

Consolidated Financial Results
For the Fiscal Year Ended March 31, 2016
(Based on Japanese GAAP)
(Translation of Japanese Financial Flash Report, Released on May 10, 2016)

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Stock listing: Tokyo Stock Exchange 1st Section

Code number: 8934

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*Amounts under one million yen have been rounded down.

1. Consolidated Performance in the Fiscal Year Ended March 31, 2016

(1) Operating results

*Percentage figures shown under net sales, operating income, ordinary income, and net income columns indicate year-on-year changes for those items.

(Millions of yen, except for per share figures)

	Net Sales	Operating Income	Ordinary Income
FY ended March 31, 2016	¥30,625 (10.4%)	¥7,387 (26.3%)	¥7,024 (25.6%)
FY ended March 31, 2015	¥27,741 (56.1%)	¥5,850 (29.1%)	¥5,593 (28.8%)

Note) Comprehensive Income: FY Ended March, 2016: ¥8,140 million (58.2%) FY Ended March, 2015: ¥5,147 million (28.0%)

	Net Income	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
FY ended March 31, 2016	¥8,157 (61.4%)	¥190.78	¥ —
FY ended March 31, 2015	¥5,053 (25.7%)	¥118.18	¥ —

Reference) Income on investments based on equity method: FY Ended March, 2016: ¥8 million

FY Ended March, 2015: ¥- million

(2) Financial Position (at end of the term)

(Millions of yen, except for per share figures)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
FY ended March 31, 2016	¥54,084	¥30,144	55.7%	¥704.92
FY ended March 31, 2015	¥40,424	¥22,701	56.2%	¥530.95

Reference) Equity at term-end: FY ended March 31, 2016: ¥30,139 million

FY ended March 31, 2015: ¥22,701 million

(3) Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Year-End
FY ended March 31, 2016	¥(1,580)	¥123	¥3,633	¥13,375
FY ended March 31, 2015	¥1,382	¥(276)	¥701	¥11,212

2. Cash Dividends

	Cash Dividends per Share (Yen)					Total Dividends (Millions of yen)	Payout ratio (Consolidated)	Net asset dividend rate (Consolidated)
	1st quarter period	2nd quarter period	3rd quarter period	Year end	Annual total			
FY Ended March 31, 2015	-	¥0.00	-	16.50	16.50	705	14.0	3.4
FY Ended March 31, 2016	-	¥0.00	-	25.00	25.00	1,068	13.1	4.0
FY Ended March 31, 2017 (Projections)	-	¥0.00	-	28.00	28.00		21.4	

3. Projections for Consolidated Performance in the Fiscal Year Ending March 31, 2017

(From April 1, 2016 to March 31, 2017) *Percentage figures are indicated year-on year changes for those items.

(Millions of yen, except for per share figures)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
FY Ending March 31, 2017	¥41,000 (+33.9%)	¥8,500 (+15.1%)	¥8,200(+16.7%)	¥5,600 (-31.3%)	¥130.97

Note) The main reason for the decrease in net income is that the next FY (ended March 31, 2017) income before tax adjustments is expected to put a complete end to tax loss carryforward from previous terms. As a result, a ¥1,325 million reversal of loss included in the deferred tax asset calculated at the end of FY ended March 31, 2016 would be added up to the corporate tax adjustment amount, which leads to a heavier tax burden than the previous term.

4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
Newly companies: —
Excluded companies: —
- (2) Changes in accounting principles, procedures and presentation methods
 - 1) Changes caused by revision of accounting standards: Yes
 - 2) Changes other than those included in 1): None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of corrections: None
- (3) Number of shares issued and outstanding (common shares)
 - 1) Number of shares issued and outstanding at the end of the period (including treasury stock):
FY ended March 31, 2016: 42,755,500 shares
FY ended March 31, 2015: 42,755,500 shares
 - 2) Number of treasury stock at the end of period:
FY ended March 31, 2016: 143 shares
FY ended March 31, 2015: 143 shares
 - 3) Weighted average number of shares for the period:
FY ended March 31, 2016: 42,755,357 shares
FY ended March 31, 2015: 42,755,368 shares

Reference: Overview of Non-consolidated Performance

1. Non-consolidated Performance in FY ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Operating Results

*Percentage figures shown in the net sales, operating income, ordinary income, and net income columns indicate year-on-year changes for those items.

(Millions of yen, except for per share figures)

	Net Sales	Operating Income	Ordinary Income	Net Income
FY Ended March, 2016	¥29,631 (18.5%)	¥7,334 (31.1%)	¥6,965 (30.0%)	¥8,131 (64.6%)
FY Ended March, 2015	¥25,012 (45.8%)	¥5,594 (19.8%)	¥5,359 (19.1%)	¥4,940 (21.6%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
FY Ended March, 2016	¥190.19	-
FY Ended March, 2015	¥115.56	-

(2) Financial Position

(Millions of yen, except for per share figures)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
FY Ended March, 2016	¥53,300	¥29,955	56.2%	¥700.63
FY Ended March, 2015	¥39,801	¥22,528	56.6%	¥526.91

Reference: Equity at term-end: FY Ended March, 2016: ¥29,955 million

FY Ended March, 2015: ¥22,528 million

※Indication of audit procedure implementation status

This financial results report is exempt from audit procedure based upon the Financial Instruments and Exchange Act. It is under the audit procedure process at the time of disclosure of this report.

※Appropriate use of projections for performance, other notes

The projections for performance in this report contain forward-looking statements based on information available to the Company at the date of publication, and on certain set assumptions that have been deemed reasonable. Actual earnings may vary greatly in accordance with a wide range of factors. Please refer to section 1. Analysis of Operation Results and Financial Position (1) Analysis of Operation Results on page 7 for assumptions used for projections and the notes on the use of the projections.

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1. Analysis of Operation Results and Financial Position

(1) Analysis of Operation Results

With regard to the Japanese economy during this consolidated fiscal year, thanks to the government's economic stimulus measures and monetary easing by the Bank of Japan, corporation earnings and employment situation have been showing improvement. Moreover, in the meantime, significant increase of foreign visitors to Japan is also contributable to moderate economic recovery. On the other hand, as the economic downside risk of China including the emerging countries has increased, the economic outlook is still uncertain.

In the real estate industry to which our company and our consolidated subsidiaries (hereinafter, "our corporate group") belong, there has been a long-term improvement in the vacancy rate in the office market in city-center, and the average rent is also showing moderate improvement in the same period. In the real estate investment market, investors' purchase demand remains as high as ever, which leads to continuous decrease in expected yield, particularly in terms of prime city-center real estate.

In such an environment, our corporate group focuses on the utilization and distribution of small to medium-sized commercial properties in the urban center of Tokyo, and has helped building owners solve various troubles regarding real estate. We create multifaceted earning opportunities by providing each customer with one-stop services with philosophy-based business model, including proposal and order receipt for the rental, brokerage, sale, management, maintenance, remodeling, and renovation of buildings; consultation regarding inheritance, tax affairs, etc. in collaboration with specialists and rent guarantee service, etc.

By linking up unrivalled knowhow and experience gained through the process of providing the above mentioned various services, we have been proactively developing real estate revitalization projects that deliver substantial value added to stakeholders and society. Focusing mainly on commercial properties in 5 central wards (Chiyoda, Chuo, Minato, Shinjuku, and Shibuya), we change the layout of rental rooms, creating green lush terraces on building roofs, preparing setup offices, redesigning the interior to make sure everything fit to every customer's deepest needs. Hence, not only do buildings sold by our company possess great attractiveness but also deliver high quality. Moreover, our leasing management team with high expertise and deep understanding of local needs are always there to help property owners fulfill any vacancies.

As for procurement of real estate, we obtain information on good real estate from leading real-estate companies and trust banks, and an increasing number of pieces of information from "Kyoeikai (Co-prosperity Association)", which is our original network of affiliates. In addition, we have worked to establish competitive procurement routes through activities, for example, solving building owners' worries, which contribute to the direct procurement of real estate.

FY 2015 was also a year full of new and exciting challenges for Sun Frontier group with the establishment of "Sun Frontier Hotel Management Co., Ltd." operating in hotel planning and management and the investment in "Power Consulting Networks K.K." – expert in asset consulting and building management, turning it into our affiliated company. As a Tokyo-based real estate company, we cooperate with Shanghai Spring Group engaging in travel and aviation services to open in Tokoname City, Aichi Prefecture the first hotel under the joint brand "Spring Sunny". This bold but brilliant inbound-market oriented, urban tourist hotel development proves our effort in introducing Japan's beautiful nature and hospitality to more travelers, especially those coming from overseas. Furthermore, we have also launched other real estate development projects on a global scale, such as city hotel and high rise condominium in Danang, the largest city in the central of Vietnam and urban residential houses in Jakarta, the capital of Indonesia.

As a result of the above dynamic business activities, our operating results for the fiscal year ended March 2016 were as follows:

Sales: ¥30,625 million (up by 10.4% from the previous fiscal year), operating income: ¥7,387 million (up by 26.3%), ordinary income: ¥7,024 million (up by 25.6%) and net income: ¥8,157 million (up by 61.4%).

The performance of each segment is as follows:

Real Estate Revitalization (referred as Replanning™ by Sun Frontier)

From the procurement stage, our corporate group starts a "production" process through which we aim to put the property to the best use possible. By carefully researching real estate leasing market on a daily basis to collect knowledge and linking each section's experience in technologies, planning, building management and construction, we draw up feasibly creative business plans. In addition, we emphasize the fact that the more satisfied the tenants, the more satisfied the owner. Through frequent interactions with tenants, we look for all possible ways to make the property more comfortable and convenient for them to use, and address any challenges quickly, and thereby achieve high rates of tenant retention and utilization.

We have been successful in maximizing the profitability of real estate by renovating real estate, especially those with low rate of utilization. Concretely, we renew properties so that they can meet the needs of society and owners, and therefore, turning them into profitable real estate investment before selling them to individuals and corporation customers.

By continuing to provide reliable aftersales service (including property management, pro-active response to faults, solving owner difficulties and responding to new demands), we deliver the property as a composite package of added value that even extends to post-sale follow-up service.

As for the replanning business, we determine target buyers at the stages of procurement and commercialization, pursuing not only the rate of return, but also "true values" suited for target clients such as location, rarity, yield stability and taxation merits. Through these efforts, both sales and profits increase from the previous year.

As for the property leasing business, we purchase and retain properties according to our well-selected criteria. With a combination of valuable knowledge and skills in rental brokerage, property management, construction solutions and rent guarantee services, we have been succeeding in maintaining a high rate of utilization and securing stable rental income.

In the real estate securitization business, though we did enjoy income distributed from real estate funds we invested in, both revenue and profits decreased compared to the previous year.

As a result of the above activities, sales were ¥26,835 million (up by 10.5% from the previous fiscal year) and segment income was ¥8,072 million (up by 28.7%).

Real Estate Brokerage

Our sales intermediation business has been focusing on customer referrals from other departments such as property management and leasing brokerage. By providing high value added and satisfaction to customers, the business flourishes through a good circulation of referrals and repeaters. Besides that, with our ability in solving customers' problems, real estate consulting and foreign language corresponding service for overseas investors (mainly those from Taiwan), our customer base has expanded significantly. This together with the recovery of real estate investment market has contributed to a remarkably positive change in both revenue and profit compared with those of the previous term.

In the leasing brokerage business, while occupancy rate continuously improves, not only are we active in finding tenants, but also in solving property owners' various problems. Furthermore, the leasing management team is also contributing to the whole group's profit by engaging in recruiting tenants for properties of replanning business, and bringing in new customers entrusting their buildings to property management department.

As a result of the above activities, sales were ¥1,536 million (up by 24.0% from the previous fiscal year) and segment income was ¥1,312 million (up by 25.2%).

Property Management

In the property management business, we strove to boost resident satisfaction by providing meticulous service in accordance with customers' needs, even if those needs are latent, and therefore managed to maintain a high tenancy rate in the buildings under our management. Thanks to a consecutive increase in loyal customer number, at the end of this fiscal year we were managing 57 more buildings compared to the end of the previous year (a 20.7% increase), as can be seen in the table below. We offer inclusive services linked with other businesses, as the clients who purchase real estate through our replanning or sales brokerage business continue to entrust us with the management of buildings after purchase. As a result, sales and profits increased from the previous year.

	End of Mar. 2014	End of Mar. 2015	End of Mar. 2016
No. of entrusted buildings	227	276	333
Operation rate	97.1%	92.9%	95.5%

As for the building maintenance business, by demonstration of our strength in property maintenance, especially in cleaning and repairing walls of high-rise buildings, we have been able to increase the number of orders received and consequently generate more revenue for the fiscal year ended Mar 2016. The expertise also helps us to streamline synergy with other companies under Sun Frontier group. However, due to cost incurred from new management system, profit is almost unchanged from previous term.

As a result of the above activities, sales were ¥1,483 million (up by 11.9% from the previous fiscal year) and segment income was ¥675 million (up by 13.5%).

Other Businesses

As for the construction solution business, due the lack of large-scale project orders compared to the previous term, this term witnessed a considerable plunge in both revenue and profit.

In the rent guarantee business, concentration on new client acquisition and enhancement of cooperation with affiliated companies has helped improve the bottom line.

"Space Rental", our new business established this term has started to achieve positive monthly financial result since the 3rd quarter. From the 4th quarter, we continued to expand this business by taking over new rental conference rooms as well as offices.

As a result of the above activities, sales were ¥770 million (down by 14.1% from the previous fiscal year) and segment income was ¥329 million (down by 5.6%).

Outlook for the Next Fiscal Year

Macroeconomic factors such as continuation of economic growth strategy and financial relaxation policies by the government and Bank of Japan, improvement trend of corporate earnings and growth of inbound market as a result of the promotion of tourism (the number of foreign tourists visiting Japan in March 2016 is 2,010,000, leaping by 31.7% compared with the previous year) have contributed to the positive growth rate of Japanese economy this term. On the other hand, growth slowdown of emerging economies and worldwide anxieties caused by global oil price plummet still give national economy an uncertain outlook.

Under such circumstances, besides core business in commercial properties, as aforementioned, we seek new challenges in promoting hotel business and overseas business. Focusing on "high value added creation" and "human resource development", we continue contributing to stakeholders as professional in real estate utilization and therefore keep growing firmly as a highly profitable corporation.

Through these efforts, as for the consolidated earnings forecast for the term ending March 2016, we estimate sales of ¥41,000 million (33.9% increase), operating income of ¥8,500 million (15.1% increase), ordinary income of ¥8,200 million (16.7% increase), and net income of ¥5,600 million (31.3% decrease).

The main reason for the decrease in net income is that the next FY (ended March 2017) income before tax adjustments is expected to put a complete end to tax loss carryforward from previous terms. As a result, a ¥1,325 million reversal of loss included in the deferred tax asset calculated at the end of FY ended March 2015 would be added up to the corporate tax

adjustment amount, which leads to a heavier tax burden than the previous term.

It should be noted that the above earnings forecast was drafted based on information that was available to us on the date of publication. Actual earnings may turn out to be different from those forecasted due to various reasons.

(2) Analysis of Financial Position

i) Assets, Liabilities, and Net Assets

The current assets at the end of this consolidated fiscal year were ¥51,365 million, increasing ¥13,912 million from the end of the previous consolidated fiscal year, as inventory assets increased.

There were expenditure of ¥1,580 million in the cash flow from operating activities, income of ¥123 million from the cash flow from investing activities, and income of ¥3,633 million from the cash flow from financial activities, and the fixed term deposit with deposit term over 3 months increasing by ¥564 million. As a result, cash and deposits were ¥15,413 million, increasing ¥2,727 million from the end of the previous consolidated fiscal year

Inventory assets were ¥32,714 million, increasing ¥9,233 million from the end of the previous consolidated fiscal year, as mainly real estate for sale and sale in process in the replanning business due to the strategy to promote property acquisition.

Noncurrent assets were ¥2,718 million, decreasing ¥252 million from the end of the previous consolidated fiscal year, due to buildings retained as hotels for rent and land are switched to inventory assets.

Together with the increase in inventory assets, total liabilities at the end of this consolidated fiscal year were ¥23,939 million, increasing ¥6,216 million from the end of the previous consolidated fiscal year, as interest-bearing debt amount (long-term debts, short-term debts, bonds) went up. Even though dividends were paid at the end of FY ended March 2014, Total net assets were ¥30,144 million, increasing ¥7,443 million from the end of the previous consolidated fiscal year, as retained earnings increased due to a leap in net income this term.

Consequently, net assets per share were ¥704.92.

Total assets as of the end of this consolidated fiscal year were ¥54,084 million, increasing ¥13,659 million from the end of the previous consolidated fiscal year.

ii) Cash Flow

Cash and cash equivalents (hereinafter called “cash”) as of the end of this consolidated fiscal year were ¥13,375 million, increasing ¥2,163 million from the beginning of this consolidated fiscal year. This is mainly the result of expenditure on long-term debt repayment of ¥9,326 million, inventory assets increasing in value by ¥9,213 million, ¥11,360 million of proceeds from long-term loans payable, ¥8,269 million of income before income taxes and minority interests.

Each cash flow for this consolidated fiscal year and related factors are as follows:

Cash flow from operating activities

Cash obtained from operating activity were ¥1,580 million (previous term: cash inflow of ¥1,382 million). This was mainly stemmed from increase in inventory assets by ¥9,213 million, depreciation and amortization of ¥645 million and income before incomes taxes and minority interests of ¥8,269 million.

Cash flow from investing activities

The cash flow from investing activities was ¥123 million (previous term: cash outflow of ¥276 million). This was mainly the result of an inflow from ¥7,193 million sale of tangible fixed assets and ¥3,182 million refund of fixed term deposit despite the cash outflow for tangible fixed asset acquisition of ¥6,040 million, fixed-term deposit of ¥3,746 million.

Cash flow from financing activities

Cash obtained from financing activities was ¥3,633 million (previous term: income of ¥701 million). This was mainly due to ¥11,360 million of proceeds from long-term loans and ¥5,113 million income from corporate bond issuance while the outflow was ¥9,326 million of repayment of long-term loans payable and ¥4,065 million of redemption of bonds.

(Reference) Changes in Cash Flow Related Indicators

	FY Ended March 31, 2012	FY Ended March 31, 2013	FY Ended March 31, 2014	FY Ended March 31, 2015	FY Ended March 31, 2016
Equity ratio (%)	57.5	68.5	53.7	56.2	55.7
Equity ratio on market price basis (%)	57.8	246.9	179.5	117.0	89.8
Debt repayment period (years)	4.4	—	—	1,012.0	—
Interest coverage ratio (times)	7.9	—	—	5.9	—

Equity ratio: equity capital/total assets
 Market value basis equity ratio: total market value of stock/total assets
 Debt repayment period: interest-bearing debt/operating cash flow
 Interest coverage ratio: operating cash flow/interest payments

(Note 1) Stock Market Capitalization is calculated as Term End Stock Closing Price x Number of Issued Shares at Term End.

(Note 2) Operating Cash Flow uses the cash flow from operating activities of the Consolidated Cash Flow Statement of Accounts.

(Note 3) Interest Bearing Liabilities include all liabilities requiring interest payment among the liabilities included on the

Consolidated Balance Sheet. Furthermore, regarding interest payments, the payment amount of interest from the Consolidated Cash Flow Statement of Accounts is used.

(Note 4) Cash Flow to Interest Bearing Liabilities Ratio and Interest Coverage Ratio for Fiscal Years ended March 31, 2013, March 31, 2014 and March 31, 2016 are not recorded because the operating cash flow is negative.

(3) Fundamental Policy for Profit Allocation and the Dividends for the Current and Next Terms

Our company has a fundamental policy of returning profits to shareholders on a long-term, stable basis while retaining enough profits to be able to respond to business environment changes flexibly. We utilize undistributed profits for financial standing enhancement as well as future business expansion, and therefore boost up the company's value.

The term-end dividend for the term ended March 2016 is ¥25 per share under the above mentioned policy.

This matter is to be discussed at the annual meeting of shareholders scheduled in June 2016.

The dividend for the next term ended March 2017 is planned to be ¥28 per share.

2. Management Policy

(1) The Company's Fundamental Management Policy

Our corporate group conducts business guided by a fundamental management policy that is comprised of the following management principal and corporate philosophy.

Management Principal

“While protecting all our employees and pursuing physical and psychological essence of things, we work in a spirit of harmony to contribute to the prosperity of society and humankind.”

Corporate Philosophy

“Through our work, we employees shall put abundant enthusiasm into developing our knowledge, skills and characters, and we shall dedicate ourselves to the utilization and distribution of real estate stock to prevent waste of non-reproducible resources and to contribute to the lasting prosperity of humankind and all living things.”

(2) Target Management Indicators

Our corporate group aims to produce lasting growth in the long term, financial stability by retaining own capital ratio over 50%, ordinary profit margin, and high profitability and productivity with ordinary income to net sales ratio over 20%.

(3) Corporate Management Strategy in the Mid to Long Terms

Our corporate group has defined its client base as being made up of building owners, asset holders and wealthy individuals, and by staying by their side resolving any real estate-related difficulties that they might have, we aim, as professionals in real estate utilization, to be a real estate company that is loved and chosen by every customers. Working mainly with small to medium sized buildings in the Tokyo metropolitan area, we define our policy not only to focus on the property itself, but also to bring happiness to property owners, resolving any difficulties that they may have. As a foundation for this work, based on a philosophy that is summed up in the word “altruism”, we train human resources who are able to prioritize the happiness of others first and do what is beneficial to the society. Consequently, we strive to earn our customers' trust (we believe that our people are our fortune, and so we write “human *resources*” with the character meaning “fortune” in Japanese).

As for the environment in which our corporate group operates, given remarkable improvement in vacancy rates of downtown commercial properties, moderate and sustained rise in rental standards, favorable financing conditions and the weak yen trend, the drive to purchase Japanese real estate, primarily among foreign investors, remains high. Furthermore, as described below, we have developed a three-pronged strategy for future growth in response to the increasing number of foreign tourists visiting Japan and significant growth of inbound market and mid-term changes in business conditions including the progress of urban re-modeling. This three-pronged strategy is concretely defined as “1. Current Business Expansion,” “2. M&A” and “3. Overseas Expansion”. We exert our strength in real estate operation business model by developing hotel business, and through that, we are able to keep contributing to realize the dream of making Japan a world class travel destination.

1. Current Business Expansion

We will strive to enhance our market penetration into our main battlefield, office market in the center of Tokyo, the world's largest metropolitan area.

In addition to expanding our network of branches and continuing improving our service quality, we will also ascertain our customers' apparent and latent needs, and work to expand our service lineup. Furthermore, in order to improve customer satisfaction, we will train our personnel to build close relationships with each individual client, devising proposals optimally tailored to them, working on structural improvements including improvements to our customer service.

Moreover, we will work on projects to utilize and operate urban spaces in order to make effective use of our clients' assets, and in order to invigorate cities by responding to changes in urban structure and making effective use of social infrastructure stock. Already, in September 2014, we started a 33-small office project in Okachimachi, and in April 2015, we opened a for-rent by hour event space and rental meeting rooms in front of Tokyo Station as a rental space project. Considering our buildings as more than just rental space, we put a lot of thought into their potential, keep generating and combining different sources of value added to develop plans for new building projects.

Finally yet importantly, the government has defined the development of tourism into a core industry as an important pillar in national growth strategy, aiming to increase the consumption amount of foreign tourists from the current ¥3.5 trillion to ¥8 trillion in 2025, and ¥15 trillion in 2035. In such a context where inbound market consumption plays the role of driving domestic consumption, the problem of insufficiency in lodging facilities for overseas tourists is getting more severe. Accordingly, Sun Frontier group have determined to answer this newly generated inbound market needs and therefore contribute to realize the dream

of making Japan a world class travel destination by exerting our strength in commercial property operation business model into the development, operation and revitalization business of hotels.

2. M&A

We see the utilization of M&A as an effective choice in helping us make further progress, providing better client-oriented services.

As the scope of our business expands, fields in the circumference of our current business such as underdeveloped building construction, facilitation, housing management and hotel business are positioned as important to enhance along with our core business development. We will rapidly acquire the platforms, personnel and technology for our projects, and strive for growth and development by moving ahead with capital tie-ups and business alliances in order to provide our clients with optimal services that are responsive to changes in the environment.

3. Overseas Business Expansion

It has been three years since we started our overseas businesses, with an increasing number of foreign asset holders and affluent individuals accounting for a large share in our client portfolio. We pursue the following two policies with the aim of making further progress overseas, particularly focusing on Asia.

1. Further promote inbound investment by providing Asia's burgeoning affluent classes with real estate investment opportunities in Tokyo, the city with the largest economy in the world.

2. Pursue outbound investment by aiming, firstly, to provide Japan's affluent classes with real estate investment opportunities in fast-growing Asian metropolises, and secondly, to develop projects targeting high-earners, helping support regional economies and contributing to the wellbeing of the local. Specifically, we have launched new real estate development projects, such as city hotel and high-rise condominium in Danang, the largest city in the central of Vietnam and urban residential houses in Jakarta, the capital of Indonesia.

Strongly treasuring our employees' development, we aim to become an organization where each employee can experience the satisfaction that comes through taking on challenges. Our policy is clearly defined to unlock the utmost potential of our personnel, increasing the number of external collaborators, improving our capability to solve property owners' problems, and working to become a hub for affluent Asian investors together with Asian growth.

We aim to maintain our ordinary profit margin at 20% or higher, keeping renewing ourselves while managing risk, pro-actively entering niche markets, and continue moving forward with greater emphasis on profit than on sales.

By staying close to our clients and working to solve any real estate-related problems, we aim to become a company of "real estate utilization professionals", the most reliable partner than any in the world. Also, by uniting as a team, understanding our clients' needs, providing maximal added value, and creating greater client satisfaction, we will strive to deliver greater sustainable corporate value.

(4) Challenges the Company Must Address

Although the outlook of the economy remains uncertain, under minus interest rate policy of Bank of Japan, consumption and investment condition seems getting improved. Moreover, with large-scale urban regeneration project execution in the central of Tokyo, real estate efficient utilization trend becomes more active while the promotion of tourism industry by the government keeps driving the swelling demand of inbound market.

In this context, we are aware of the importance of clearly defining our business policy and strategy, and setting ourselves apart from other companies in the industry, in order to become a company that customers love and happily choose.

Our corporate group have defined our client base as being made up of property owners and wealthy individuals, and our focus is to provide them with service tailored to each individual need and to solve their problems. We will use the information we gain through repeated interactions with clients to identify their needs and challenges, which we will then solve by working collaboratively across divisions, thereby providing clients with the optimum service and products. We believe that the superiority of our corporate group lies in the fact that we are always able to satisfy our clients, providing them with high value added, and gaining their confidence.

Finally, as previously mentioned we have determined to answer the newly generated inbound market needs and therefore contribute to realize the dream of making Japan an excellent travel destination by demonstrating our strength in commercial property operation business model into the development, operation and revitalization business of hotels.

3. Our Fundamental Approach to Selecting Accounting Standards

Taking into account the capacity to compare consolidated financial statements from different periods and to compare different corporations, for the time being, our corporate group has established the policy of using Japanese standards for drafting consolidated financial statements.

Furthermore, with regard to the application of IFRS, after considering the conditions both in Japan and overseas, our policy is to handle them in an appropriate manner.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY ended March 31, 2015 (As of March 31, 2015)	FY ended March 31, 2016 (As of March 31, 2016)
ASSETS		
Current assets		
Cash and deposits	12,686,800	15,413,978
Accounts receivable-trade	233,535	344,832
Real estate for sale	※1 1,599,420	※1 6,047,465
Real estate for sale in process	※1 21,880,382	※1 26,664,726
Supplies	730	2,096
Deferred tax assets	774,725	1,736,749
Other	297,082	1,174,601
Allowance for doubtful accounts	△19,882	△18,977
Total current assets	37,452,794	51,365,472
Noncurrent assets		
Property, plant and equipment		
Buildings	1,399,882	906,851
Accumulated depreciation	△173,745	△204,553
Buildings, net	※1 1,226,136	※1 702,298
Land	※1 1,232,143	※1 1,172,832
Other	95,603	131,980
Accumulated depreciation	△70,433	△87,256
Other, net	25,169	44,723
Total property, plant and equipment	2,483,449	1,919,854
Intangible assets		
Goodwill	1,875	-
Other	74,388	278,208
Total intangible assets	76,263	278,208
Investments and other assets		
Deferred tax assets	2,083	-
Other	414,572	※2 525,166
Allowance for doubtful accounts	△4,587	△4,381
Total investments and other assets	412,069	520,784
Total noncurrent assets	2,971,783	2,718,847
Total assets	40,424,577	54,084,319

(Thousands of yen)

	FY ended March 31, 2015 (As of March 31, 2015)	FY ended March 31, 2016 (As of March 31, 2016)
LIABILITIES		
Current liabilities		
Accounts payable-trade	606,061	599,139
Short-term loans payable	-	※1 1,248,500
Current portion of bonds	※1 40,000	※1 101,200
Current portion of long-term loans payable	※1 964,484	※1 2,004,184
Income taxes payable	221,154	973,017
Provision for bonuses	109,208	134,643
Provision for directors' bonuses	30,000	41,150
Construction warranty reserve	22,100	6,800
Provision for loss on guarantees for rent	22,361	41,739
Other	1,535,214	2,491,110
Total current liabilities	3,550,585	7,641,484
Noncurrent liabilities		
Bonds payable	※1 340,000	※1 1,413,300
Long-term loans payable	※1 12,648,786	※1 13,642,252
Deferred tax liabilities	-	578
Provision for loss on litigation	31,000	-
Other	1,152,905	1,242,048
Total noncurrent liabilities	14,172,691	16,298,179
Total liabilities	17,723,276	23,939,663
NET ASSETS		
Shareholders' equity		
Capital stock	8,387,211	8,387,211
Capital surplus	2,871,767	2,871,767
Retained earnings	11,434,300	18,885,910
Treasury shares	△174	△174
Total shareholders' equity	22,693,105	30,144,715
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,253	2,951
Foreign currency translation adjustment	5,941	△8,331
Total accumulated other comprehensive income	8,195	△5,379
Minority interest	-	5,320
Total net assets	22,701,300	30,144,656
Total liabilities and net assets	40,424,577	54,084,319

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Thousands of yen)

	FY ended March 31, 2015 (April 1, 2014- March 31, 2015)	FY ended March 31, 2016 (April 1, 2015- March 31, 2016)
Net sales	27,741,197	30,625,958
Cost of sales	18,757,583	19,666,198
Gross profit	8,983,613	10,959,759
Selling, general and administrative expenses	※1 3,133,004	※1 3,572,377
Operating income	5,850,609	7,387,382
Non-operating income		
Interest income	8,219	10,919
Dividends income	477	372
Equity in earnings of affiliates	-	8,142
Interest on refund	508	41
Subsidy income	5,040	5,520
Other	1,105	935
Total non-operating income	15,350	25,930
Non-operating expenses		
Interest expenses	235,614	235,178
Finance costs	20,989	25,519
Stock issuance cost	10,232	86,364
Other	5,781	42,015
Total non-operating expenses	272,618	389,078
Ordinary income	5,593,341	7,024,235
Extraordinary income		
Gain on sales of noncurrent assets	※2 14,017	※2 1,257,517
Total extraordinary income	14,017	1,257,517
Extraordinary loss		
Loss on retirement of noncurrent assets	※3 647	※3 1,019
Provision for loss on litigation	31,000	-
Amortization of goodwill	-	10,850
Other	1,220	-
Total extraordinary losses	32,867	11,869
Income before income taxes and minority interests	5,574,492	8,269,883
Income taxes-current	452,566	1,075,077
Income taxes-deferred	△19,292	△959,586
Total income taxes	433,274	115,490
Income before minority interests	5,141,217	8,154,393
Minority interests in income (loss)	88,145	△2,679
Net income	5,053,072	8,157,072

Consolidated Statements of comprehensive income

(Thousands of yen)

	FY ended March 31, 2015 (April 1, 2014 - March 31, 2015)	FY ended March 31, 2016 (April 1, 2015 - March 31, 2016)
Income before minority interests	5,141,217	8,154,393
Other comprehensive income		
Valuation difference on available-for-sale securities	503	698
Foreign currency translation adjustment	5,448	△14,273
Total other comprehensive income	※ 5,952	※ △13,574
Comprehensive income	5,147,170	8,140,818
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,059,025	8,143,497
Comprehensive income attributable to minority interests	88,145	△2,679

(3) Consolidated Statements of Changes in Net Assets
 Previous Fiscal Year (From April 1, 2014 to March 31, 2015)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	8,387,211	2,871,767	6,958,425	△121	18,217,283
Changes of items during the period					
Dividends from surplus			△577,197		△577,197
Net income			5,053,072		5,053,072
Purchase of treasury shares				△52	△52
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	4,475,875	△52	4,475,822
Balance at the end of current period	8,387,211	2,871,767	11,434,300	△174	22,693,105

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of current period	1,749	493	2,242	250,000	18,469,526
Changes of items during the period					
Dividends from surplus					△577,197
Net income					5,053,072
Purchase of treasury shares					△52
Net changes of items other than shareholders' equity	503	5,448	5,952	△250,000	△244,047
Total changes of items during the period	503	5,448	5,952	△250,000	4,231,774
Balance at the end of current period	2,253	5,941	8,195	—	22,701,300

Current Fiscal Year (From April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	8,387,211	2,871,767	11,434,300	△174	22,693,105
Changes of items during the period					
Dividends from surplus			△705,463		△705,463
Net income			8,157,072		8,157,072
Purchase of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	7,451,609	—	7,451,609
Balance at the end of current period	8,387,211	2,871,767	18,885,910	△174	30,144,715

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of current period	2,253	5,941	8,195	—	22,701,300
Changes of items during the period					
Dividends from surplus					△705,463
Net income					8,157,072
Purchase of treasury shares					
Net changes of items other than shareholders' equity	698	△14,273	△13,574	5,320	△8,254
Total changes of items during the period	698	△14,273	△13,574	5,320	7,443,355
Balance at the end of current period	2,951	△8,331	△5,379	5,320	30,144,656

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY ended March 31, 2015 (April 1, 2014 - March 31, 2015)	FY ended March 31, 2016 (April 1, 2015 - March 31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	5,574,492	8,269,883
Depreciation and amortization	※2 509,235	※2 645,579
Amortization of goodwill	7,500	1,875
Increase (decrease) in allowance for doubtful accounts	6,641	△1,110
Increase (decrease) in provision for bonuses	21,708	25,495
Increase (decrease) in provision for directors' bonuses	10,000	11,150
Increase (decrease) in construction warranty reserve	△12,700	△15,300
Increase (decrease) in provision for loss on guarantees for rent	15,800	19,378
Increase (decrease) in provision for loss on litigation	31,000	-
Interest and dividends income	△8,696	△11,291
Interest expenses	235,614	235,178
Equity in earnings of affiliates (△ means earnings)	-	△8,142
Stock issuance cost	10,232	86,364
Loss (gain) on sales of noncurrent assets	△14,017	△1,257,517
Loss on retirement of noncurrent assets	647	1,019
Loss on litigation	-	10,850
Decrease (increase) in notes and accounts receivable-trade	191,578	424,592
Decrease (increase) in inventories	△5,200,257	△9,213,959
Decrease (increase) in advances paid	7,370	△387,420
Increase (decrease) in notes and accounts payable-trade	308,373	△483,365
Increase (decrease) in deposits received	181,048	375,333
Increase (decrease) in guarantee deposits received	95,400	89,143
Other, net	142,461	231,965
Subtotal	2,113,435	△950,296
Interest and dividend income received	5,671	4,893
Interest expenses paid	△234,472	△232,420
Income taxes (paid) refund	△501,965	△361,135
Payment for loss on litigation	-	△41,850
Net cash provided by (used in) operating activities	1,382,668	△1,580,809

(Thousands of yen)

	FY ended March 31, 2015 (April 1, 2014 - March 31, 2015)	FY ended March 31, 2016 (April 1, 2015 - March 31, 2016)
Net cash provided by (used in) investing activities		
Payments into time deposits	△3,482,882	△3,746,904
Proceeds from withdrawal of time deposits	3,546,825	3,182,868
Purchase of property, plant and equipment	△375,036	△6,040,700
Proceeds from sales of property, plant and equipment	17,198	7,193,448
Purchase of intangible assets	△71,231	△210,815
Payments for guarantee deposits	-	△110,836
Net decrease (increase) in derivative deposit	240,235	-
Other, net	△151,480	△143,544
Net cash provided by (used in) investing activities	△276,372	123,516
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	△347,500	1,248,500
Proceeds from long-term loans payable	11,155,000	11,360,000
Repayment of long-term loans payable	△8,385,750	△9,326,834
Proceeds from issuance of bonds	389,767	5,113,635
Redemption of bonds	△1,195,000	△4,065,500
Proceeds from stock issuance to minority shareholders	-	8,000
Repayments to minority shareholders	△250,000	-
Cash dividends paid to minority shareholders	△88,145	-
Cash dividends paid	△576,358	△704,308
Other, net	△52	-
Net cash provided by (used in) financing activities	701,961	3,633,493
Effect of exchange rate change on cash and cash equivalents	2,254	△12,964
Net increase (decrease) in cash and cash equivalents	1,810,511	2,163,234
Cash and cash equivalents at beginning of period	9,401,600	11,212,112
Cash and cash equivalents at end of period	※1 11,212,112	※1 13,375,347