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Company name: Sun Frontier Fudousan Co., Ltd.

Stock listing: JASDAQ

Code number: 8934

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## **Sun Frontier Fudousan Co., Ltd., Announces Stock Options (New Stock Acquisition Rights) for Directors**

Sun Frontier Fudousan Co., Ltd., has announced that the board of directors meeting held on May 22, 2006 resolved to submit a proposal concerning the determination of remuneration for stock options for the Company's directors to the 7th ordinary general meeting of shareholders ("general meeting" below) scheduled to be held on June 22, 2006.

### **1. Reason for submission**

The Company has previously issued stock options to parties other than shareholders with especially favorable terms following approval by special resolution of the general meeting of shareholders. However, with the enforcement of the Corporation Law (Law No. 86 of 2005) on May 1, 2006, new stock acquisition rights issued as stock options have been positioned as remuneration for directors.

The proposal concerning the determination of remuneration relating to new stock acquisition rights issued as stock options for directors is being submitted to the general meeting. The objectives are to unite the interests of the recipients of stock options and the interests of shareholders by linking the financial results of the Company and the benefits received by directors, further increasing the motivation and morale for improving the Company's performance, and at the same time, to seek the sound management and steady development of the Company by securing outstanding human resources.

The issue of new stock acquisition rights as stock options to parties other than the Company's directors will be based on the resolution of the Company's board of directors in accordance with the provisions of the Corporation Law.

### **2. Details of the proposal**

#### **(1) Details of remuneration as stock options and the method of calculation**

The remuneration of the Company's directors was resolved to be not more than 15 million yen per month (notwithstanding that this shall not include the portion of employee salaries for officers serving concurrently as employees) at the 6th ordinary general meeting of shareholders held on June 29, 2005. Separate to this, the Company shall submit the proposal to the general meeting "to allocate new stock acquisition rights detailed in (2) below as remuneration, with the method of calculation of the amount



being the fair value per new stock acquisition right allocated multiplied by the total number of new stock acquisition rights allocated (to be not more than 350).

In these proposals, “the fair value per new stock acquisition right” shall be assessed appropriately in accordance with Corporate Accounting Standard No. 8 “Accounting Standard for Stock Options, etc.” and Corporate Accounting Standard Implementation Guideline No. 11 “Implementation Guideline for Accounting Standard for Stock Options, etc.” published by the Corporate Accounting Standards Committee on December 27, 2005.

There are currently four directors, and there will be five directors if the proposed appointment of a director to be submitted to the general meeting is approved.

(2) Details of new stock acquisition rights

(a) Number of shares to be subject to new stock acquisition rights

The number of shares to be subject to one new stock acquisition right (“subject number of shares” below) shall be one share of the Company’s common stock.

In the event that Company conducts a stock split (includes a gratis allotment of shares) or a reverse stock split, and it is necessary to adjust the subject number of shares above, the Company may adjust the subject number of shares within reasonable limits.

(b) Amount of cash to be contributed when exercising stock acquisition rights

The means of contribution when exercising new stock acquisition rights shall be cash, and the amount shall be the exercise price per share defined below multiplied by the number of subject shares.

The amount of cash per share to be contributed when exercising new stock acquisition rights (“exercise price” below) shall be the average closing price of the Company’s traded common stock on the Jasdaq Stock Exchange for the 20 days (excludes trading holidays) before the date prior to the date of allotment of new stock acquisition rights multiplied by 1.05, and fractions of less than one yen shall be rounded up. Notwithstanding, the exercise price shall not be lower than the closing price on the date of allocation of new stock acquisition rights.

In the event that the Company conducts a stock split (includes a gratis allotment of shares), a reverse stock split, or an issue or disposal of shares for below the market price (excludes the exercise of new stock acquisition rights), the exercise price above shall be adjusted within reasonable limits.

(c) Period during which new stock acquisition rights may be exercised

To be determined by the Company’s board of directors to fall between the period from two years after the date of the resolution of the board of directors that determines the offering of new stock acquisition rights to a date ten years after that. Notwithstanding, when the final date of the exercise period falls on a holiday, the final date shall be the business day before.



(d) Conditions for exercise of new stock acquisition rights

- i. Persons who receive an allotment of new stock acquisition rights must be a director of the Company at the time of the exercise of the rights. Notwithstanding, this shall not apply in the event of resignation due to expiry of term of appointment or other due cause.
- ii. Other conditions for the exercise of rights shall be as specified in the New Stock Acquisition Rights Agreement concluded between the Company and persons who receive an allotment of new stock acquisition rights.

(e) Reasons and terms for acquisition of new stock acquisition rights

New stock acquisition rights shall not be acquired for compensation. The reasons for gratis acquisition shall be as specified by the board of directors resolution that determines the offering of the relevant new stock acquisition rights.

(f) Limitations on transfer of new stock acquisition rights

Acquisition of new stock acquisition rights through transfer shall require the approval of the Company's board of directors.

(g) Particulars

The particulars relating the new stock acquisition rights shall be as specified by the board of directors resolution that determines the offering of the relevant new stock acquisition rights.

Note: The details above are conditional on the approval of "Determination of remuneration for stock options for directors" at the Company's 7th ordinary general meeting of shareholders scheduled to be held on June 22, 2006.