



June 23, 2006

Company name: Sun Frontier Fudousan Co., Ltd.

Stock listing: JASDAQ

Code number: 8934

URL: <http://www.sunfrt.co.jp>

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Issuance of New Shares and Secondary Offering of Shares

The company is announcing that its board of directors decided on the following issuance of new shares and secondary offering of shares at a meeting held on June 23, 2006.

1. Issuance of new shares through public offering (general public offering)

- (1) Number of shares to be issued: 35,000 shares of common stock
- (2) Purchase price: The purchase price shall be determined on any day between July 3 and 5, 2006, according to the method prescribed in Article 7-2 of the Fair Business Practice Regulations, No. 14 established by the Japan Securities Dealers Association (hereinafter, “purchase price determination date”).
- (3) Increase in capital and additional paid-in capital: The increase in capital shall equal 50% of the maximum increase in capital, etc. as calculated according to Article 37 of the Corporate Accounting Regulations, rounded up to the nearest ¥1.
The increase in additional paid-in capital shall equal the amount derived by subtracting the increase in capital from the maximum increase in capital, etc.
- (4) Offering method: A general public offering with firm commitment underwriting by Daiwa Securities SMBC Co. Ltd., Shinko Securities Co., Ltd., Ichiyoshi Securities Co., Ltd., Nomura Securities Co., Ltd., Mitsubishi UFJ Securities Co., Ltd., Cosmo Securities Co., Ltd., Mizuho Securities Co., Ltd., Merrill Lynch Japan Securities Co., Ltd., E*Trade Securities Co., Ltd., and Tokai Tokyo Securities Co., Ltd. (hereinafter “underwriters”).
The issue price (offer price) in the general public offering shall be determined based on the closing price on the Jasdq Securities Exchange on the purchase price determination date (or the closing price on the nearest preceding date if a closing price is not available on the purchase price determination date), multiplied by a number between 0.90 and 1.00 (rounded down to the nearest ¥1), and accounting for market demand, according to the method prescribed in Article 7-2 of the Fair Business Practice Regulations, No. 14 established by the Japan Securities Dealers Association.
- (5) Underwriters compensation: The underwriters shall not be paid a commission, but, in place of a commission, they shall receive the difference between the issue price (offer price) in the general public offering and the total purchase price paid by the underwriters to the company.
- (6) Offer period: The offer period shall extend from July 6, 2006 to July 10, 2006.
However, the offer period can be moved forward in light of demand conditions, with the earliest offer period extending from July 4, 2006 to July 6, 2006.



- (7) Payment date: Any day between July 11, 2006 and July 13, 2006.
However, as noted above in item (6), the offer period can be moved forward in light of demand conditions, and, in the case of the earliest offer period, the payment date shall be July 11, 2006.
- (8) Offer deposit: An amount equal to the issue price (offer price) in the general public offering.
- (9) Shares per unit in offer: 1 share
- (10) The company's president shall assume responsibility for all matters requiring a decision by the company related to the purchase price, increase in capital and additional paid-in capital, and other matters related to the issuance of new shares through public offering.
- (11) The foregoing items are subject to the registration entering into force based on the Securities and Exchange Law.

2. Secondary offering of the company's shares (secondary offering through firm commitment underwriting)

- (1) Number of shares in secondary offer: 3,900 shares of common stock
- (2) Shareholders offering shares and the number of shares offered
Tomoaki Horiguchi: 3,000 shares
Shinichi Hasegawa: 500 shares
Masahiro Mochizuki: 400 shares
- (3) Secondary offer price: Undetermined [equal to the issue price (offer price) in article 1. Issuance of new shares through public offering (general public offering)].
- (4) Secondary offer method: Firm commitment underwriting by Daiwa Securities SMBC Co. Ltd. Underwriter compensation in the secondary offering shall equal the amount derived by subtracting the underwriting price paid by the underwriter to the shareholders offering shares (equal to the purchase price in article 1. from the secondary offer price.
- (5) Secondary offer period: The same offer period as in article 1.
- (6) Share delivery date: The next business day following the payment date in article 1.
- (7) Secondary offer deposit: An amount equal to the secondary offer price.
- (8) Shares per unit in secondary offer: 1 share
- (9) The company's president shall assume responsibility for all matters requiring a decision by the company related to the secondary offer price and other matters related to this secondary offering of shares.
- (10) The foregoing items are subject to the registration entering into force based on the Securities and Exchange Law.

3. Secondary offering of the company's shares (secondary offering through over-allotment)

- (1) Number of shares in secondary offer: 5,000 shares of common stock
However, this figure represents the maximum number of shares in the secondary offer, and the final number of shares shall be determined on the offer price determination date in light of demand conditions in the foregoing article 1. Issuance of new shares through public offering (general public offering) and article 2. Secondary offering of the company's shares (secondary offering through firm commitment underwriting).
- (2) Shareholder offering shares: Daiwa Securities SMBC Co. Ltd.



- (3) Secondary offer price: Undetermined (equal to the issue price (offer price) in article 1.
 - (4) Secondary offer method: Daiwa Securities SMBC Co. Ltd. shall sell additional shares that it plans to borrow from the company's shareholders in light of demand conditions in the foregoing articles 1 and 2.
 - (5) Secondary offer period: The same offer period as in article 1.
 - (6) Share delivery date: The next business day following the payment date in article 1.
 - (7) Secondary offer deposit: An amount equal to the secondary offer price.
 - (8) Shares per unit in secondary offer: 1 share
 - (9) The company's president shall assume responsibility for all matters requiring a decision by the company related to the secondary offer price and other matters related to this secondary offering of shares.
 - (10) The foregoing items are subject to the registration entering into force based on the Securities and Exchange Law. Additionally, this secondary offering of shares shall be canceled in the event of a cancellation of the foregoing articles 1 and 2.
4. Issuance of new shares through third party allotment
[Third party allotment of new shares in relation to article 3. Secondary offering of the company's shares (secondary offering through over-allotment)]
- (1) Number of shares to be issued: 5,000 shares of common stock
 - (2) Purchase price: Equal to the purchase price in article 1.
 - (3) Increase in capital and additional paid-in capital: The increase in capital shall equal 50% of the maximum increase in capital, etc. as calculated according to Article 37 of the Corporate Accounting Regulations, rounded up to the nearest ¥1.
The increase in additional paid-in capital shall equal the amount derived by subtracting the foregoing increase in capital from the maximum increase in capital, etc.
 - (4) Offer period: August 8, 2006
 - (5) Payment date: August 8, 2006
 - (6) Party accepting third party allotment and number of shares to be placed: Daiwa Securities SMBC Co. Ltd. shall accept 5,000 shares
 - (7) Share per unit in offer: 1 share
 - (8) Shares not offered during the foregoing offer period listed in item (4) shall not be issued.
 - (9) The company's president shall assume responsibility for all matters requiring a decision by the company related to the purchase price, increase in capital and additional paid-in capital, and other matters related to the issuance of new shares through third party allotment.
 - (10) The foregoing items are subject to the registration entering into force based on the Securities and Exchange Law. Additionally, the issuance of new shares through third party allotment shall be canceled in the event of a cancellation of the foregoing articles 1, 2 and 3.



Reference

1. Concerning the number of shares to be offered through over-allotment and the number of new shares to be issued through third party allotment

As part of the current issuance of 35,000 new shares through public offering (hereinafter “general public offering”) and secondary offering of 3,900 shares through full commitment underwriting (hereinafter “secondary offering through full commitment underwriting”), the company is also planning a secondary offering up to a maximum of 5,000 shares (hereinafter “secondary offering through over-allotment”).

The secondary offering through over-allotment involves Daiwa Securities SMBC Co. Ltd., in conjunction with the general public offering and the secondary offering through full commitment underwriting, offering up to a maximum of 5,000 shares of the company’s common stock borrowed from shareholders (hereinafter “borrowed shares”) in light of demand conditions. Accordingly, the figure shown for the number of shares to be offered through over-allotment represents the maximum number of shares, and, depending on demand conditions, the number of shares may decrease or the secondary offering through over-allotment may be canceled.

In relation to this matter, at a board of directors meeting held on June 23, 2006, the company decided that, in addition to the general public offering and secondary offering through full commitment underwriting, it would also issue 5,000 new shares of common stock in a third party allotment to Daiwa Securities SMBC Co. Ltd. (hereinafter “third party allotment of new shares”) with a payment date of August 8, 2006.

Daiwa Securities SMBC Co. Ltd. may trade shares of the company’s common stock to maintain price stability during the offer period of the general public offering, secondary offering through full commitment underwriting, and secondary offering through over-allotment (hereinafter “offer period”), and it may allocate shares purchased while trading to maintain price stability for returning borrowed shares.

Additionally, Daiwa Securities SMBC Co. Ltd. may purchase shares of the company’s common stock on the Nasdaq Securities Exchange, up to the maximum number of shares in the secondary offering through over-allotment, from the day after the final day of the offer period until August 4, 2006 (hereinafter “syndicate covering transactions”), and it may allocate shares purchased in syndicate covering transactions for returning borrowed shares.

Daiwa Securities SMBC Co. Ltd. plans for the number of new shares issued through third party allotment to correspond to the number of shares derived by subtracting the number of shares allocated for returning borrowed shares in relation to the foregoing transactions from the number of shares in the secondary offering through over-allotment.

Consequently, a portion or all of the new shares issued through third party allotment may not be offered, and, as a result of forfeiture, the final number of new shares issued through third party allotment may decrease due to this limit, or the issuance of new shares may not occur at all.

2. Total shares outstanding following the public offering and third party allotment of new shares

- (1) Current shares outstanding: 290,898 shares (as of May 31, 2006)
- (2) Increase in shares from public offering: 35,000 shares
- (3) Total shares outstanding following increase from public offering: 325,898 shares
- (4) Increase in shares from third party allotment: 5,000 shares
- (5) Total shares outstanding following increase from third party allotment: 330,898 shares

Notes: 1. Items (4) and (5) are subject to change due to item (1) above.

2. Total shares outstanding may increase due to the exercise of stock options.



3. Use of funds rose

(1) Use of funds raised

The public offering of new shares is expected to raise about ¥8,692 million after taxes and the third party allotment of new shares, which was decided on the same day as the general public offering, is expected to raise ¥1,244 million. The company plans to allocate the entire combined amount to acquiring property in the replanning business.

(2) Change in use of funds previously raised

Not applicable.

(3) Impact on earnings

The company expects the funds raised to ensure high flexibility in cash reserves and to contribute to earnings growth by using funds to purchase and renovate land and buildings, mainly used office buildings.

4. Distribution of profits to shareholders

(1) Basic policy on profit distribution

The company views the stable and ongoing distribution of profits to shareholders as an important management issue.

(2) Approach to determining dividends

The company's basic policy is to determine dividends based on considerations of accumulating the internal reserves needed to enhance the company's growth potential and raise its management efficiency and of earnings in each fiscal period.

(3) Use of internal reserves

The company plans to use internal reserves for bolstering its financial position and for future business development in response to the business environment. It is striving to increase enterprise value by effectively utilizing these funds.

(4) Dividends over the past three fiscal years

(Non-consolidated)	FY3/04	FY3/05	FY3/06
Net income per share	¥21,663.08	¥38,141.45	¥20,520.41
Annual dividend per share	¥2,000	¥2,000	¥1,000
(Interim dividend per share)	(—)	(—)	(—)
Dividend payout ratio	9.2%	5.2%	4.9%
Return on equity	42.6%	38.1%	29.9%
Dividend on equity	3.2%	1.5%	1.0%

Notes: 1. Net income per share in each fiscal year is derived by dividing net income for the fiscal year by the average number of shares during the fiscal year. The company applies the "Accounting Standards for Net Income Per Share" (Corporate Accounting Standards, No. 2) and the "Application Guidelines for Accounting Standards for Net Income Per Share" (Corporate Accounting Standards, No. 4) in calculating net income per share.

2. The dividend payout ratio in each fiscal year is derived by dividing the annual dividend per share at the end of the fiscal year by net income per share at the end of the fiscal year.

3. Return on equity for each fiscal year is derived by dividing net income at the end of the fiscal year by shareholders' equity (the average of total shareholders' equity at the beginning of the year and total shareholders' equity at the end of the year).

4. Dividend on equity in each fiscal year is derived by dividing total dividends at the end of the fiscal year by shareholders' equity (total shareholders' equity at the end of the year).

5. The company implemented a 4-for-1 stock split of its common stock on May 20, 2005.



5. Other

- (1) Designation of purchaser
Not applicable.

- (2) Dilution from residual securities

The company employs a stock option system, and the following table shows the remaining number of new shares to be issued, the issue price, and the amount to be included in capital as a result of stock options as of May 31, 2006.

The ratio of residual securities (2,520 shares) as of May 31, 2006 to total shares outstanding (maximum of 330,898 shares) following the public offering and third party allotment of new shares is expected to be 0.76%.

Stock options based on Articles 280-20 and 280-21 of the former Commercial Code revised in 2001

General shareholders meeting special resolution date	Number of shares for stock options	Issue price for shares issued with exercise of stock options and amount to be capitalized	Stock option exercise period
June 25, 2004	2,520 shares	Issue price: ¥6,667 Capitalized amount: ¥3,334	From June 26, 2006 to June 25, 2014

- (3) Previous equity financing

- 1) Equity financing during the past three years

A. Public offering of new shares at the time of the initial public offering

Shares issued	2,000 shares
Issue date	November 19, 2004
Issue price	¥500,000 (issue amount ¥382,500)
Total issue value	¥1,000,000,000

B. Public offering of new shares

Shares issued	11,000 shares
Issue date	September 16, 2005
Issue price	¥420,010 (issue amount ¥395,329)
Total issue value	¥4,620,110,000

C. Third party allotment of new shares (resulting from a secondary offering through over-allotment in conjunction with the foregoing B. Public offering of new shares)

Shares issued	1,950 shares
Issue date	October 15, 2005
Issue price	¥395,329
Total issue value	¥770,891,550



2) Share price over the past three fiscal years

	FY3/04	FY3/05	FY3/06	FY3/07
Opening price	—	¥1,010,000	¥320,000	¥334,000
High	—	¥1,270,000 *¥1,040,000 **¥387,000	¥1,190,000 **¥345,000	¥373,000
Low	—	¥648,000 *¥631,000 **¥301,000	¥289,000 **¥284,000	¥204,000
Closing price	—	¥319,000	¥326,000	¥250,000

Notes: 1. Share prices are based on prices on the Jasdq Securities Exchange from December 13, 2004. Prices prior to this date are based on prices announced by the Japan Securities Dealers Association. The company registered its stock with the Japan Securities Dealers Association on November 19, 2004 and share price information is not applicable prior to this date.

Additionally, a single asterisk (*) next to high and low prices in FY3/05 indicate prices announced by the Japan Securities Dealers Association.

2. Two asterisks (**) indicate ex-rights share prices resulting from a stock split in that fiscal year. The company implemented a 4-for-1 stock split on May 20, 2005 and a 3-for-1 stock split on April 1, 2006.

3. FY3/07 share prices are as of June 22, 2006.

3) Price-to-earnings ratio over the past three fiscal years

(Non-consolidated)	FY3/04	FY3/05	FY3/06
Price-to-earnings ratio	—	33.5 times	47.6 times
Return on equity	42.6%	38.1%	29.9%

Notes: 1. Price-to-earnings ratio is derived by dividing the closing share price at the end of the fiscal year by net income per share at the end of the same fiscal year. Figures have been adjusted to account for stock splits on May 20, 2005 and April 1, 2006. Additionally, the price-to-earnings ratio is not listed in FY3/04 because the company's stock was not listed or registered.

2. Return on equity in each fiscal year is derived by dividing net income at the end of the fiscal year by shareholders' equity (the average of total shareholders' equity at the beginning of the year and total shareholders' equity at the end of the year).

(4) Other

Not applicable.

Note: This document is intended as a press release to provide a general public announcement about the company's issuance of new shares and secondary offering of shares. It was not prepared to solicit investment. Investors are advised to make their own judgments when investing after reading the prospectus for the issuance of new shares and secondary offering of shares (as well as any revisions) prepared by the company.