

**Financial Results for First Quarter of Fiscal 2009,
from April 1 to June 30, 2008**
(Translation of Japanese Flash Report, Released on July 30, 2008)

Company name: Sun Frontier Fudousan Co., Ltd.

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 First Quarter of Fiscal 2009 (from April 1 to June 30, 2008)

(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
First Quarter of Fiscal 2009	¥12,307 (- %)	¥514 (- %)	¥296 (- %)
First Quarter of Fiscal 2008	¥2,951 (-42.3%)	¥586 (-19.4%)	¥448 (-27.2%)

	Net Income	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
First Quarter of Fiscal 2009	¥172 (- %)	¥520.71	¥520.63
First Quarter of Fiscal 2008	¥230 (20.7%)	¥695.13	¥694.84

(2) Financial Position

(Millions of yen, except for per share figures)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
First Quarter of Fiscal 2009	¥57,170	¥25,766	45.0%	¥77,604.76
Fiscal 2008	¥57,316	¥26,085	45.5%	¥78,584.15

Reference) Equity at term-end: 1Q of fiscal 2009 (as of June 30, 2008): ¥25,725 million

Fiscal 2008 (as of March 31, 2008): ¥26,050 million

2. Cash Dividends

(Yen)

	Cash Dividends per Share				
	1st quarter period	2nd quarter period	3rd quarter period	Year end	Annual total
Fiscal 2008	-	-	-	¥1,500.00	¥1,500.00
Fiscal 2009	-	-	-	-	-
Fiscal 2009 (Projections)	-	-	-	¥1,500.00	¥1,500.00

Note: There were no revisions to forecast dividends during the quarter.

2. Projections for Consolidated Performance in Fiscal 2009 (from April 1, 2008 to March 31, 2009)

*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 (Yen)
First half of fiscal 2009	¥21,000 (-1.9%)	¥1,100 (-76.3%)	¥600 (-86.5%)	¥340 (-86.3%)	¥1,025.65
Fiscal 2009	¥57,000 (18.4%)	¥7,600 (9.2%)	¥6,500 (2.4%)	¥3,700 (1.4%)	¥11,161.55

Note: There were no revisions to consolidated earnings forecasts during the quarter.

3. Other

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): No

Newly companies: —

Excluded companies: —

(2) Adoption of simplified accounting methods: Yes

Note: For detailed information, see Item 4, “Other” under “Qualitative information/financial statements” on page 5.

(3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: No

Note: For detailed information, see Item 4, “Other” under “Qualitative information/financial statements” on page 6.

(4) Number of shares issued and outstanding at end of the period (common shares)

1) Number of shares issued and outstanding at end of period (including treasury stock):

June 2008: 331,495 shares March 2008: 331,495 shares

2) Number of treasury stock at end of period:

June 2008: — shares March 2008: — shares

3) Weighted average number of shares for first quarter period (April 1 – June 30):

June 2008: 331,495 shares June 2007: 331,433 shares

※Appropriate use of projections for performance, other notes

1. 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. Refer to Item 3, “Qualitative information on consolidated earnings forecasts” under “Qualitative information/financial statements” on page 4.
2. The Company applied Financial Accounting Standard No. 12 “Accounting Standard for Quarterly Financial Statements” by the Accounting Standards Board of Japan, and its Implementation Guidance No. 14 “Guidance on Accounting Standard for Quarterly Financial Statements” by the Accounting Standards Board of Japan from the fiscal year beginning April 1, 2008. We have made our quarterly consolidated financial statements as specified by Regulations on Quarterly Consolidated Financial Statements.

Qualitative information/financial statements

1. Qualitative information on consolidated business performance

Driven by fears of a recession in the US due to problems such as the subprime loan crisis and a sudden rise in crude oil prices, the first quarter of fiscal year ending March 2009 was marked by an increasing lack of clarity throughout Japan's economy that manifested itself in a rising yen, sudden rise in product prices and stagnant stock market. The real estate market has been beset by a clear price downtrend led by regional and residential properties. But while the subprime loan crisis has made demand for central Tokyo office buildings generally stagnant, buyers such as foreign funds are still showing persistent investment interest, and the market should continue becoming more polarized by location and property type.

Sun Frontier Fudousan Group responded to this environment by renewing our focus on real estate business specialized to central Tokyo, and working to organically integrate our expertise in areas such as leasing and property management to create projects with high added value. In the first quarter of fiscal year ending March 2009, this approach involved aggressively seeking to sell off the existing properties in our inventory—the basic policy we have been implementing since the beginning of the year. We focused on creating the environment we will need to concentrate on projects suited to our business approach.

Our efforts resulted in the following consolidated business performance for the first quarter of fiscal year ending March 2009: Sales of ¥12,307,199 thousand (up 317.0% from the first quarter of previous fiscal year), operating income of ¥514,397 thousand (down 12.3%), ordinary income of ¥296,383 thousand (down 34.0%) and net income of ¥172,615 thousand (down 25.1%). Business performance for each segment is described below.

Real Estate Revitalization

During the quarter, the Group's replanning business (our core business) worked on gaining a clearer understanding of the areas, property types and price bands we need to work on, selling off properties that don't meet our policy criteria, and replacing existing inventory. Our efforts from January through June 2008 resulted in completed sales for a total of 35 of the 55 inventory properties on the books at the end of December 31, 2007.

Our replanning unit had a low gross margin ratio since many of the properties it sold during the quarter were sold at near their book value (some were properties that generated inventory valuation losses at the end of the previous fiscal year). The ten properties sold by the replanning unit in the first quarter generated quarterly sales of ¥11,409,010 thousand and gross profit of ¥948,111 thousand (a gross profit rate of 8.3%). The breakdown of buyers was: Five properties sold to wealthy individuals, three to general business concerns, one to a real estate agency, and one to a fund created for development purposes.

Ever mindful of the market's falling prices, purchasing during the quarter was carried out with careful study after considering the exit strategy. Since central Tokyo areas around the Group's branches have a large margin for creating added value, we focused on purchases of highly profitable properties. We purchased one large vacant building during the quarter, and completed the agreement for purchasing land for developing a new building in front of a central Tokyo terminal railway station (handover planned for September). The amount of sale property information brought to the Group has been increasing greatly since June.

Our building leasing business enjoyed stable earnings during the quarter, upwardly revising rents for properties held long-term. The business' aggressive work to replace existing inventory with the low-occupancy properties that the Group has the most expertise in (properties with large potential for greater profits) resulted in lower

overall rent income. Sales were ¥563,024 thousand and gross profit was ¥358,713 thousand (a gross profit rate of 63.7%).

Our efforts gave the real estate revitalization segment sales of ¥11,972,035 thousand (up 349.6% from the first quarter of previous fiscal year) and operating income of ¥754,118 thousand (down 14.8%).

Real Estate Services

Areas of focus for the Group's real estate services segment during the quarter were gaining market penetration and a competitive edge in specific areas and improving technology, quality and service. The aim of these efforts was to improve the real estate revitalization functions of our sales/leasing brokerage business, property management business and construction planning business.

Our brokerage business continued to work on speeding the purchasing and market-release processes carried out mainly when selling properties for replanning projects, while our leasing brokerage business put more emphasis on the areas it has done best in.

While these efforts created a drop in total brokerage business income, this business' contributions to Group operations increased. Our property management business worked on replacing trust properties to enable a concentrated specialization in leasing and other areas that take advantage of Groupwide synergy. This business also continued ongoing initiatives to manage larger properties and improve the profitability of its services.

Our construction planning business worked on speeding project progress and improving quality through a concentrated specialization in renovations and other market-release processes for replanning projects. Our leasing guarantee business continued to aggressively pursue sales activities for outside brokerage companies, to increase the market penetration of its business model. It enjoyed sound growth during the quarter, both in the number of contracts and the maximum guarantee value.

Our efforts gave the real estate services segment sales of ¥287,880 thousand (up 3.3%), and an operating loss of ¥99,517 thousand (down 17.1%).

Other Real Estate

Our asset management business and real estate securitization business enjoyed solid growth during the quarter, with stable asset management fees and dividend income from the privately offered funds the Group has financed. This growth gave the segment sales of ¥47,283 thousand (up 191.1%), and operating income of ¥20,467 thousand (up 933.2%).

2. Qualitative information on consolidated financial conditions

On a consolidated basis, total assets at the end of the first quarter of fiscal year ending March 2009 were ¥57,170,119 thousand (down 0.3% from the end of previous fiscal year), and liabilities were ¥31,403,912 thousand (up 0.6%). The decrease in total assets was mainly due to a ¥2,267,918 thousand decrease in inventories and ¥799,792 thousand decrease in current assets (such as advances paid), offset by a ¥2,925,702 thousand increase in cash and bank deposits. The increase in liabilities was mainly due to a ¥3,182,000 thousand increase in interest-bearing debts, offset by a ¥315,286 thousand decrease in accounts payable, ¥1,475,665 thousand decrease in income taxes payable, and ¥1,106,039 thousand decrease in long-term liabilities (such as security deposits received). Net assets were ¥25,766,207 thousand (down 1.2%), a decrease due mainly to dividends paid of ¥497,242 thousand offset by net income of ¥172,615 thousand. These figures resulted in an equity ratio of 45.0%.

Cash flows

On a consolidated basis, cash and cash equivalents ('cash') for the first quarter of fiscal year ending March 2009 were ¥7,623,441 thousand, an increase of ¥2,835,639 thousand from the balance at the beginning of the term. This increase resulted mainly from decreased inventories from the sale of replanning properties by the real estate revitalization business, from increase in accounts payable-trade, and from proceeds from long-term borrowings. It was offset by a decrease in security deposits received, by income tax paid and by repayments of long-term borrowings.

The consolidated cash flows for the first quarter of fiscal year ending March 2009 are described below, along with the factors responsible for them.

Cash flow from operating activities

Net cash provided by operating activities was ¥503,215 thousand (up from net cash used in operating activities was ¥15,943,113 thousand in the first quarter of previous fiscal year). The rise primarily reflected income before income taxes of ¥296,383 thousand, decrease in inventories of ¥2,171,260 thousand and increase in accounts payable-trade of ¥552,148 thousand. It was offset by a ¥1,052,807 thousand of decrease in security deposits received and ¥1,432,009 thousand income taxes paid.

Cash flow from investing activities

Net cash used in investing activities was ¥418,840 thousand (down from net cash provided by investing activities was ¥242,934 thousand). The decrease was mainly caused by a ¥126,062 thousand payments for time deposits, and a ¥319,300 thousand purchases of investment securities. It was offset by ¥36,000 thousand in proceed from time deposits.

Cash flow from financing activities

Net cash provided by financing activities was ¥2,751,265 thousand (down 72.3%). The drop was due mostly to a ¥5,629,500 thousand repayments of long-term borrowings and a ¥430,734 thousand dividends paid, offset by ¥8,800,000 thousand proceeds from long-term borrowings.

3. Qualitative information on consolidated earnings forecasts

Earnings for the first quarter of fiscal year ending March 2009 met projections, and there are no changes from the semiannual and annual consolidated earnings forecasts released on May 8, 2008. The earnings forecasts and other forward-looking statements contained in these materials are based upon the information that was available on the date the Company released these materials and upon certain set assumptions deemed to be reasonable. Actual earnings may differ from their forecast values due to a variety of factors.

4. Other

(1) Major subsidiary changes during the term (changes to specified subsidiaries due to changes in the scope of consolidation): None.

(2) Adoption of simplified accounting processes and special accounting processes in making quarterly consolidated financial statements

Method of calculating doubtful accounts estimate amounts for general debts

Since we have found no significant difference between the doubtful accounts ratio for the end of the first

quarter of fiscal year ending March 2009 and the ratio for the end of previous fiscal year, we have used the doubtful accounts ratio used at the end of previous fiscal year to calculate the estimated doubtful accounts total.

- (3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements

The Company applied Financial Accounting Standard No. 12 “Accounting Standard for Quarterly Financial Statements” by the Accounting Standards Board of Japan, and its Implementation Guidance No. 14 “Guidance on Accounting Standard for Quarterly Financial Statements” by the Accounting Standards Board of Japan from the fiscal year beginning April 1, 2008. We have made our quarterly consolidated financial statements as specified by Regulations on Quarterly Consolidated Financial Statements.

5. Quarterly Consolidated Financial Statements

*Amounts under one thousand yen have been rounded down.

(1) Quarterly Consolidated Balance Sheets

(¥ thousand)

	First Quarter of Fiscal 2009 (as of June 30, 2008)	Fiscal 2008 (as of March 31, 2008)
ASSETS		
Current Assets		
Cash and bank deposits	8,148,611	5,222,909
Accounts receivable - trade	65,847	55,126
Real estate held for sale	19,759,308	24,913,204
For-sale real estate under construction	23,372,502	20,487,697
Supplies	4,732	3,559
Deferred tax assets	808,040	988,383
Other current assets	489,800	1,289,592
Allowance for doubtful accounts	(67)	(60)
Total Current Assets	52,648,775	52,960,413
Fixed Assets		
Property and Equipment		
Buildings	1,127,115	1,138,030
Vehicles	2,001	2,174
Land	1,261,337	1,261,337
Other	35,663	39,158
Total Property and Equipment	2,426,117	2,440,701
Intangible Fixed Assets		
Other	69,187	73,726
Total Intangible Fixed Assets	69,187	73,726
Investments and Other Assets		
Investment securities	1,620,760	1,461,737
Deferred tax assets	19,507	—
Other	389,300	383,107
Allowance for doubtful accounts	(3,530)	(3,530)
Total Investments and Other Assets	2,026,037	1,841,314
Total Fixed Assets	4,521,343	4,355,742
Total Assets	57,170,119	57,316,156

(¥ thousand)

	First Quarter of Fiscal 2009 (as of June 30, 2008)	Fiscal 2008 (as of March 31, 2008)
LIABILITIES		
Current Liabilities		
Accounts payable - trade	279,180	594,467
Short-term borrowings	13,201,500	13,190,000
Current portion of bonds	108,000	108,000
Current portion of long-term debts	2,769,428	7,878,000
Income taxes payable	14,703	1,490,368
Accrued bonuses for employees	19,168	90,658
Accrued bonuses for directors	9,250	—
Construction warranty reserve	60,800	47,500
Other current liabilities	967,306	1,029,977
Total Current Liabilities	17,429,338	24,428,971
Long-term Liabilities		
Corporate bonds	378,000	378,000
Long-term debts	12,102,331	3,823,260
Deferred tax liabilities	—	38,607
Other long-term liabilities	1,494,242	2,561,674
Total Long-term Liabilities	13,974,573	6,801,541
Total Liabilities	31,403,912	31,230,513
NET ASSETS		
Shareholders' Equity		
Common stock	7,228,308	7,228,308
Additional paid-in capital	7,289,643	7,289,643
Retained earnings	11,205,415	11,530,043
Total Shareholders' Equity	25,723,367	26,047,994
Valuation and Translation Adjustments		
Net unrealized holding gain on other securities	2,223	2,259
Total Valuation and Translation Adjustments	2,223	2,259
Stock Acquisition Rights	40,615	35,388
Total Net Assets	25,766,207	26,085,642
Total Liabilities and Net Assets	57,170,119	57,316,156

(2) Quarterly Consolidated Statements of Income

(¥ thousand)

	First Quarter of Fiscal 2009 (April 1– June 30, 2008)
Net Sales	12,307,199
Cost of Sales	10,749,612
Gross Profit	1,557,586
Selling, General and Administrative Expenses	1,043,189
Operating Income	514,397
Other Income	469
Interest income	79
Dividend receivable	240
Other	148
Other Expenses	218,483
Interest Expense	128,464
Fees for finance	89,655
Other	363
Ordinary Income	296,383
Income before Income Taxes	296,383
Income Taxes	123,767
Income taxes-current	1,515
Income taxes-deferred	122,252
<u>Net Income</u>	<u>172,615</u>

(3) Quarterly Consolidated Statements of Cash Flows

(¥ thousand)

	First Quarter of Fiscal 2009 (April 1– June 30, 2008)
Cash Flows from Operating Activities	
Income before income taxes	296,383
Depreciation and amortization	119,528
Stock acquisition rights	5,227
Allowance for doubtful accounts	6
Accrued bonuses for employees	(71,489)
Accrued bonuses for directors	9,250
Construction warranty reserve	13,300
Interest and dividend income	(320)
Interest expense	128,464
Accounts receivable - trade	(58,884)
Inventories	2,171,260
Accounts payable-trade	552,148
Consumption tax payable	893
Consumption tax receivable	(28,166)
Security deposits received	(1,052,807)
Others, net	(64,446)
Sub total	2,020,348
Interest and dividend received	320
Interest paid	(85,444)
Income tax paid	(1,432,009)
Net Cash Provided by Operating Activities	503,215
Cash Flows from Investing Activities	
Payments for time deposits	(126,062)
Proceed from time deposits	36,000
Purchases of property and equipments	(2,446)
Purchases of intangible fixed assets	(839)
Purchases of investment securities	(319,300)
Payments for security deposits	(6,013)
Proceed from security deposits	157
Others, net	(337)
Net Cash Used in Investing Activities	(418,840)
Cash Flows from Financing Activities	
Proceeds from short-term borrowings	11,500
Proceeds from long-term borrowings	8,800,000
Repayments of long-term borrowings	(5,629,500)
Dividends paid	(430,734)
Net Cash Provided by Financing Activities	2,751,265
Increase in Cash and Cash Equivalents	2,835,639
Cash and Cash Equivalents at Beginning of the Term	4,787,802
Cash and Cash Equivalents at End of the Term	7,623,441

The Company applied Financial Accounting Standard No. 12 “Accounting Standard for Quarterly Financial Statements” by the Accounting Standards Board of Japan, and its Implementation Guidance No. 14 “Guidance on Accounting Standard for Quarterly Financial Statements” by the Accounting Standards Board of Japan from the fiscal year beginning April 1, 2008. We have made our quarterly consolidated financial statements as specified by Regulations on Quarterly Consolidated Financial Statements.

(4) Notes on going-concern assumptions

None.

(5) Segment Information

a. Business Performance by Segment

First Quarter of Fiscal 2009 (from April 1 — June 30, 2008)

	(¥ thousand)					
	Real-estate revitalization	Real-estate services	Other real-estate business	Total	Elimination/Corporate	Consolidated
Sales to external customers	11,972,035	287,880	47,283	12,307,199	—	12,307,199
Intersegment sales	—	—	—	—	—	—
Total sales	11,972,035	287,880	47,283	12,307,199	—	12,307,199
Operating income (loss)	754,118	(99,517)	20,467	675,068	(160,670)	514,397

Notes: 1. Businesses are divided in accordance with categories used for the internal management of earnings.

2. The following are the primary business segments of the Group and the description of the Company’s primary businesses.

(1) Real-estate revitalization ----- Purchase, leasing, sales of revitalization type used building for business

(2) Real-estate services ----- Sales and leasing brokerage services, Property management, Construction planning, Leasing guarantee, Real estate loan guarantee

(3) Other real-estate business ----- Asset management, Private fund planning, creation, and management

3. Operating expenses (¥160,670 thousand) included in elimination or corporate consist primarily of operating expenses related to the Company’s management departments.

b. Segment Information by Business Location

During the first quarter of fiscal 2009 (from April 1 – June 30, 2008), there was no consolidated subsidiary in any country or territory outside Japan, and no major overseas branch, so this item does not exist.

c. Overseas Sales

During the first quarter of fiscal 2009 (from April 1 – June 30, 2008), the Company and subsidiaries did not accounted overseas sales, so this item does not exist.

(6) Notes accompanying significant changes in amounts of shareholders’ equity

None.

Reference

Quarterly Consolidated Financial Statements, etc. for Previous Fiscal Year

(1) Summarized Quarterly Consolidated Statements of Income

	(¥ thousand)
	First Quarter of Fiscal 2008 (April 1– June 30, 2007)
Net Sales	2,951,041
Cost of Sales	<u>1,689,370</u>
Gross Profit	1,261,670
Selling, General and Administrative Expenses	<u>675,307</u>
Operating Income	586,363
Other Income	1,739
Other Expenses	<u>139,105</u>
Ordinary Income	448,997
Extraordinary Gains	6,027
Extraordinary Losses	<u>100</u>
Income before Income Taxes	454,924
Income Taxes	<u>224,533</u>
<u>Net Income</u>	<u>230,391</u>

(2) Summarized Quarterly Consolidated Statements of Cash Flows

(¥ thousand)

	First Quarter of Fiscal 2008 (April 1– June 30, 2007)
Cash Flows from Operating Activities	
Income before income taxes	454,924
Depreciation and amortization	120,870
Stock acquisition rights	8,756
Accrued bonuses for employees	(53,168)
Accrued bonuses for directors	13,000
Construction warranty reserve	(3,200)
Reserve for losses on closure of business offices	(9,996)
Interest and dividend income	(1,607)
Interest expense	117,549
Common stock issuance cost	44
Disposal of property and equipments	5,136
Accounts receivable - trade	272,810
Inventories	(14,712,392)
Accounts payable-trade	274,924
Consumption tax payable	(80,405)
Consumption tax receivable	(318,188)
Security deposits received	497,280
Payment for directors' and statutory auditors' bonuses	(46,000)
Others, net	240,882
Sub total	(13,218,780)
Interest paid	(107,456)
Income tax paid	(2,616,875)
Net Cash Used in Operating Activities	(15,943,113)
Cash Flows from Investing Activities	
Payments for time deposits	(231,125)
Proceed from time deposits	1,092,484
Purchases of property and equipments	(27,129)
Purchases of intangible fixed assets	(16,890)
Purchases of investment securities	(586,700)
Proceed from security deposits	9,843
Others, net	2,451
Net Cash Provided by Investing Activities	242,934
Cash Flows from Financing Activities	
Proceeds from short-term borrowings	10,319,500
Repayments of long-term borrowings	(101,700)
Proceeds from issuance of common stock	1,235
Dividends paid	(300,679)
Net Cash Provided by Financing Activities	9,918,356
Increase in Cash and Cash Equivalents	(5,781,821)
Cash and Cash Equivalents at Beginning of the Term	10,169,282
Cash and Cash Equivalents at End of the Term	4,387,460

(3) Segment Information

a. Business Performance by Segment

First Quarter of Fiscal 2008 (from April 1 — June 30, 2007)

(¥ thousand)

	Real-estate revitalization	Real-estate services	Other real-estate business	Total	Elimination/Corporate	Consolidated
Net sales	2,663,056	278,708	16,245	2,958,010	(6,968)	2,951,041
Operating expenses	1,777,442	398,724	14,264	2,190,431	174,246	2,364,678
Operating income (loss)	885,614	(120,016)	1,981	767,578	(181,215)	586,363

b. Segment Information by Business Location

During the first quarter of fiscal 2008 (from April 1 – June 30, 2007), there was no consolidated subsidiary in any country or territory outside Japan, and no major overseas branch, so this item does not exist.

c. Overseas Sales

During the first quarter of fiscal 2008 (from April 1 – June 30, 2007), the Company and subsidiaries did not account overseas sales, so this item does not exist.