up office space (meeting space, office space) at upper floors.



Deck exclusive to the restaurant

# Setup offices that foresee the time



"Setup offices" that respond to the changes of needs of the tenants and offer a comfortable and high-quality space.



Given the regional nature where many craftsmen live, we created a space based on the concept of "handmade", and "warmth", "brightness".



We created an open office space, with the ceiling height of over 5m.



We created a space that is calm and easy to use with excellent design.



## 2) Hotel business

- Accommodation-specialized hotels for sightseeing and business. -



Target of operated rooms of the hotel business for the FY ending March 2023:

5,000 guest rooms

(Approximately 4.5 times as many as the fiscal year ended March 2018)

### <Theme: “warm-hearted hotels”>

1. Hotels that are grown by the employees
2. Hotels that are grown by the customers' voices
3. Hotels that grow with the community



We will grow on a  
daily basis  
with 3 types of  
power

High-quality, comfortable, and personalized hotels offered  
by warm-hearted workers from the customers' point of view

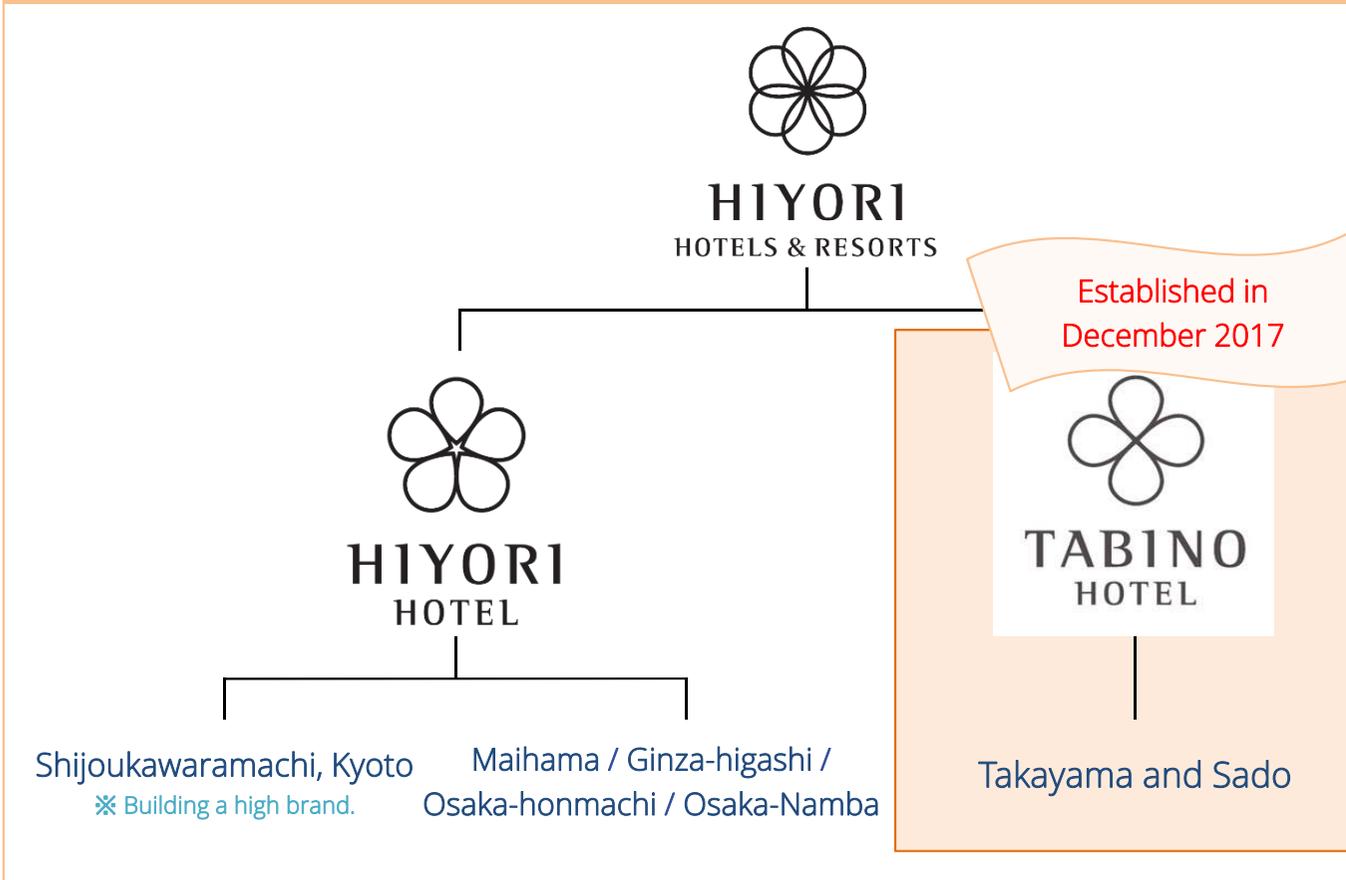
### <The number of rooms will increase in various ways to achieve 5,000 guest rooms>

- To develop higher brand hotels for our core hotel brand “HIYORI HOTELS & RESORTS” from the ground.
- We will offer 4 brands (HIYORI, SPRINGSUNNY, Sky Court, others) and increase the number of rooms through various ways such as own-development, rental, revitalization and M&A, and etc.

# Brand structure of hotels we operate



## Our hotel brand "HIYORI HOTELS & RESORTS"



Collaborative hotel brand  
"SPRINGSUNNY Hotels & Resorts"

Collaborative brand with the Spring Group in China  
Spring Sunny Hotel Nagoya Tokoname

Sky Court Hotel

Acquired the existing hotel chain through M&A.  
Hotel Sky Court  
(Kawasaki, Narita, Koiwa, Hakata)

Upper

¥25,000-50,000

Upper middle

¥15,000-25,000

Economy

¥8,000-12,000

Budget

Up to ¥10,000

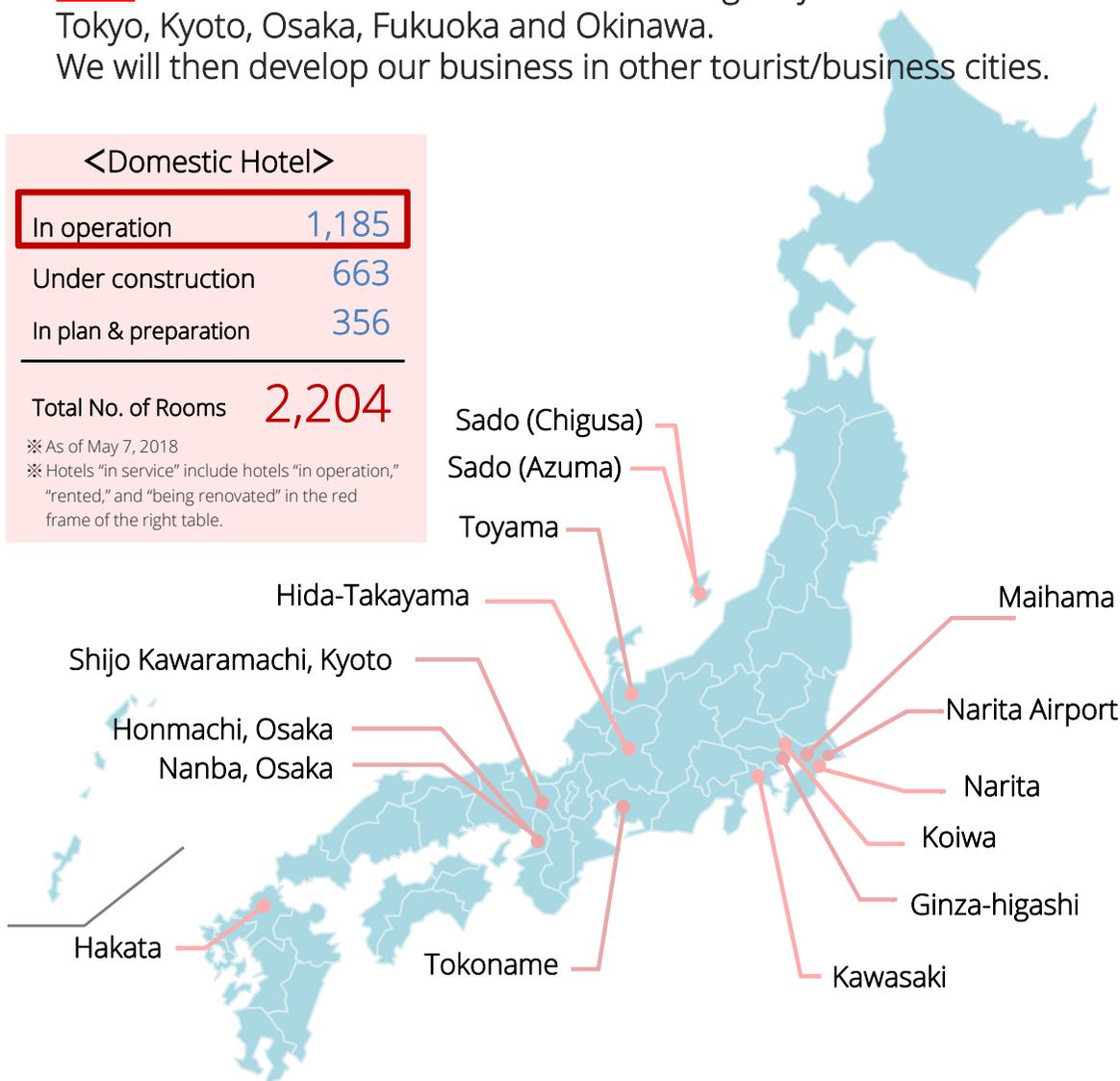
# List of domestic hotels of our Group companies



We are aiming to have **5,000 guest rooms by the FY ending March 2023**. The business will be conducted strategically with a focus on Tokyo, Kyoto, Osaka, Fukuoka and Okinawa. We will then develop our business in other tourist/business cities.

<Domestic Hotel>	
In operation	1,185
Under construction	663
In plan & preparation	356
<b>Total No. of Rooms</b>	<b>2,204</b>

※ As of May 7, 2018  
 ※ 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 Hotels>

Status	Open (Plan)	Brand	Hotel Name	Location	No. of Rooms
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
In operation	—	Original	Sado (Azuma)		57
In operation	May 2018	Original	Hida-Takayama		80
Under Construction	Jul. 2018	Original	Sado (Chigusa)		111
Under Construction	Jun. 2019	Original	Nanba, Osaka		224
Under Construction	Nov. 2019	Original	Ginza-higashi		135
Under Construction	Sep. 2019	Original	Honmachi, Osaka		193
In plan	Feb. 2022	Original	Shijo Kawaramachi, Kyoto		146
In plan	TBD	TBD	Narita Airport		210

...In addition, we are deliberating to open in Shimonoseki (105 rooms), Okinawa (205 rooms) and Kyoto (200 rooms).

## Introduction of hotels to be opened in 2018

### Tabino Hotel Hida-Takayama



Lobby with a wall designed by a plasterer, Syuhei Hasado



Open-air bath

#### 【Property Outline】

- Location: Takayama-shi, Gifu Prefecture
- Structure: 2-story wooden building with a zinc-coated steel roof
- Opened in May 2, 2018
- **Number of guest rooms: 80**
- Land area: 2,421.34m<sup>2</sup> (732.45 tsubo)
- Gross floor area: 1,848.11m<sup>2</sup> (559.05 tsubo)

GRAND OPEN  
on May 2, 2018

### 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 July 2018
- **Number of guest rooms: 111**
- Land area: 3,010.07m<sup>2</sup> (910.54 tsubo)
- Gross floor area: 2,998.00m<sup>2</sup> (907.11 tsubo)

“Tabino Hotels” aim to be a **region-vitalization type hotel business** under the theme of each region’s attractive features, with a focus on the regions with cultural, historic and natural hidden charm of Japan. As a base for a trip to fully enjoy all over Japan, we are aiming for new accommodation-specialized hotels with a large public bath, where the guests can easily stay for consecutive nights without hesitation. And as hotels to co-create with the region, we will utilize local specialties and resources, evolve the attractiveness through discussions with local people, and carry out the hotel business that is loved by customers and contributes to the local community with warm-hearted atmosphere.

# Proactive development in the growing “hotel” market. ②

## Introduction of hotels under development



<h3>Ginza-Higashi</h3>	<h3>Our first hotel in Ginza</h3>	<h3>Namba, Osaka</h3>	<h3>Twin-tower hotel 1 min. on foot from “Namba Station” of the Nankai Line</h3>
<p>Appearance</p> 	<p>【Property Outline】</p> <ul style="list-style-type: none"> <li>■ Location: Chuo-ku, Tokyo</li> <li>■ Structure: 11-story reinforced concrete building</li> <li>■ To be opened in Nov. 2019</li> <li>■ Number of guest rooms: 135 rooms</li> <li>■ Land area: 551.38 m<sup>2</sup> (166.79 tsubo)</li> <li>■ Gross floor area: 3,725.00 m<sup>2</sup> (1,126.81 tsubo)</li> </ul> <p>An open-air bath and a large bath from which Ginza and the Skytree can be viewed are equipped on the top floor.</p>	<p>Appearance</p> 	<p>【Property Outline】</p> <ul style="list-style-type: none"> <li>■ Location: Naniwa-ku, Osaka-shi, Osaka</li> <li>■ Structure: (Northern premises) 10-story steel-framed building with one basement, (Southern premises) 9-story steel-framed building with one basement</li> <li>■ To be opened in Jun. 2019</li> <li>■ Number of guest rooms: 224 rooms</li> <li>■ Land area: 1,281.4m<sup>2</sup> (387.62 tsubo)</li> <li>■ Gross floor area: 6,784.41 m<sup>2</sup> (2,052.28 tsubo)</li> </ul> <p>There are various types of restaurants and cool café-type bar in the Twin Tower.</p>
<h3>Shijo Kawaramachi, Kyoto</h3>	<h3>Urban tourist hotel at a good location along the Kawaramachi Street</h3>	<h3>Honmachi, Osaka</h3>	<h3>Overseas-brand hotel in the heart of Osaka.</h3>
<p>Rooftop terrace for enjoying the landscape of Kamogawa</p>  <p>Guest room with an open-air bath</p> 	<p>【Property Outline】</p> <ul style="list-style-type: none"> <li>■ Location: Shimogyo-ku, Kyoto-shi, Kyoto</li> <li>■ Structure: 9-story reinforced concrete building with one basement</li> <li>■ To be opened in Feb. 2022</li> <li>■ Number of guest rooms: 146 rooms</li> <li>■ Land area: 871.70m<sup>2</sup> (263.68 tsubo)</li> <li>■ Gross floor area: 6,617.83m<sup>2</sup> (2,001.89 tsubo)</li> </ul> <p>An open-air bath and a large bath, from which Kamo-river, Gion and Higashi-yama can be viewed, are equipped on the top floor.</p>	<p>Appearance</p> 	<p>【Property Outline】</p> <ul style="list-style-type: none"> <li>■ Location: Chuo-ku, Osaka-shi, Osaka</li> <li>■ Structure: a 17-story steel-framed (partially reinforced concrete) building with one basement</li> <li>■ To be opened in Sep. 2019</li> <li>■ Number of guest rooms: 193 rooms</li> <li>■ Land area: 754.75m<sup>2</sup> (228.31 tsubo)</li> <li>■ Gross floor area: 8,194.32m<sup>2</sup> (2,478.78 tsubo)</li> </ul> <p>A restaurant with a famous chef, gym, large bath and open-air bath are equipped.</p>

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

# 3) Overseas development

- Projects in Vietnam are underway. -



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

- By supplying excellent housing with high quality and plans made in Japan, we will respond to the growing housing and accommodation needs of the local areas and contribute to economic development.

We will make priority investments in the housing projects in Vietnam and Indonesia (¥20 billion investment) and establish a brand that will be supported by the local people.



## 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



# Danang, Vietnam, Project No.2

## - High-rise Urban Apartment House Project -



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

Effect Drawing (Appearance)  
High-rise urban apartment  
house with 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.

## 4) M&A

In order to accelerate growth, we will actively utilize “M&A” of the peripheral businesses and implement “M&A” projects using more than ¥20 billion in 5 years.

<Accelerating the growth of existing and new businesses>

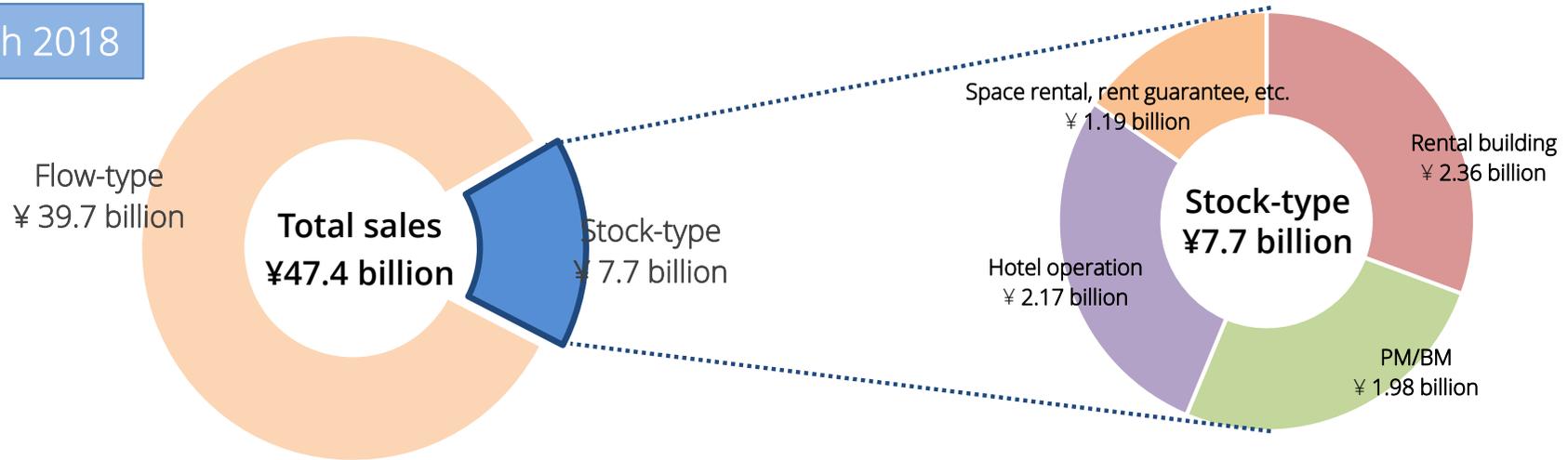
We will incorporate human resources, technologies and platforms into our Group companies in a short period of time, expand the optimum services according to changes in the environment and expand peripheral businesses.



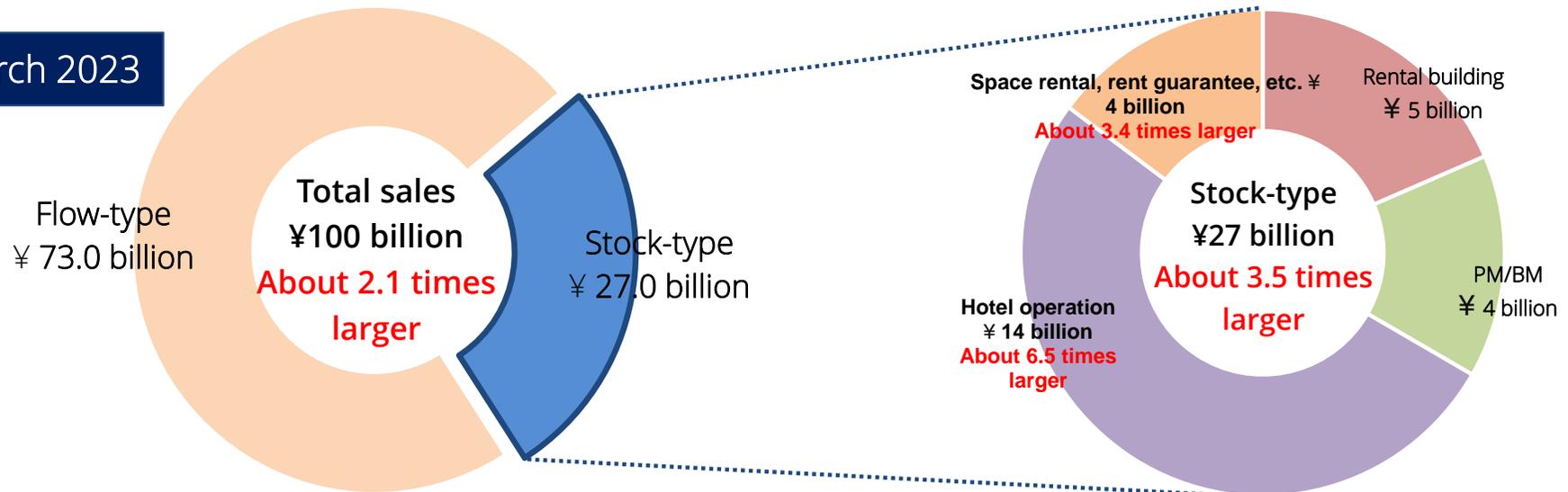
# To build a revenue structure of standing on the flow and stock feet.

## Sales growth image of the stock-type business in 5 years

FY March 2018



FY March 2023



# Investment plan in the next 5 years



We will invest a total of ¥350 billion in the next 5 years.

	Office building business	Hotel operation business	Overseas business	Total
Investment amount	¥295 billion	¥35 billion	¥20 billion	¥350 billion
Capital recovery amount	¥230 billion	—	¥18 billion	¥248 billion
Net investment amount	¥65 billion	¥35 billion	¥2 billion	¥102 billion
Investment recovery rate	78.0%	—	90.0%	70.9%

## 【Office building business: ¥295 billion】

RP business: ¥ 255 billion, Rental building: ¥40 billion

In addition to investing in the core RP business, we will actively invest in purchasing rental buildings, aiming to build a stable revenue structure.

## 【Hotel operation business: ¥35 billion】

Hotel operation business: ¥ 28 billion, Rental: ¥ 7 billion

We will use the funds to achieve 5,000 guest rooms by various forms such as in-house development, rental, revitalization and M&A.

## 【Overseas business: ¥ 20 billion】

Priority investment in the housing business: ¥ 20 billion

We will invest in the housing business in Vietnam and Indonesia and aim to establish a brand that will be supported by local people by supplying high quality housing.

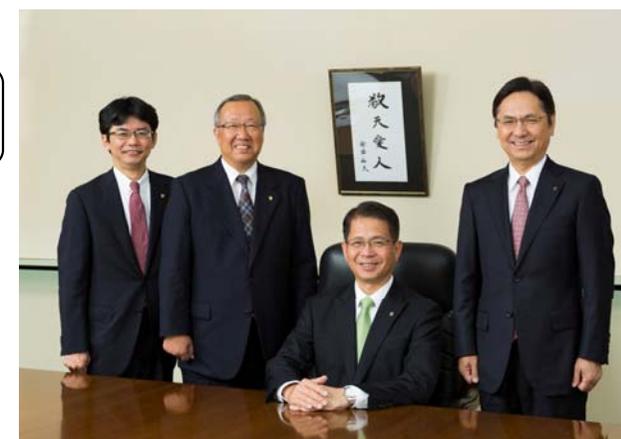
- ※ 1. The investment amount will gradually increase from the first year (FY ending March 2019), and it will be the largest amount in the final year (FY ending March 2023). The capital recovery amount is the total of 5 years, and the investment recovery rate will be calculated based on this figure. The difference between the investment amount and the capital recovery amount will be the business asset after the following fiscal year.
- ※ 2. The cumulative sales of the investment is estimated to be ¥400 billion for 5 years, and we will recover funds in correspondence with each investment.
- ※ 3. The investment recovery period of the main replanning business among the office building business is estimated to be within 12 months per project.
- ※ 4. The investment amount of the hotel operation business will be recovered over the long term from operating revenue.
- ※ 5. Investment amount and recovery amount for hotel development are included in the office building business.

## 4) Company Overview

# 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
Representative	President: Tomoaki Horiguchi
Employees*	Full-time employees: 410 (Including part-time employees: 769)
Average Age*	33.2 years old (*As of the end of April, 2018)
Business	<b>Revitalization of real estate</b> <b>Real Estate Service</b> ( Management, brokerage, construction planning for real estate, compensation for rent in arrears Rental building operation, consultancy for assets ) <b>Hotel Development and operation</b>
Settlement Month	March
Listed in	The first section of the Tokyo Stock Exchange (Code Number: 8934)



# Company History



1999	Established Sun Frontier Co., Ltd. (It has been 19 years since then)
2000	Changed the Trade Name to Sun Frontier Fudousan Co., Ltd.
2001	Started replanning business* (real estate revitalization)
2004	Got listed on JASDAQ Securities Exchange (5 years and 7 months after establishment)
2007	Got listed on the first section of the Tokyo Stock Exchange (2 years and 3 months after the listing in JASDAQ)
2012	Made Yubi Co., Ltd. (current SF Building Maintenance Co., Ltd.) a consolidated subsidiary by M&A
2013	Established local subsidiary "Sun Frontier Fudousan Taiwan Co., Ltd."
2015	Started space rental business (managing rental conference room/rental office)
	Established Sun Frontier Hotel Management Inc. and started hotel management business
	Made a business alliance on hotel business in Japan with Spring Group of China
2016	Established local subsidiary "SUN FRONTIER VIETNAM CO., LTD." in Vietnam
	Established local subsidiary "PT. SUN FRONTIER INDONESIA" in Indonesia
	Opened our first domestic hotel "SPRINGSUNNY Hotel Nagoya Tokoname" in Tokoname, Aichi
	Opened our first overseas hotel "The Blossom City" in the biggest city Danang of central Vietnam
	Made Sky Court Hotel Co., Ltd. a consolidated subsidiary by M&A
	Started operating serviced apartment "Kyo Serviced Apartment" in Jakarta, Capital of Indonesia
2017	Selected as a stock that constitutes "JPX-Nikkei Mid and Small Cap Index"
	"Hiyori Hotel Maihama", the first hotel under our original brand began full operation
	Construction for "Hiyori Garden Tower", the high-rise urban apartment house in Danang
2018	Established San Frontier Sado Co., Ltd. (Regional revitalization)
	Opened "Tabino Hotel Hida-Takayama"

## Origin of our corporate name

# SUN FRONTIER

The corporate name "Sun Frontier" is infused with the hopes of "emitting love to everyone like solar energy for the happiness of humankind and society," "living strongly and brightly," and "becoming a company that can keep taking on challenges like a frontier settler with ambition and dream."



Representative Director and President  
Tomoaki Horiguchi

\* "Replanning" is the registered trademark of Sun Frontier Fudousan Co., Ltd.

# SUN FRONTIER that implements visionary management



## Corporate motto

Altruism

## Management policy

With a vision to protect all employees and pursue mental and material happiness, we will contribute to prosperity of human kinds and society with a mindset of cohabitation.

## 3 major principles

1. Altruism rather than selfishness
2. To follow the right things.
3. Absolute proactivity.

<Management policy handbook>



# 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 Business

Hotel Possession and Operation  
Hotel Development, Revitalization  
and Sales

## Overseas development

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

# 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

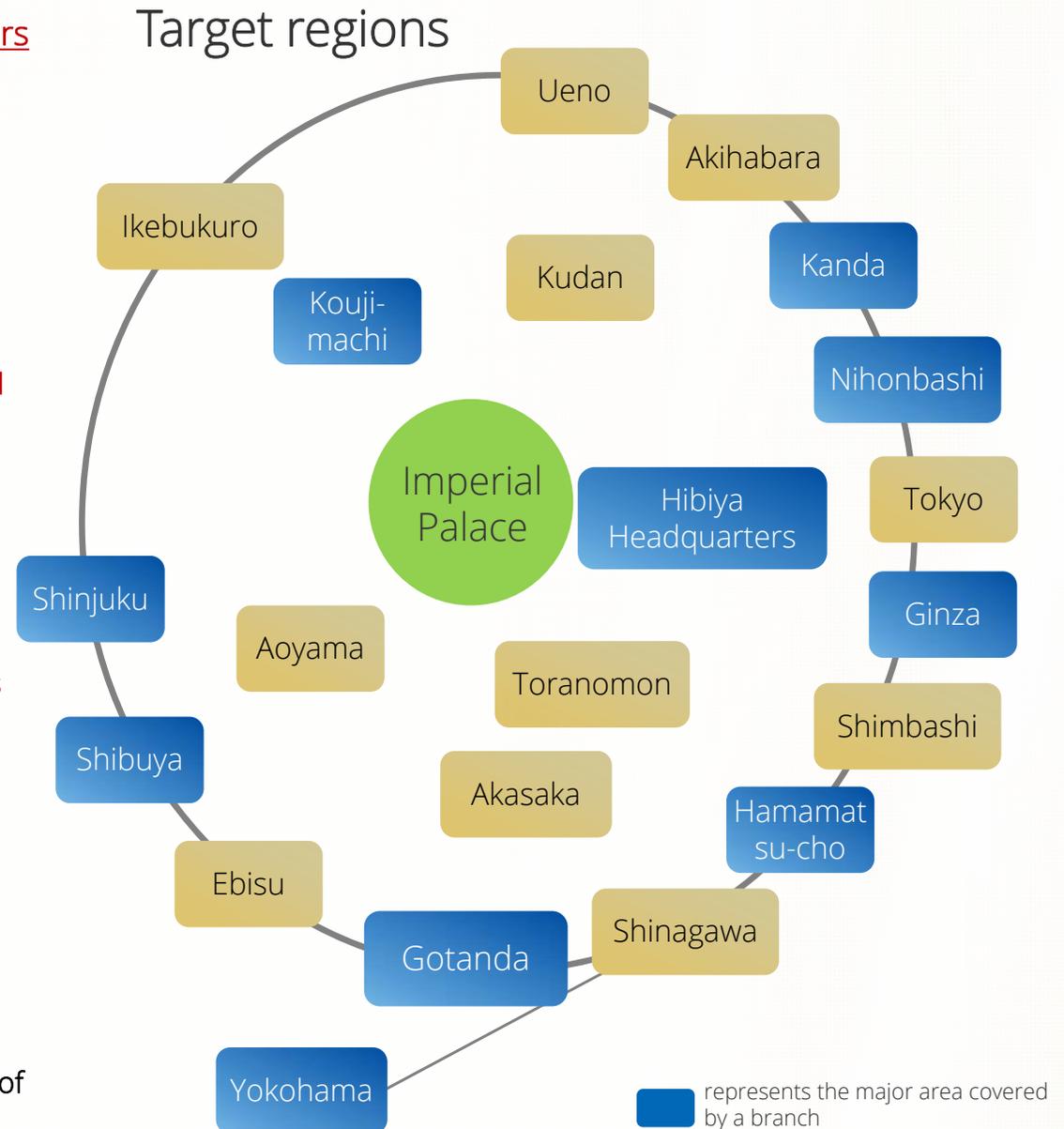
We are operating **10 branches** in Chiyoda, Chuo, Minato, Shinjuku, Shibuya, and Shinagawa Wards and Yokohama. 84 members of the rental team and 105 members of the administration team\* finds tenants by utilizing their familiarity with local information while **specializing in the introduction and management 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

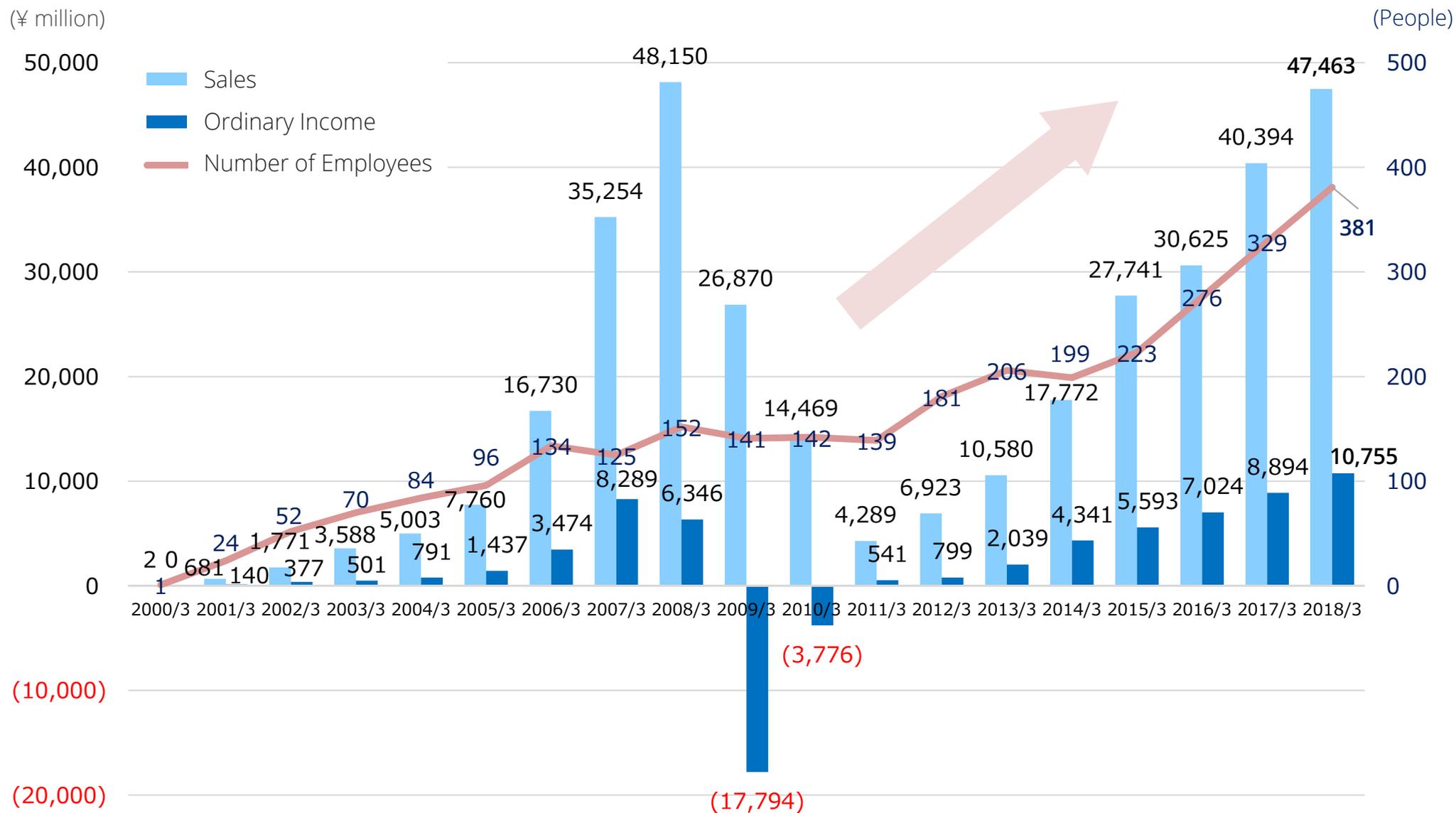
Through discussions with owners, we rent their buildings in a lump. Or We directly buy buildings when owners encounter inheritance, their buildings deterioration or they become tired of management of buildings.



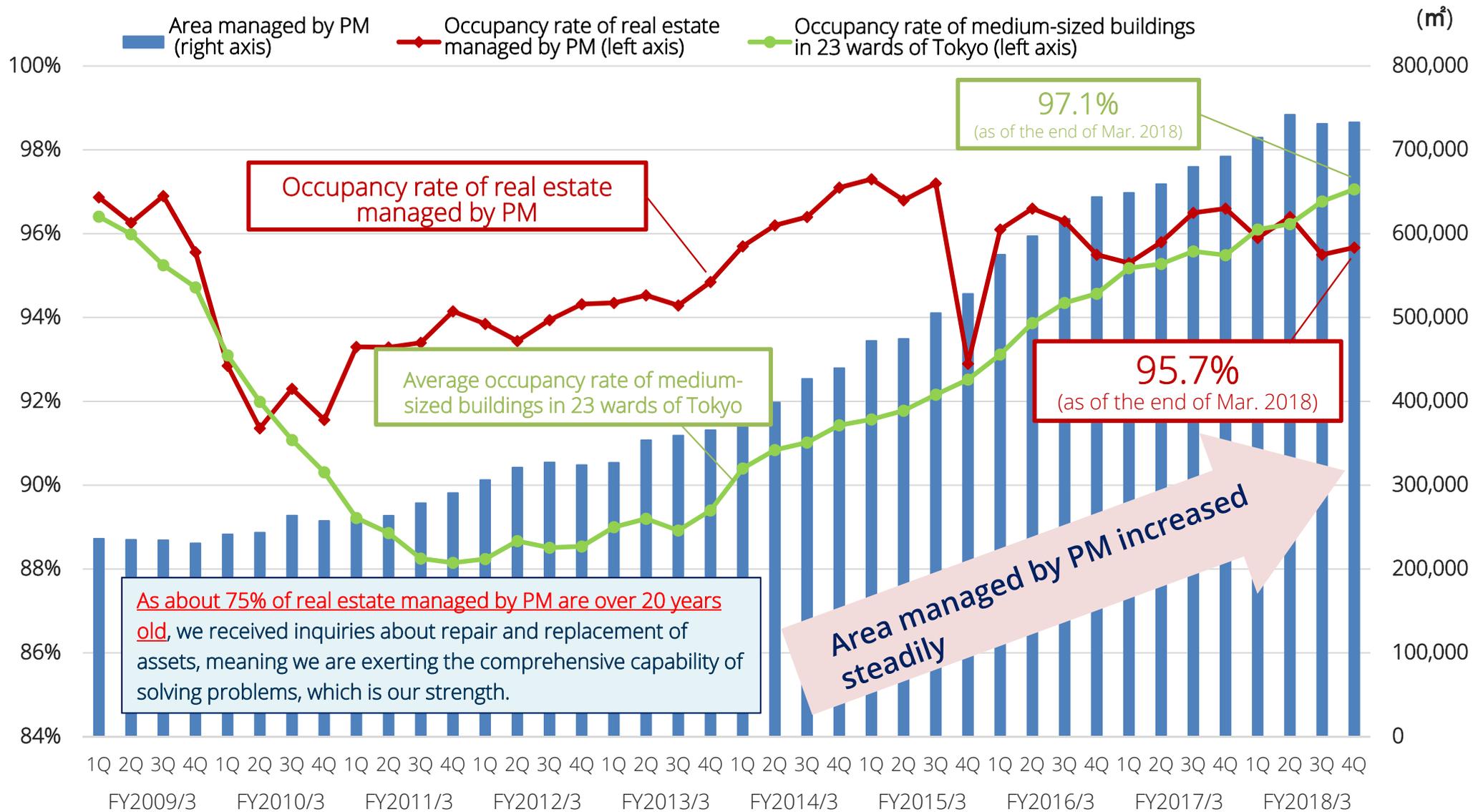
# Variations of Sales / Ordinary Income / Number of Employees



Both sales and income remain strong. The number of employees are also growing steadily.



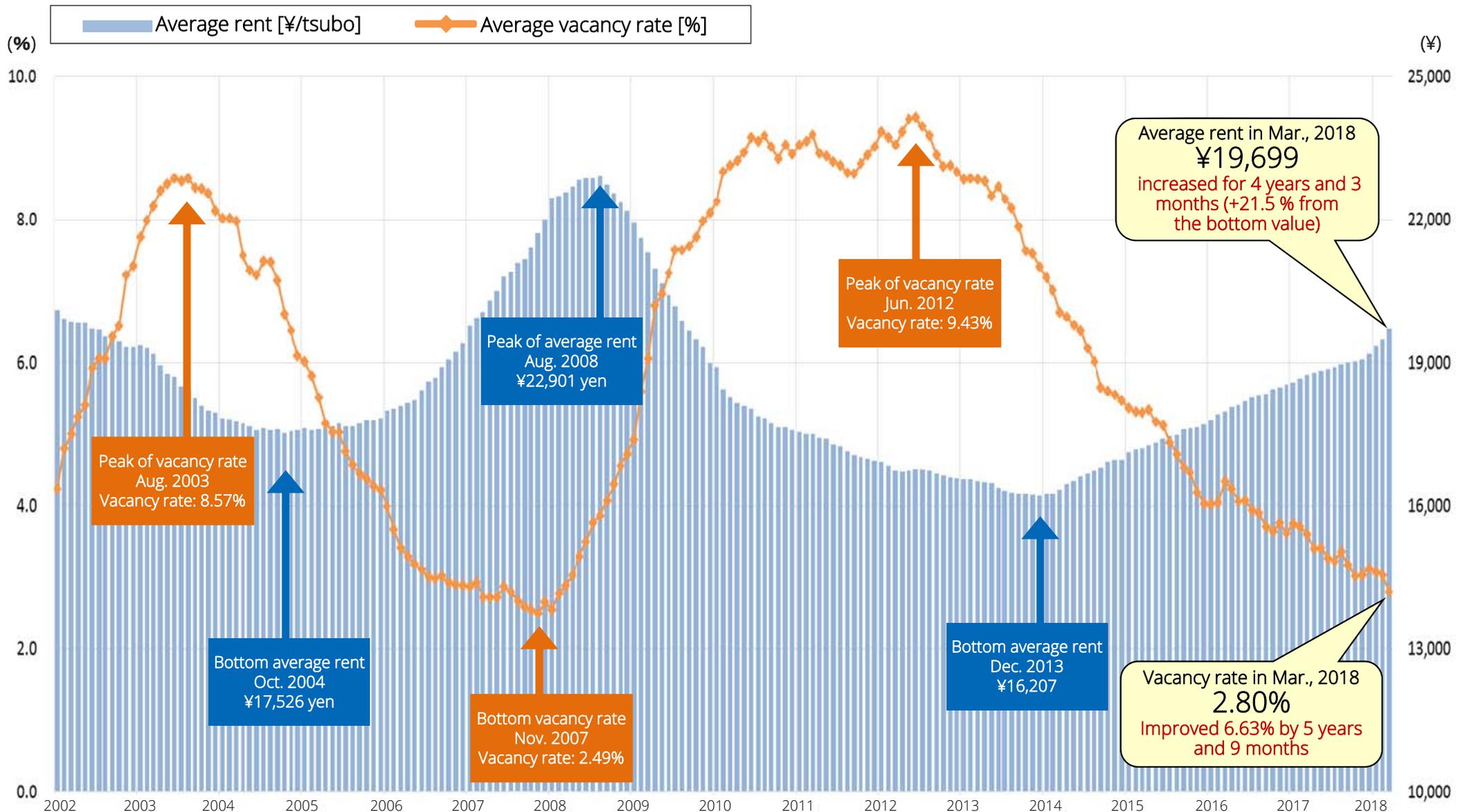
# Variations in the occupancy rate and area of buildings managed by PM



※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.

# 5) Reference

# 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.

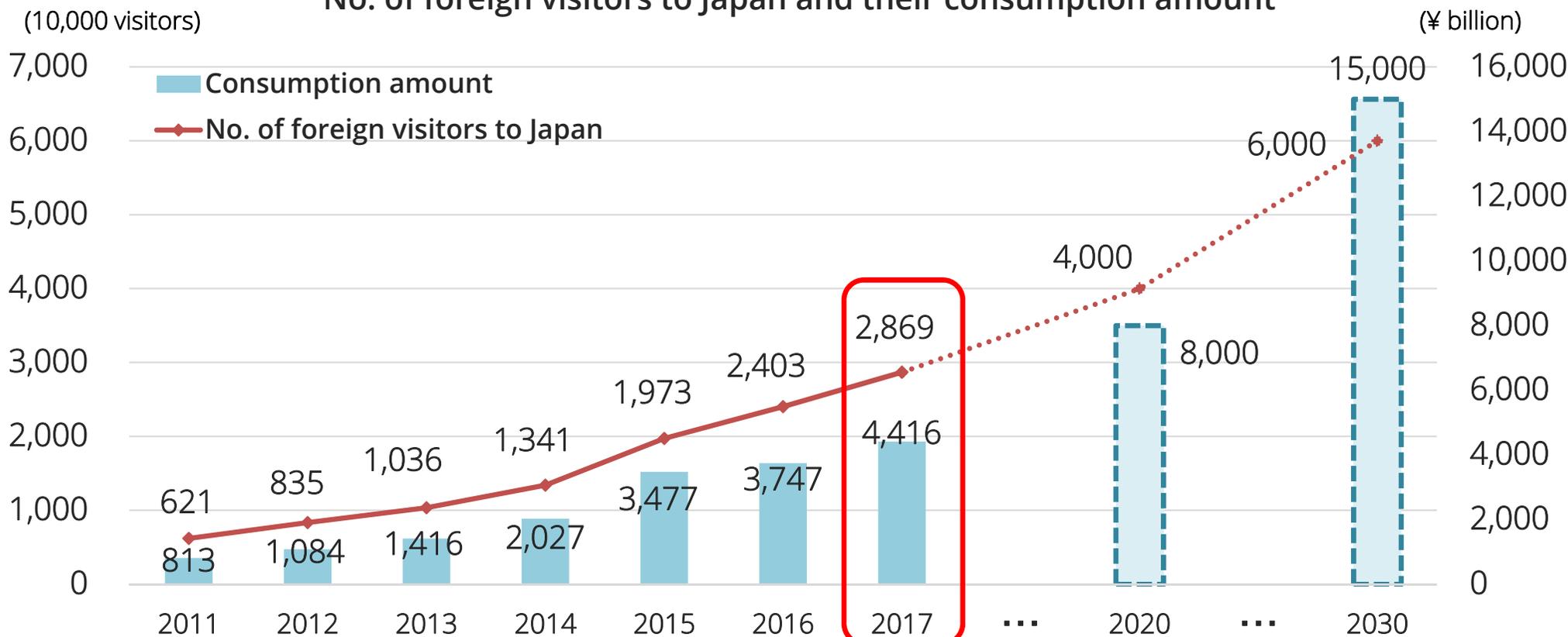
# Variations in the number of foreign visitors to Japan and their consumption amount



The number of foreign visitors to Japan in 2017 increased by 19.3% from the previous year to 28.69 million people, marking a record high. Travel consumption amount also increased by 17.8% from the previous year to ¥4.4 trillion, which is making a record high for the fifth consecutive year, exceeding ¥4 trillion for the first time.

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 by 2020 and ¥15 trillion by 2030. How to increase the number of visitors from Europe and the US that are few compared to Asia is said to be a challenge to achieve these goals.

No. of foreign visitors to Japan and their consumption amount



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

※The dotted line represents an estimate.

# Disclaimer

- ◆ This reference material is intended for providing information, not for soliciting or promoting you to purchase a specific product. When you invest, please do so based on your own judgment and responsibility. If you want to purchase the shares of our company, please contact securities companies.
- ◆ The information included in this material may not follow the Financial Instruments and Exchange Act, the Building Lots and Buildings Transaction Business Act, the regulations for the companies listed in Tokyo Stock Exchange, etc.
- ◆ This reference material mentions our future business performance, but it does not guarantee the performance.
- ◆ This reference material was produced carefully, but we do not guarantee the accuracy and certainty of its contents. In addition, the contents may be changed or deleted without notice. We appreciate your understanding.

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