



July 10, 2006

**Consolidated Financial Results for Fiscal 2006,
from April 1, 2005 to March 31, 2006
(Translation of Japanese Flash Report, Released on May 10, 2006)**

Company name: Sun Frontier Fudousan Co., Ltd.

Stock listing: JASDAQ

Code number: 8934

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The Figures for this Financial Statement are prepared in accordance with the accounting principles based on Japanese law. Accordingly, they do not necessarily match the figures in the Annual Report issued by our company, which present the same statements in a form that is more familiar to foreign readers through certain reclassifications or summarization of accounts.

1. Performance in Fiscal 2006 (from April 1, 2005 to March 31, 2006)

*The period under review marked the beginning of consolidated reporting for the Company, so we have not posted year-on-year comparisons in our consolidated statements.

(1) Results

(Millions of yen, except for per share figures)

	Net Sales	Operating Income	Ordinary Income	Net Income
Fiscal 2006	¥16,730 (-%)	¥3,756 (-%)	¥3,474 (-%)	¥1,744 (-%)
Fiscal 2005	— (-)	— (-)	— (-)	— (-)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)	Return on Equity	Ordinary Income / Total Assets	Ordinary Income / Net Sales
Fiscal 2006	¥18,914.91	¥18,747.82	18.1%	12.4%	20.8%
Fiscal 2005	—	—	—	—	—

Notes: 1. Weighted average number of shares outstanding

Fiscal 2006: 90,886

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



(2) Financial Position

(Millions of yen, except for per share figures)

	Total Assets	Shareholders' Equity	Equity Ratio (%)	Shareholders' Equity per Share (Yen)
Fiscal 2006	¥28,005	¥9,643	34.4%	¥99,192.78
Fiscal 2005	—	—	—	—

Notes: Number of shares issued and outstanding at end of year
Third Quarter of Fiscal 2006: 96,966

(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
Fiscal 2006	¥(6,905)	¥(557)	¥12,004	¥6,005
Fiscal 2005	—	—	—	—

2. Projections for Fiscal 2007 (from April 1, 2006 to March 31, 2007)

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
1st Half of Fiscal 2007	¥12,236	¥1,332	¥579
Fiscal 2007	¥33,871	¥5,616	¥3,421

Reference: Projected net income per share (full year): ¥11,761.28

(Calculation based on 290,898 shares added 193,932 shares increase by stock split on April 1, 2006.)

Note: The projections in this material reflect management's judgment at the time of compilation. The company does not guarantee or pledge the accuracy or completeness of this information, which it may alter at any time without notice.



3. Financial Condition and Management Results

(1) General condition of the Company

Japan's economy continued to enjoy a moderate recovery during the consolidated accounting year under review, buoyed by an increase in capital spending and an improvement in employment figures reflecting solid corporate profits. The real estate market continues to be active. J-REITs and privately offered funds have been growing their assets under management, but demand for them appears to be changing in the wake of concerns over interest rate hikes following the discontinuation of the Bank of Japan's 'quantitative easing' policy that provided a cheap money supply. A scandal over falsified earthquake-resistance data for building designs during the year damaged confidence in real property, and Japan's corporations are again being asked to assume greater responsibility for consumers. An improved vacancy rate for leased office building space in the five districts of central Tokyo has brought supply more into step with demand, and the leasing market appears to have reached bottom.

Sun Frontier responded to these conditions by offering a comprehensive lineup of real estate services tailored to the needs of urban commercial real estate, and driven by our corporate mission—to foster environmental coexistence and urban revitalization. We have replanning and building leasing businesses which are the core of our real estate revitalization business, real estate brokerage and property management/construction planning businesses which are our real estate service business, and real estate securitization/asset management businesses which constitute others. Our work in each of these areas is devoted entirely to addressing the needs of urban spaces, building owners and tenants, providing total solutions for the real estate industry. Production is the common thread that binds all the Group's activities together, shaping and defining the areas we consider our top priorities—environmental coexistence, philanthropy and customer satisfaction.

Each of the Group's business units adapted to the business climate during the year by making concerted efforts to increase its property turnover (both property volume and average property size), helping refine our ability to provide total solutions.

As a result, sales for the year were 16,730,890 thousand yen, ordinary income was 3,474,210 thousand yen and net income for the year was 1,744,100 thousand yen.

Starting with this year, five additional consolidated subsidiaries will now be included in our consolidated accounting: SF Investments, Sun Frontier Real Estate Investment Advisors, SF Building Support, SF Capital, and Taisei Building.

(2) Results by business segment

Real estate revitalization

Strong demand from corporate asset restructuring, individual investors, general corporations and funds boosted our replanning business during the year. We were able to improve both the quality and average size of the properties added to our inventory or sold, while increasing the number of properties sold. The Group's original marketing activities brought together our Companywide know-how and creativity, with planning ability driven by all our employees. The sixteen properties we sold over the year gave us a remarkably rapid average closing rate of 5.1 months per property.

Aggressive work on medium-term projects of one year in length and on properties involving larger, more complex renovation projects yielded solid earnings. We acquired properties through mergers and acquisitions, laying the foundation for business strategies to be put in place starting next year. Our work on large properties drew on the benefits of procured capital, and inventory purchasing by our subsidiary SF Investments went as planned, preparing the way for profit improvements that will take hold starting next year. Overall, sales were 15,037,064 thousand yen, and operating profit was 4,074,840 thousand yen. These figures reflect higher rents from larger properties and properties developed for optimum applications, as well as an active real estate market.



Real estate services

We achieved balanced growth in our brokerage services, property management, construction planning and rent guarantee service business units. Aided by the active market and more introductions from new clients, our property transactions brokerage services enjoyed higher revenue and profit. The leasing brokerage segment benefited from higher corporate rents enabled by the strong economy during the year. With high demand for leased office space, we were able to close on larger properties, leading to higher revenue and profit. Property management contracts from outside funds and for larger sold replanning properties gave the property management business unit higher revenue and profit, while remodeling work on small commercial buildings was the major driver of the construction planning business unit's increase in sales. Our rent guarantee service benefited from our leasing brokerage service's varied lineup of products designed for greater customer satisfaction. As a result, contract volume grew as planned, leading to sales of 1,669,040 thousand yen and operating profit of 206,982 thousand yen.

Other real estate business

We also posted asset management income and dividends from funds, resulting in sales of 24,784 thousand yen and operating profit of 7,174 thousand yen.

(3) Financial condition

Cash and deposits were 6,005,324 thousand yen at year-end, the result of negative cash flow of 6,905,260 thousand yen from sales activities, negative cash flow of 557,366 thousand yen from investing activities, and positive cash flow of 12,004,037 thousand yen from financial activities.

Inventories were mainly real estate for sale and for sale after remodeling in our replanning business unit—an inventory allowance for earnings growth next year.

Fixed assets were 3,253,799 thousand yen, mainly the result of investment on software for infrastructural improvements.

Total liabilities at year-end were 18,361,703 thousand yen, the result of a net increase in short-term loans due to the acquisition of inventories, and bond issues to raise fund for acquiring leased buildings for ownership. Total shareholders' equity was 9,643,327 thousand yen. It mainly reflected an increase in capital and additional paid-in capital generated by public offerings and by the increase in net income for the year.

As a result, shareholders' equity per share was 99,192.78 yen.

Developments such as better earnings from our replanning business unit and our November 2004 listing on JASDAQ have facilitated fund procurement. Our inventory of working assets has been growing as a result, creating total assets of 28,005,030 thousand yen at year-end.

(4) Analysis of cash flows

Cash flows during the year

The balance of cash and cash equivalents ('cash') at year-end was 6,005,324 thousand yen, an increase of 4,541,411 thousand yen from the beginning of the year. While acquisitions of replanning properties by our real estate revitalization business unit increased our inventories on the negative side, our income before income tax for the year of 3,448,371 thousand yen boosted cash, and capital increased by income from loans and stock issues.

The year's cash flows and their causes are discussed below.

Cash flows from operating activities

Net cash used in operating activities was 6,905,260 thousand yen. This figure was mainly the result of an 8,707,322 thousand yen increase in inventories and a 991,572 thousand yen decrease in account payable-trade. It was offset by income before income tax for the year of 3,448,371 thousand yen.

Cash flows from investing activities

Net cash used in investing activities was 557,366 thousand yen. This figure was mainly the result of a 450,586 thousand yen outlay for time deposits, and a 1,305,973 thousand yen outlay to acquire subsidiaries in line with our changed scope of consolidation. It was offset by income of 1,342,159 thousand yen from



refunds of time deposits.

Cash flows from financial activities

Net cash provided by financial activities was 12,004,037 thousand yen. This figure was mainly the result of 2,500,000 thousand yen in income from long-term loans, a 5,667,000 thousand yen net capital increase from short-term loans, and 5,081,390 thousand yen in income from stock issues. It was offset by a 1,661,800 thousand yen outlay for repayment of long-term loans.

This year is the first year that our financial information includes statements of cash flows, so comparisons with the previous year are not possible.

(5) Outlook for next year

While the real estate market continues to be active, demand for J-REITs and privately offered funds appears to be changing in the wake of concerns over interest rate hikes following the discontinuation of the Bank of Japan's 'quantitative easing' policy. The rise in investment real estate prices is expected to slow, which could affect the market prices of Sun Frontier properties. Meanwhile, a significantly improved vacancy rate for leased office building space in the five districts of central Tokyo has brought supply more into step with demand.

Like Japan's economy, we expect commercial real estate trading to remain strong for the foreseeable future. Rents for leased office space have begun a sudden rise, especially in central Tokyo. Grounded in real estate revitalization business (asset business areas) specialized to urban commercial real estate, Sun Frontier offers a comprehensive lineup of real estate services (non-asset business areas) such as brokerage services, property management and construction planning. This comprehensive lineup of services makes the Group uniquely positioned to read the needs and current state of the commercial real estate market in a timely manner through our front-line activities. Being able to accurately assess the day-to-day condition of the commercial real estate sales and leasing markets is a vital skill. It gives us the ability to invest the right amount of capital in each business segment while staying in tune to economic changes and maintaining a well-balanced business structure. It is ability that we are committed to maintaining in the years ahead.

Our mainstay business area, replanning, is progressing well both in terms of sales and inventory purchasing activities. Several investment properties with a purchase price of over 2 billion yen were targeted for sale during the year, and were successfully marketed and sold. We plan to apply our wide range of renovation and planning know-how to inventory purchasing activities next year and beyond. Marketing the revitalization properties we have on hand will refine the Group's ability to offer total solutions, and help improve the overall quality of all our real estate service business units.

Aided by the generally positive environment of the commercial real estate sales market and office leasing market, we plan more growth in the real estate services that serve as the basis of our real estate revitalization business, and want to continue strengthening our replanning business unit's planning (production) ability. Our revitalization business unit is seeing a shift toward more real estate investment (asset business) in larger properties, and we want to maximize shareholder value and corporate value by maintaining and developing fund (securitization) business (non-asset business) as an exit strategy.

Over the coming year, we expect these activities to generate sales of 33,871 million yen (up 102.5% from the year before), ordinary income of 5,616 million yen (up 61.7%), and net income for the year of 3,421 million yen (up 96.2%).



4. Summarized Consolidated Financial Statements

(1) Summarized Consolidated Balance Sheets

(¥ thousand)

Items	Period	Fiscal 2006 (as of December 31, 2005)	
		Amount	Share of Total (%)
ASSETS			
Current Assets			
Cash and bank deposits		6,678,054	
Accounts receivable - trade		208,660	
Inventories		16,100,951	
Deferred tax assets		258,143	
Other current assets		1,507,495	
Allowance for doubtful accounts		(2,074)	
Total Current Assets		24,751,231	88.4
Fixed Assets			
Property and Equipment			
Buildings		1,070,737	
Vehicles		4,689	
Land		1,186,585	
Other		33,364	
Total Property and Equipment		2,295,375	8.2
Intangible Fixed Assets			
Consolidation adjustment accounts		473,078	
Other		55,905	
Total Intangible Fixed Assets		528,983	1.9
Investments and Other Assets			
Investment securities		6,540	
Other		383,607	
Deferred tax assets		40,605	
Allowance for doubtful accounts		(1,313)	
Total Investments and Other Assets		429,439	1.5
Total Fixed Assets		3,253,799	11.6
Total Assets		<u>28,005,030</u>	<u>100.0</u>



(¥ thousand)

Items	Period	Fiscal 2006 (as of December 31, 2005)	
		Amount	Share of Total (%)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable - trade		138,584	
Short-term borrowings		9,723,000	
Current portion of bonds		328,000	
Current portion of long-term debts		303,300	
Income taxes payable		1,565,157	
Accrued bonuses for employees		56,460	
Construction warranty reserve		73,200	
Deferred tax liabilities		520,791	
Other current liabilities		653,366	
Total Current Liabilities		13,361,860	47.7
Long-term Liabilities			
Corporate bond		1,254,000	
Long-term debt		3,142,460	
Reserve for directors' retirement benefits		74,584	
Other long-term liabilities		528,797	
Total Long-term Liabilities		4,999,842	17.9
Total Liabilities		18,361,703	65.6
Shareholders' Equity			
Common stock		3,050,911	
Additional paid-in capital		3,112,248	
Retained earnings		3,478,512	
Net unrealized holding gain on securities		1,654	
Total Shareholders' Equity		9,643,327	34.4
Total Liabilities and Shareholders' Equity		28,005,030	100.0



(2) Summarized Consolidated Statements of Income

(¥ thousand)

Items	Period	Fiscal 2006 (April 1, 2005 – March 31, 2006)	
		Amount	Share of Total (%)
Net Sales		16,730,890	100.0
Cost of Sales		10,766,197	64.3
Gross Profit		5,964,692	35.7
Selling, General and Administrative Expenses		2,207,999	13.2
Operating Income		3,756,693	22.5
Other Income		3,294	0.0
Interest income		1,179	
Dividend receivable		383	
Public speaking engagements		538	
Other		1,193	
Other Expenses		285,777	1.7
Interest Expense		168,198	
Common stock issuance cost		38,119	
Credit-related expenses		42,474	
Other		36,985	
Ordinary Income		3,474,210	20.8
Extraordinary Gains		183	0.0
Gain on allowance for doubtful accounts		183	
Extraordinary Losses		26,022	0.2
Commissions from canceled interest rate swap agreements		24,764	
Other		1,258	
Income before Income Taxes		3,448,371	20.6
Income taxes		1,704,270	10.2
Income taxes-current		1,874,693	
Income taxes-deferred		(170,423)	
Net Income		<u>1,744,100</u>	10.4



(3) Summarized Consolidated Statements of Retained Earnings

(¥ thousand)

Items	Period	Fiscal 2006 (April 1, 2005 – March 31, 2006)	
		Amount	
CAPITAL SURPLUS			
Opening Balance			552,500
Increase in Capital Surplus			
Capital increase upon stock issuance		2,559,748	2,559,748
Closing Balance			3,112,248
EARNED SURPLUS			
Opening Balance			1,788,419
Increase in Retained Earnings			
Net income		1,744,100	1,744,100
Decrease in Retained Earnings			
Cash dividends		42,008	
Bonuses to directors		12,000	54,008
Closing Balance			<u>3,478,512</u>



(4) Summarized Consolidated Statements of Cash Flows

(¥ thousand)

Items	Period	Fiscal 2006 (April 1, 2005 – March 31, 2006)
		Amount
Cash Flows from Operating Activities		
Income before income taxes		3,448,371
Depreciation and amortization		191,111
Amortization of consolidation adjustment accounts		78,846
Allowance for doubtful accounts		(183)
Accrued bonuses for employees		20,914
Reserve for directors' retirement benefits		12,398
Construction warranty reserve		60,100
Interest and dividend income		(1,563)
Interest expense		168,198
Common stock issuance cost		38,119
Bonds issuance cost		22,716
Disposal of property and equipments		347
Accounts receivable - trade		(148,569)
Inventories		(8,707,322)
Advances paid		(120,000)
Accounts payable-trade		(991,572)
Consumption tax payable		108,362
Consumption tax receivable		(239,706)
Security deposits received		(4,570)
Payment for directors' and statutory auditors' bonuses		(12,000)
Others, net		180,928
Sub total		(5,895,074)
Interest and dividend received		1,563
Interest paid		(176,809)
Income tax paid		(834,940)
Net Cash Used in Operating Activities		(6,905,260)
Cash Flows from Investing Activities		
Payments for time deposits		(450,586)
Proceed from time deposits		1,342,159
Purchases of property and equipment		(102,017)
Purchases of subsidiary accompanying in scope of consolidation		(1,305,973)
Payments for security deposits		(94,530)
Proceed from security deposits		78,330
Others, net		(24,748)
Net Cash Used in Investing Activities		(557,366)
Cash Flows from Financing Activities		
Proceeds from short-term borrowings		5,667,000
Proceeds from long-term borrowings		2,500,000
Repayments of long-term borrowings		(1,661,800)
Proceeds from issuance of bonds		733,284
Payments for redemption of bonds		(274,000)
Proceeds from issuance of common stock		5,081,390
Dividends paid		(41,836)
Net Cash Provided by Financing Activities		12,004,037
Increase in Cash and Cash Equivalents		4,541,411
Cash and Cash Equivalents at Beginning of Year		1,463,913
Cash and Cash Equivalents at End of Year		6,005,324