

Supplementary Materials for the Financial Briefing Session of the Fiscal Year ended March 2019

Description of the Two Segments
To Achieve the Medium-Term Management Plan
(which completes in the Fiscal Year ending March 2023)

1) Results and Forecasts of the Two Segments

1-5

May 11, 2019



SUN FRONTIER

Stock Code: 8934

1) Results and Forecasts of the Two Segments

- Replanning Business**
- Operation Business**

Growth Capacity for The Two Segments

	FY ended March 2019	FY ending March 2020 (Forecast)	Rate of Change
Net Sales	53,291	70,000	+31.4%
(1)Real Estate Revitalization Business	45,490	52,340	+15.1%
RP Business (including hotel development)	42,507	48,559	+14.2%
Rental Building Business	2,982	3,781	+26.8%
(2)Real Estate Service Business	3,179	3,550	+11.6%
(3)Operation Business	3,898	6,710	+72.1%
(4)Other Business	1,508	8,479	+462.2%
Adjustment Amount	▲784	▲1,080	—
Gross Profit	19,192	21,450	+11.8%
(1)Real Estate Revitalization Business	16,048	16,657	+3.8%
RP Business (including hotel development)	14,712	15,058	+2.3%
Rental Building Business	1,336	1,599	+19.6%
(2)Real Estate Service Business	1,898	2,233	+17.6%
(3)Operation Business	476	760	+59.8%
(4)Other Business	829	1,798	+116.8%
Adjustment Amount	▲60	—	—
Selling, general and administrative expenses	5,886	6,950	+18.1%
Operating Income	13,305	14,500	+9.1%
Ordinary Income	12,813	14,000	+9.3%
Net Income	8,783	9,500	+8.2%
Cash Dividends per Share (yen)	38.50	39.50	+2.6%

- We will expand and improve **new business areas** such as operation business and other business.
- Net Sales of hotel operation business and conference room rental business are expected to increase 2.3 billion yen from the previous FY.

- RP gross margin is set on the assumption that rents are flat with the current market environment.
31.9% for FY ended March 2018
34.6% for FY ended March 2019
⇒ **31.0% for FY ending March 2020**

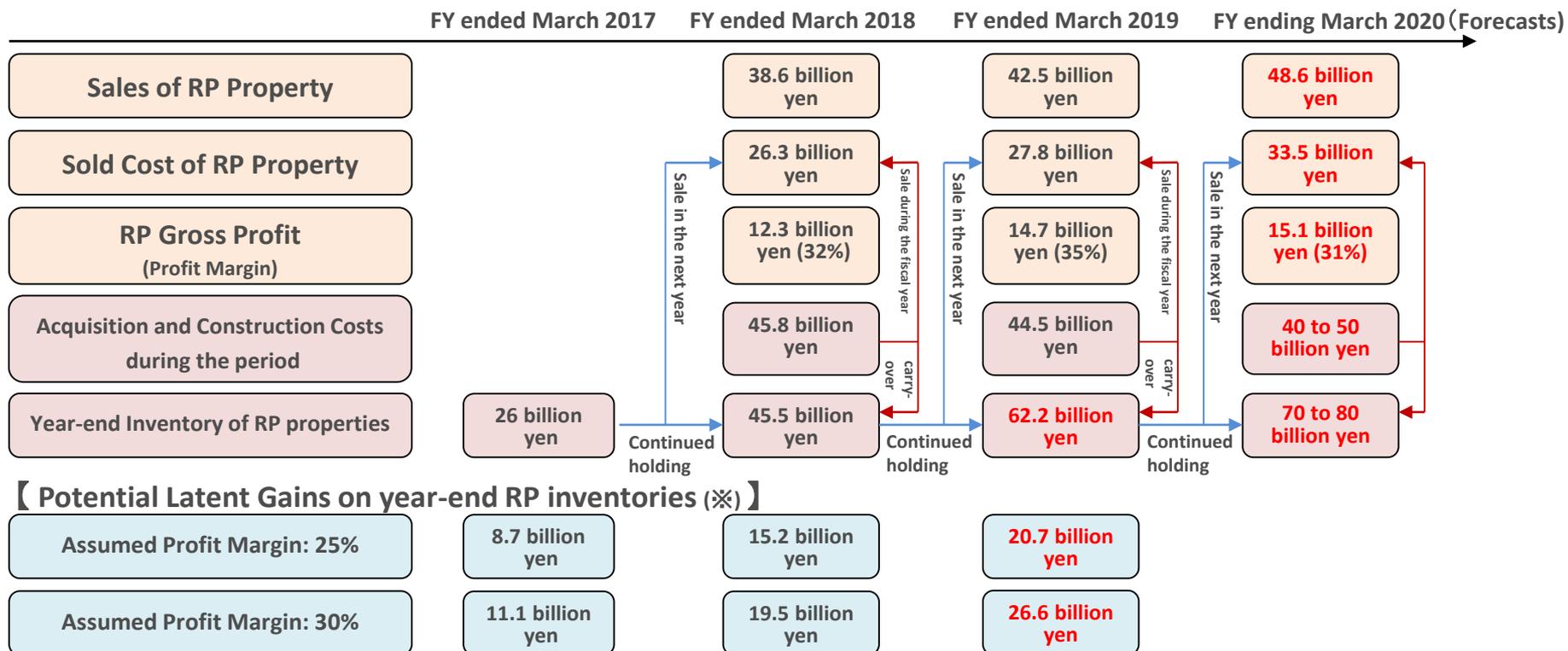
- including 800 million yen expected from RP Sales commission (580 million yen in FY ended March 2019)

Operating Results by Business Segment

Replanning Business



Currently, RP sales for the fiscal year ending March 2020 is conservatively set due to various factors such as developments of the operation business and the overseas business due to the sale the condominium in Vietnam in addition to increasing uncertainty in the market. We aim to expand rent income over the medium term and transform our profit structure to deal with market fluctuations.



(※) Profit on sale of the year-end RP inventories at the above profit margin

$$\text{Potential Latent Gain} = \text{Year-end Inventory} / (1 - \text{Profit Margin}) - \text{Year-end Inventory}$$

Operating Results by Business Segment



Operation Business

(Unit: million yen)	FY ended March 2018	FY ended March 2019	FY ending March 2020 (forecast)	Increase/ Decrease
Net Sales	2,898	3,898	6,710	+72.1%
Hotel Operation Business	2,178	2,981 [*]	5,320	+78.4%
Conference Room Rental Business	719	916	1,390	+51.7%
Gross Profit	387	476	760	+59.7%
Hotel Operation Business	201	323	570	+76.5%
Conference Room Rental Business	185	153	190	+24.2%
Gross Profit Margin	13.4%	12.2%	11.3%	—
Hotel Operation Business	9.2%	10.8%	10.7%	—
Conference Room Rental Business	25.9%	16.7%	13.7%	—

*Including Hotel Operations Business, Sado Business, etc.

Disclaimer

The forecasts in this document are based on assumptions and beliefs in light of the information currently available. The actual results may differ from these forecasts due to changes in risks, uncertainties and economic conditions. Our Group does not guarantee the accuracy of these forecasts.

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