

Sun Frontier Fudousan Co., Ltd.

Business Report 2015

Fiscal Year Ended March 31, 2015



Code Number: 8934



SUN FRONTIER



Our goal is to become
“the company that customers love
and choose the most in the world”
as a professional of real
estate utilization.

President Tomoaki Horiguchi

Summary of 16th Term

Achieving increases both in profit and sales for 4 consecutive terms.

The business results of the Group for the 16th term increased sales and profits significantly for 4 consecutive terms, with sales of ¥27,741 million, operating income of ¥5,850 million, ordinary income of ¥5,593 million and net income of ¥5,053 million. This is thanks to shareholders, and we are grateful for your support.

Dividends will increase 3.0 yen per share over the amount of the previous year, to 16.5 yen per share.

During this fiscal year, the real estate market was booming with a boost from further monetary and fiscal policies by the government and the Bank of Japan. The vacancy rate in the urban office buildings improved, and the rent level also took a gradual upward turn. Furthermore, with favorable financial environment and depreciation of yen, not only domestic investors but also overseas investors mainly from Asia continued to show high level of interest in investment in the real estate market in Japan.

In these circumstances, the Group continued to focus its business on utilization of small- and medium-sized buildings in the Tokyo metropolitan area and also sincerely helped building owners solve a variety of real estate issues.

Our business fields can be divided into “basic service (operation of rental buildings)” and “applied product development (products using revitalized buildings)”. With a focus on the on-site approach based on our philosophy, the Group is striving to polish, apply and evolve our on-site capabilities by conducting marketing research from users’ perspectives and applying the research results to create and sell the products that meet the clients’ needs. As for the basic service, the Group offers comprehensive services including rental and sales brokerage of buildings, building management and maintenance, planning and implementation of minor repair and large-scale renovation, consultation on inheritance or tax related matters with experts, and provision of delinquent rent guarantee. We consider the customers’ background and issues as the most important assets. Working on their issues through collaboration with various internal departments is leading us to gain a variety of profit making opportunities.

For the applied product development, the Group has been vigorously promoting the real estate revitalization business that generates high added value by creating chains of various service functions. With the strength of finding tenants taking advantage of local knowledge, the Group has been offering highly profitable revitalized buildings that are user-friendly for the clients and tenants as replanning products.

Direction of Company

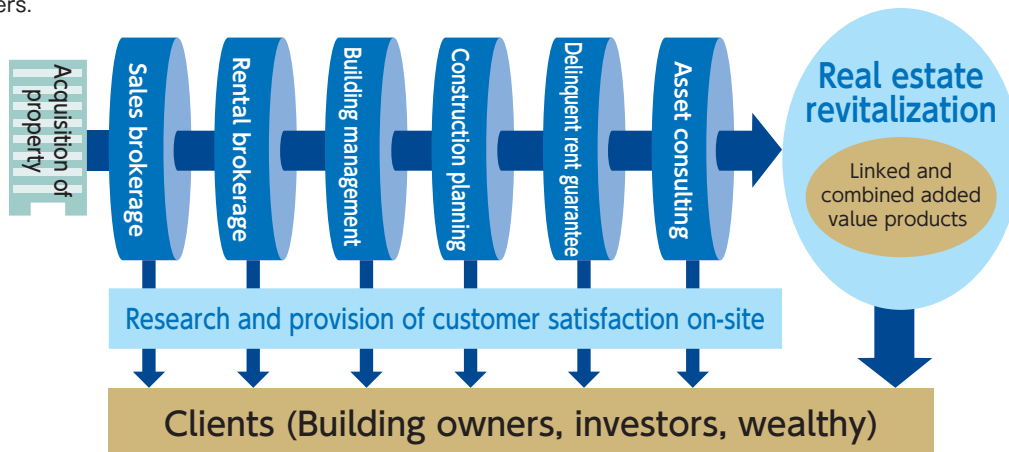
Vision and Policy of Sun Frontier

Building owners, investors and the wealthy are the Group's target clients, and it aims to become "the company that customers love and choose the most in the world" as a "professional of real estate utilization". The core business of the Group is real estate revitalization (utilization) of small- to medium-sized office buildings in central Tokyo. The Group does not focus on property but building owners, and its policy to solve problems of the building owners with its strengths such as ability to find tenants, capabilities to revitalize real estate, and operational capabilities to carry out optimal business management and operation to bring happiness to building owners and their families.



Business structure of Sun Frontier

The Group collects voices and information concerning complaints, inconveniences, and unpleasantness through dialogue with clients during service provision (e.g. sales brokerage, rental brokerage, building management, construction planning, delinquent rent guarantee, asset consulting) and solves the issues on-site by cooperating with internal departments. It also links and combines the solved added value and needs, reflects them in the real estate revitalization, produces replanning products and sells to customers.



Activities for the replanning business

Example of real estate revitalization 1

Development of products that draw out local strengths and are inspirational. (Hatchobori, whole building)

By carrying out renewal to take advantage of site characteristics and draw potential attractiveness of the building, we received agreement from all tenants to increase the rent. Hatchobori, where the property is located, is within the walking distance from Tokyo station or Ginza and is only 2 stations away from Tokyo Disney Resort, which has one of the largest number of visitors in Japan. The building's entrance has ornaments that are in the motif of running water and cherry blossoms. As a result, rental income at the time of sales increased by 17% from the time of purchase.

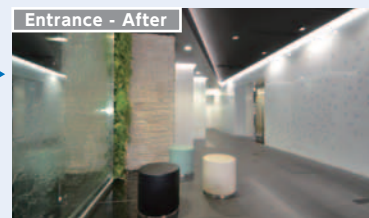


Exterior
Hibiya line [Hatchobori station]
2 minutes on foot



Entrance - Before

By carrying out renewal to take advantage of site characteristics and draw potential attractiveness of the building, we received agreement from all tenants to increase the rent. **Rental income at the time of sales has increased by 17% from the time of acquisition.**

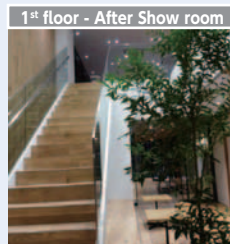
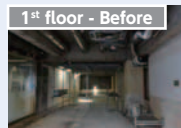
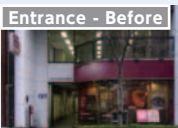


Entrance - After
Entrance in the motif of running water and cherry blossoms

Example of real estate revitalization 2

Head office building that adopts ideas of customers and builds up together. (Nihonbashi, whole building)

We acquired a building that was owned by several unit owners and made a single-owned building with single right of ownership. In an anticipation to use the building as a head office, we obtained the last tenant's right on the first floor and made the building completely vacant. Thereafter, we sold it to one of our existing customers as a head office and received the order for custom-made renovation work.



Acquired a building that was owned by several unit owners and made a single-owned building. The entire building became vacant after the last tenant left. Thereafter, we sold the building to one of our existing customers as the head office building and received the order for custom-made renovation work.

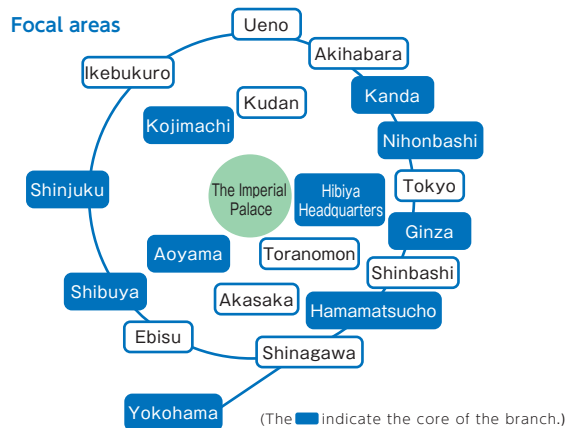


7th floor After
Communication space

Branch network to offer accessible services to owners

The Group has branch offices specializing in central Tokyo, in particular, in five cities in central Tokyo. This is to offer accessible services to building owners through community-based sales with its strengths of finding tenants using local knowledge.

In these areas, the Group creates a variety of profit making opportunities by not only offering rental brokerage services but also becoming the points of contact to solve various issues faced by building owners. This kind of multi-faced services can create opportunities for the real estate revitalization business and often become the Group's unique source of purchasing.

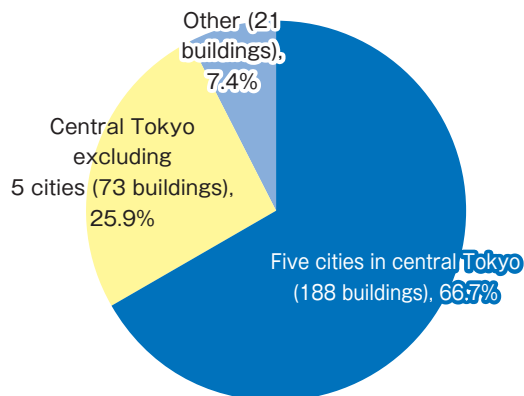


Management system to provide high-quality and prompt services, specialized in central Tokyo

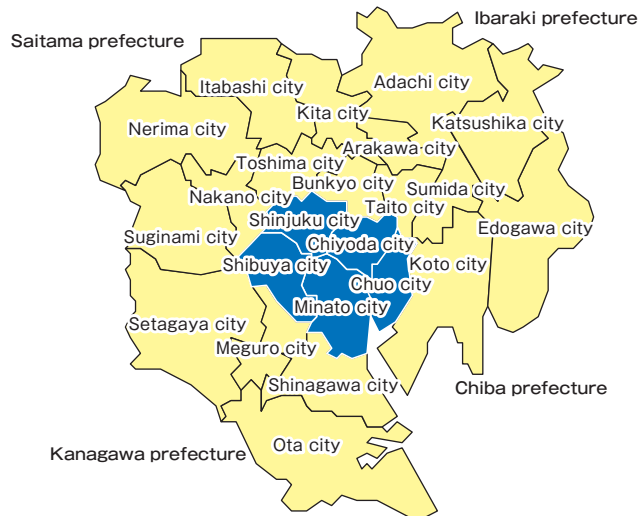
The Group manages a number of properties that belong to building owners. About 67% of them are located in five cities in central Tokyo. By focusing on these five cities, the Group will provide high-quality and prompt services and continue to enhance values of the buildings.

The buildings that are revitalized and sold by the Group become the bond to deepen the relationships with the clients, because they entrust the building to the Group for management after sale of the buildings. As a result, revitalization and sales of buildings lead to a larger number of buildings the Group manages and the number of clients.

Distribution of properties managed by the Company (282 buildings) by area (As of the end of April 2015)



About 75% of the properties managed by the Company are more than 20 years old.

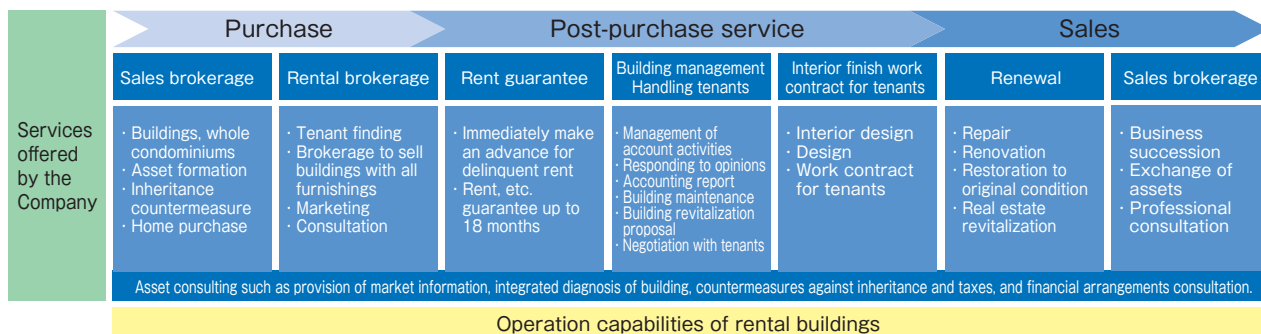


Operation capabilities of rental buildings are the strength

The Group has systems to respond to all kinds of real estate issues faced by clients with its strengths of operating capabilities to offer optimal utilization, management, and operation tailored to the unique characteristics of each rental building.

The Group aims to become a company to which clients give full authority of their real estate properties by thinking of the clients, offering chains of values, and providing optimal services from a client's perspective in the process of purchase, post-purchase and sales of real estate properties as a professional of the real estate industry. It offers services so that the clients will be freed from all kinds of troubles such as cumbersome formalities and management associated with their real estate properties while making stable income.

The Group striving to be a company for which its clients will feel a variety of promises when they hear its name, Sun Frontier.



Based on the basic philosophy, the Group changes, challenges and creates through participation by all

<Human resource development>

The Group has been operating based on the “spirit of altruism” since its establishment. Its human resource development is founded on the principle of “righteousness” and “compassion” as human beings, and its employees share the value of “other people’s joy is my joy”. The employees work for each other and will contribute to creating a rich society by providing larger satisfaction to the clients through strong collaboration.

<Management by all>

The Group promotes “management by all” where each employee plays an active role with management mind by establishing and ensuring the divisional accounting system (Amoeba Management) to enhance awareness of individual employee towards profitability.

<Corporate culture that changes, challenges and creates>

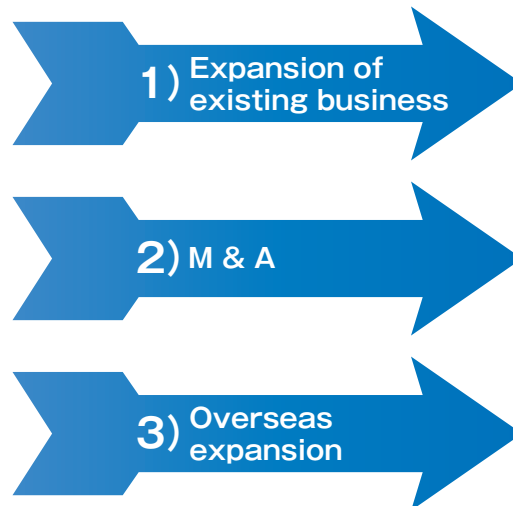
The employees carefully listen to clients’ wishes and sincerely work with them to solve even the smallest problems. Challenging tasks make their lives worth living and their work rewarding. The Group will keep on changing, challenging and progressing from client’s perspective. Such an attitude of enhancing business skills through responsibility and awareness is the foundation of collaboration among the employees in each department and helps the Group produce linked and combined high added value.



Growth strategies, “three arrows”

The Group determined “three arrows” as the growth strategies. Based on these growth strategies, it will expand its business on the offensive.

- 1) Expansion of existing business** The Group will establish more branch networks in Tokyo which is receiving the world’s attention, work on new ways to utilize real estate properties by harnessing spaces such as rental conference rooms, small office spaces and hotels, and enhance the operation capabilities. Using such basic services as the foundation, the Group will also aggressively work on the building revitalization business.
- 2) M&A** The Group will provide new services and businesses that respond to the clients’ needs through M&A (including capital alliance and business tie-up), strengthen chains of value of service capabilities from a client’s perspective, and grow further by obtaining human resources, deepening the businesses and pursuing synergy effects.
- 3) Overseas expansion** The Group will provide opportunities for the overseas wealthy to invest in the real estate market in Tokyo and contribute to the growth of Japan. It will also expand its businesses in the rapidly growing big cities in South East Asia and provide real estate properties with Japanese high technology and service quality. This way, the Group will contribute to the happiness of the local people and development of the cities.



In conclusion

For the fiscal year ending March 31, 2016, forecast sales are ¥33,000 million (19.0% increase year-over-year), operating income of ¥6,300 million (7.7% increase YOY), ordinary income of ¥6,000 million (7.3% increase YOY) and net income of ¥5,300 million (4.9% increase YOY). Dividends are planned to increase by 1.0 yen per share to 17.5 yen per share.

In line with the growth strategies, we plan to become a company with which our clients feel secure to entrust their buildings. The core will be the operation capabilities of rental buildings. Under clear direction, each employee will enhance capacities, increase external collaborators, improve skills to solve the clients’ problems and help the clients in a way that other companies cannot do. As a result, we will draw attention of the investors and the wealthy in Japan as well as investors from overseas as an investment destination company and capture the growth of Asia.

Furthermore, in order to maintain operating income of over 20%, as a highly profitable company, we will manage risks while continuously changing ourselves, aggressively challenging niches and expanding our businesses with a focus on profit, rather than sales. We will never be satisfied with the current status. All employees will persevere and work together as one to study the customers’ needs, provide maximum added value and continue to enhance customer satisfaction to enhance our corporate value sustainably.

We ask for your continued guidance and support.



From left to right, Executive Vice President Seiichi Saito, President Tomoaki Horiguchi, Senior Managing Director Izumi Nakamura, Managing Director Yasushi Yamada

With the real estate revitalization business in the lead, the business diversified and achieved increased sales and profit for 4 consecutive years.

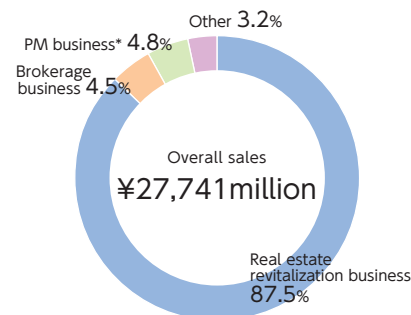
The Group established branch networks in 5 cities in central Tokyo, specialized in small- to medium-sized buildings. Over 50 sales staff members who have strengths in finding tenants for office buildings using local experiences have been providing rental brokerage services and solving issues of building owners. The branch networks are the origin of creating its added value.

For building management, tenants are visited once a month. Through frequent dialogue, the Group pursues comfort and convenience of the tenants. It also reports the building management situation to the building owners and asks for their ideas. By providing such fined-tuned and careful management, the Group achieves a stable and high occupancy rate. This has also resulted in a larger number of building management works.

Furthermore, as an integrated real estate corporation, the Group provides secure feeling to building owners through functions such as sales brokerage, repair and large-scale renovation, interior design, delinquent rent guarantee and asset consulting. Through these functions, the Group has been responding to all kinds of issues building owners are faced with.

The Group also links and combines all of these in-house functions to achieve a consolidated real estate revitalization business. Through this business, it creates added value by the entire Group as a whole.

As a result of the above, results for this consolidated fiscal year were sales of ¥27,741 million (56.1% increase YOY), operating income of ¥5,850 million (29.1% increase YOY), ordinary income of ¥5,593 million (28.8% increase YOY) and net income of ¥5,053 million (25.7% increase YOY).



*PM is an abbreviation for property management.

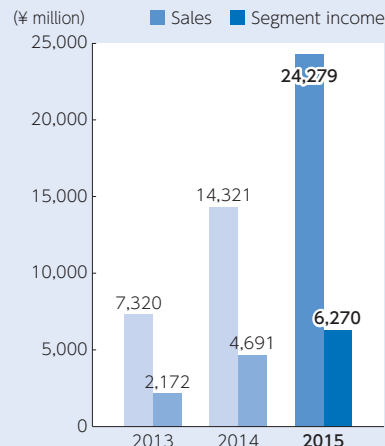
Real estate revitalization business

Sales and profit of the replanning business have grown. Rental income has drastically increased as a result of progress in acquisition and commercialization of properties.

As for replanning (real estate revitalization) business, we imagine who prospect buyers will be as early as when we purchase and commoditize real estates. We consider real estates in respect not only of yield but also of site quality, rarity, stability as assets, and tax merit. Those are the “values” which we provide for our customers, and that’s why we have always explored how to improve our skill and quality. As a result, we achieved sales of 29 buildings during this fiscal year, which contributed to increases both in sales and profits compared with 19 buildings in the previous year.

In the building rental business, thanks to the increment in rent income from renovated real estates, which are under commercialization, and to other factors, we also achieved YOY increases both in sales and profits.

As a result, sales were ¥24,279 million (69.5% increase YOY) and segment income was ¥6,270 million (33.7% increase YOY).



The segment income listed for segment results is calculated by deducting interest costs, sales fees, goodwill amortization and other fixed costs from gross profit on sales.

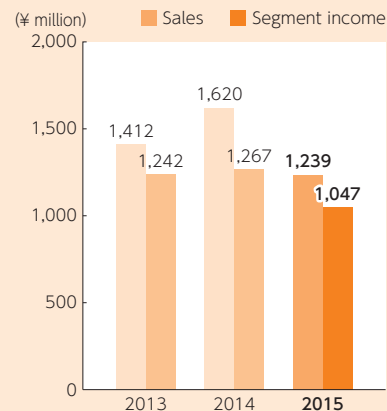
Brokerage business

Although sales brokerage decreased and rental brokerage leveled out, the brokerage business put effort into acquiring and selling company properties and finding tenants and contributed to the income of the Group.

In the sales brokerage business, the number of contracts decreased as a result of delays in responding to rapid lowering of pricing as the competition in the increasingly active market intensified.

In the rental brokerage business, the Group focused its efforts on finding tenants as well as solving building owners' concerns related to building management under the circumstances where occupancy rate improved in the market. And sales and profit remained level with the previous year.

As a result, sales were ¥1,239 million (23.5% decrease YOY) and segment income was ¥1,047 million (17.4% decrease YOY).



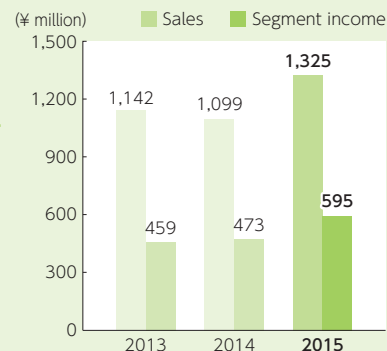
Property management

The number of customers steadily increased, and the number of properties increased by 49 from the previous year to 276.

In the property management business, the Group worked on rental sales using local knowledge for rentals by increasing customer satisfaction through smooth tenant communication.

In the building maintenance business, the Group reduced the number of bid contracts that have low profitability and further strengthened height cleaning and repair works of external walls, etc.

As a result, sales were ¥1,325 million (20.6% increase YOY) and segment income was ¥595 million (25.7% increase YOY).



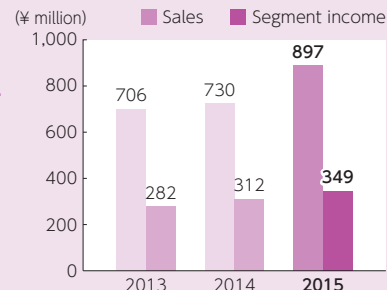
Other

Delinquent rent guarantee business contracts increased by 27%, and sales and income increased by double-digit.

In the construction solutions business, sales increased as a result of orders for large-scale projects but income rate decreased. Thus, sales increased but income decreased compared with the previous year.

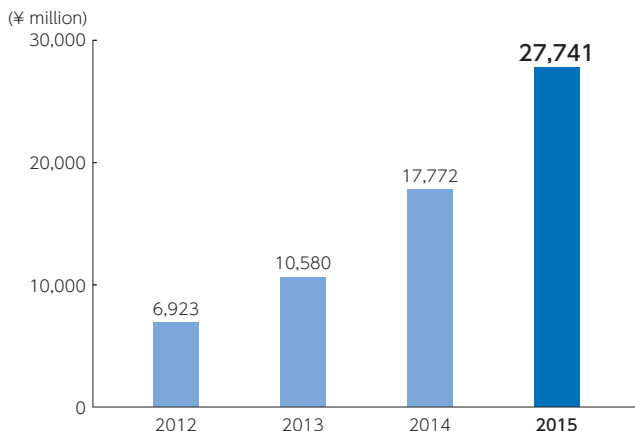
In the delinquent rent guarantee business, contracts handled increased steadily because the Group focused on penetrating into new product plans market and collaborating with partnering companies.

As a result, sales were ¥897 million (22.8 % increase YOY) and segment income was ¥349 million (11.7% increase YOY).



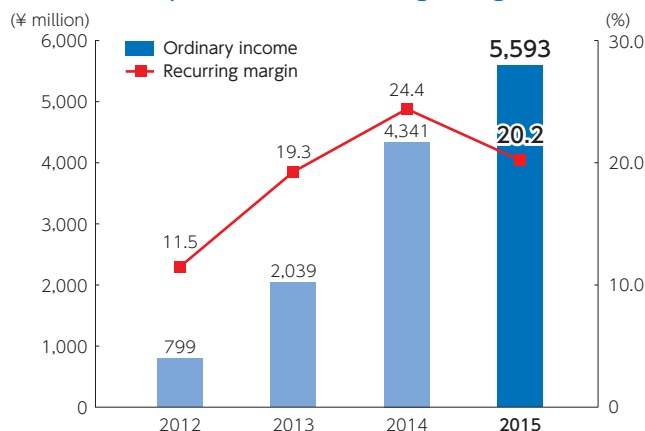
Financial Highlights

Sales



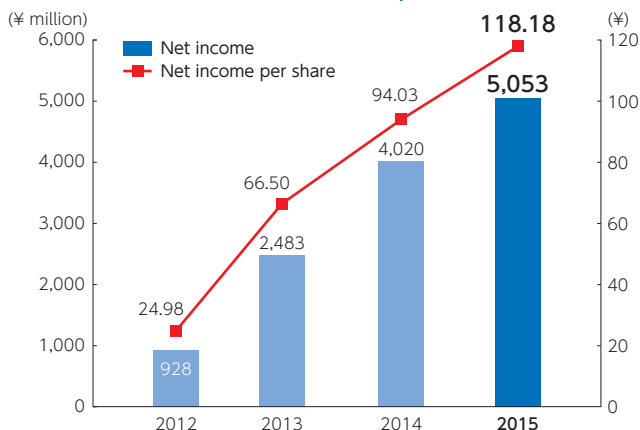
56% increase YOY to ¥27.7 billion.
4th consecutive increase.

Ordinary income, Recurring margin



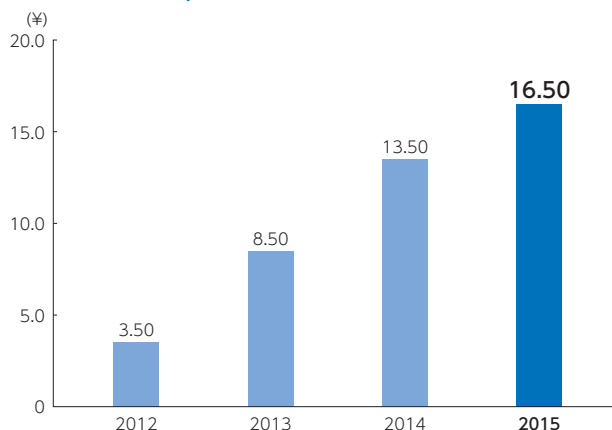
Ordinary income has increased by 30% YOY.
With the high added value business, the ordinary
income rate remained over 20%.

Net income, Net income per share*1



26% increase YOY to ¥5 billion.
4th consecutive increase.

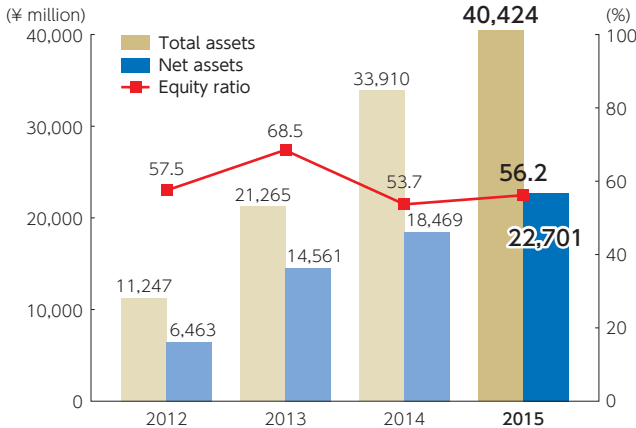
Dividends per share*1



Dividends increased to ¥16.50, ¥3 increase YOY.
3rd consecutive increase.

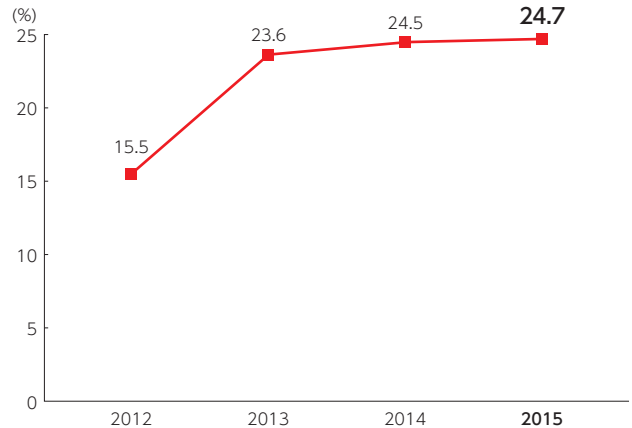
*1 Since the Company split each share into 100 shares as of October 1, 2013, for the ease of calculation 1/100 is used to calculate net income per share and dividends per share.

Total assets, Net assets, Equity ratio



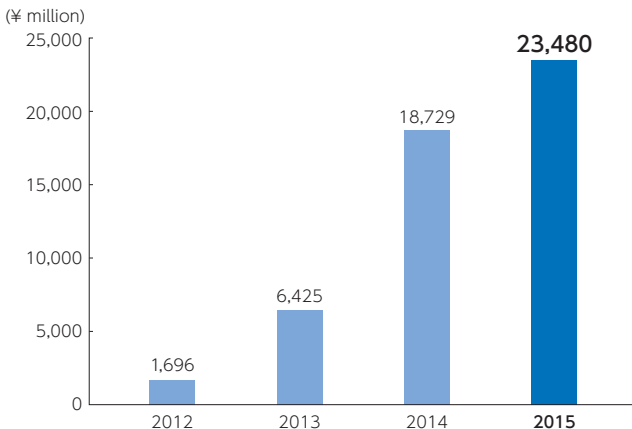
With the increase in inventory accumulation, total assets have increased. An equity ratio of 50% was maintained for a continued muscular financial state.

Return on equity (ROE*2)



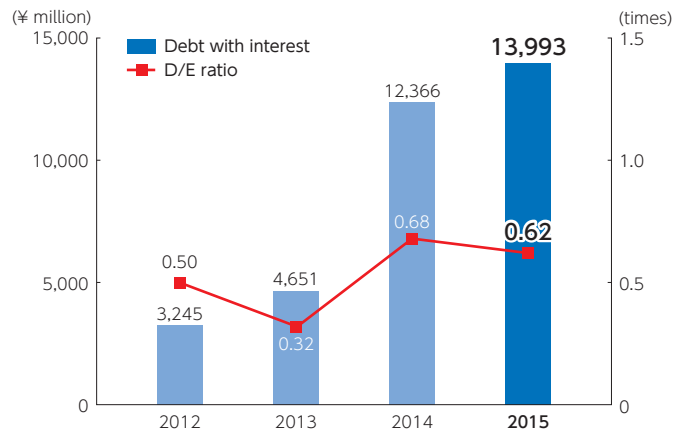
Business evolved with a focus on central Tokyo and office buildings. With efforts for early revitalization and high profit, ROE increased to 24.7%.

Inventory assets



Purchasing has progressed, and the number and value of real estates for sale from the next period increased to 27 buildings and 23.4 billion yen.

Debt with interest, D/E ratio*3



With progress in purchasing, properties planned for sale next year or later increased. Inventory accumulation has reached ¥23.4 billion (27 buildings).

For details on financial information, see the website [Sun Frontier IR](#) [search](#)

*2 ROE is calculated with net income/equity capital (average of year start and end) × 100, and is an indicator for capital efficiency.

*3 D/E ratio is calculated with debt with interest/equity capital, and is an indicator of financial soundness.

(As of March 31, 2015)

Share information

Number of authorized shares	91,200,000
Number of shares issued	42,755,500
Number of shareholders	9,916

Principal Shareholders(Top 10)

Shareholder name	Number of shares held	Ownership ratio*
Houon	17,957,500	42.00%
Tomoaki Horiguchi	3,757,400	8.79%
Japan Trustee Services Bank, Ltd.	1,514,900	3.54%
The Master Trust Bank of Japan, Ltd.	952,900	2.23%
CMBL S. A. RE MUTUAL FUNDS	695,300	1.63%
Keiko Horiguchi	399,000	0.93%
The Nomura Trust and Banking Co., Ltd.	383,700	0.90%
THE BANK OF NEW YORK MELLON 140030	365,000	0.85%
SBI Securities Co., Ltd.	310,700	0.73%
Japan Securities Finance Co., Ltd.	280,400	0.66%

*Numbers displayed are rounded off to the second decimal place.
Ownership ratio is calculated after deducting treasury shares (100 shares).

Breakdown of Shareholders(by share number)



Shareholder memo

Fiscal year	From April 1 to March 31 of the following year
Annual shareholder meeting	June
Date of record	March 31
Announcement listing method	Electronic public notice (the Company homepage) If an electronic public notice is not possible for any reason, the notice will be listed in the Nihon Keizai Shimbun.
Shareholder registry administrator	Mizuho Trust and Banking Co., Ltd. 1-2-1 Yaesu, Chuo-ku, Tokyo
Location for handling this business	Mizuho Trust and Banking Co., Ltd. Security Agency Department
Contact address	[Number for inquiries only] 0120-288-324

Company overview

Name	Sun Frontier Fudousan Co., Ltd. (Code Number: 8934)			
Headquarters	Toho Hibiya Building, 1-2-2, Yurakucho, Chiyoda-ku, Tokyo 100-0006 Tel.03-5521-1301 https://www.sunfrt.co.jp			
Branches	Ginza, Kanda, Kojimachi, Shinjuku, Shibuya, Aoyama, Yokohama			
Capital	¥8,387 million			
Number of employees	199 (consolidated)			
Executives (As of June 26, 2015)	Executives President	Tomoaki Horiguchi	Vice President Executive Officer	Seichi Saito ²
	Executive Vice President	Seichi Saito	Managing Executive Officer	Izumi Nakamura ²
	Senior Managing Director	Izumi Nakamura	Director and Executive Officer	Yasushi Yamada ²
	Director	Yasushi Yamada	Executive Officer	Ichiro Mizuno
	Outside Director	Toshio Takahara Yukitoshi Kubo ¹		Kenji Honda Mitsuhiro Ninomiya Keiji Nakazawa
	Full-time Auditor	Shinji Ohsawa		
	Outside Auditor	Koichi Kase Hirokazu Moriya		

Principal Consolidated Subsidiaries
 SF Building Support Inc.
 Sun Frontier Real Estate Investment Advisors Inc.
 K.K. Yubi
 SUN FRONTIER FUDOUSAN TAIWAN CO., LTD.

¹ Schedule to take office as of July 1, 2015

² This means combined post with the director position.



SUN FRONTIER