

**Financial Results for First Quarter of Fiscal Year
Ending March 31, 2010 (Fiscal 2010)
(Translation of Japanese Flash Report, Released on August 6, 2009)**

Company name: Sun Frontier Fudousan Co., Ltd.

Stock listing: Tokyo Stock Exchange 1st Section

Code number: 8934

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

Address: 14F, Toho Hibiya Building, 2-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006

Representative: Tomoaki Horiguchi, President

Inquiry: Seichi Saito, Senior Managing Director

(Phone: +81-3-5521-1301)

*Amounts under one million yen have been rounded down.

1. Consolidated Performance in First Quarter of Fiscal 2010 (from April 1 to June 30, 2009)

(1) Operating results

*Percentage figures shown under 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 (Loss)	Ordinary Income (Loss)
First Quarter of Fiscal 2010	¥858 (-93.0%)	¥(75) (-%)	¥(167)(-%)
First Quarter of Fiscal 2009	¥12,307 (-%)	¥514 (-%)	¥296 (-%)

	Net Income (Loss)	Net Income (Loss) per Share	Fully Diluted Net Income per Share (Yen)
First Quarter of Fiscal 2010	¥(142) (-%)	¥(431.20)	¥-
First Quarter of Fiscal 2009	¥172 (-%)	¥520.71	¥520.63

(2) Financial Position (at end of the term)

(Millions of yen, except for per share figures)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
First Quarter of Fiscal 2010	¥26,285	¥7,803	29.5%	¥23,354.35
Fiscal 2009	¥27,479	¥7,939	28.7%	¥23,785.76

Reference) Equity at term-end: 1Q of fiscal 2010 (as of June 30, 2009): ¥7,741 million

Fiscal 2009 (as of March 31, 2009): ¥7,884 million

2. Cash Dividends

(Yen)

	Cash Dividends per Share				
	1st quarter period	2nd quarter period	3rd quarter period	Year end	Annual total
Fiscal 2009	-	¥0.00	-	¥0.00	¥0.00
Fiscal 2010	-				
Fiscal 2010 (Projections)		¥0.00	-	¥0.00	¥0.00

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

3. Projections for Consolidated Performance in Fiscal 2010 (from April 1, 2009 to March 31, 2010)

*Percentage figures are indicated year-on year changes for those items.

(Millions of yen, except for per share figures)

	Net Sales	Operating Income (Loss)	Ordinary Income (Loss)	Net Income (Loss)	Net Income (Loss) per Share
First half of fiscal 2010	¥7,100 (-51.7%)	¥(160) (-%)	¥(350) (-%)	¥(350) (-%)	¥(1,055.82)
Fiscal 2010	¥14,600 (-45.7%)	¥450 (-%)	¥110 (-%)	¥110 (-%)	¥331.83

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

4. 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 6.

(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 (common shares)

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

June 2009: 331,495 shares March 2009: 331,495 shares

2) Number of treasury stock at the end of period:

June 2009: — shares March 2009: — shares

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

June 2009: 331,495 shares June 2008: 331,495 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 5.

Qualitative information/financial statements

1. Qualitative information on consolidated business performance

Japan's economy, which contracted sharply under the impact of the global financial crisis that erupted during 2008, began to exhibit signs of change during the first quarter of the consolidated fiscal year ending March 2010. Against the backdrop of a recovery in production and exports, and a sense that the stock market had bottomed out, business sentiment grew increasingly positive. Nevertheless, with the employment situation weak and consumer confidence at a low ebb, the future outlook of the economy remains in an uncertain state.

In the real estate industry as well, particularly in markets such as the condominium market and the market for small and medium-sized office buildings, sales transactions have begun to pick up, reflecting the decline in prices. A sense that the bottom of the market has been reached has become more evident in the J-REIT market as well, bolstered by factors such as the first signs of concrete progress from various assistance measures including public-private funds (property market stabilization funds). At the same time, however, the increase in vacancy rates and decline in rents that reflect immediate business conditions have continued, and the future of the market remains unpredictable.

Given such an environment, the Sun Frontier Fudousan Group steadily implemented the various measures it announced at the beginning of the period. These included strengthening our real estate services and reducing expenses, with a focus on establishing a stable profit base and achieving a rapid return to profitability. As a result of these actions, during the first quarter we slashed selling, general and administrative expenses by 59.1% compared to the same period of the previous fiscal year, and achieved a significant reduction in operating costs. From an income perspective, however, fee proceeds including brokerage commissions continued to recover but were insufficient to offset a substantial decrease in net sales in our replanning business (down by 97.0% from the same period of the previous fiscal year), and consequently we incurred an operating loss. These operating results were generally in line with our profit plan for the current fiscal year.

As a result of these efforts, we achieved the following operating results for the first quarter of the consolidated fiscal year ending March 2010: Sales of ¥858 million (down by 93.0% from the same period of the previous fiscal year), an operating loss of ¥75 million (compared to operating income of ¥514 million in the same period of the previous fiscal year), an ordinary loss of ¥167 million (compared to ordinary income of ¥296 million) and a net loss of ¥142 million (compared to net income of ¥172 million).

Business performance for each segment is described below.

Real Estate Revitalization

Because of significant progress made in reducing inventories during the previous consolidated fiscal year ("prior period"), in its replanning business the Group sold only one property during the first quarter. As a result, sales in the first quarter were ¥340 million, down sharply from the results in the same period of the previous fiscal year when we sold 10 properties for total sales of ¥11,409 million. At the same time, we did not add to our property inventory because the highly uncertain market conditions remained unchanged, as described above. Commercialization of existing properties (projects under construction), on the other hand, progressed steadily, particularly commercialization in advance of sales of properties in the second quarter and later, as a result of focusing on attracting tenants to improve occupancy rates in properties where we completed renewals.

In our building leasing business, rental income declined despite the fact we maintained occupancy rates at a high level in properties held for long-term ownership as a result of our detailed support for the comfort of tenants.

The lower income reflected factors such as the sales of owned buildings implemented in the previous period, reduction of our inventories and the deferral of new property acquisitions.

As a result of these, sales were ¥569 million (down by 95.2% from the same period of the previous fiscal year), and operating income was ¥69 million (down by 90.8%).

Real Estate Services

In our sales brokerage business, we conducted our business activities by narrowing our focus. Based on information on new clients accumulated through sales activities for replanning properties in the prior period, and information on existing clients with whom we've had previous business transactions, we targeted wealthy individuals and general corporations and concentrated on establishing stronger relationships of mutual trust. Accordingly, we broadened sales opportunities for small and medium-sized properties, a segment where business activity has begun to improve, and continued building our customer base as a stable income source.

In our leasing brokerage business, we moved ahead with the commercialization of replanning properties (tenant solicitation) and devoted our energies to outside brokerage projects. Together with again pursuing highly focused on specific areas and localized sales efforts, we qualitatively and quantitatively strengthened our business strategy through measures such as enlarging our sales staff. This enabled us to address not only office relocations due to downsizing and consolidation, but also actively attract large-scale projects such as increases in floor area, and steadily expand operating results.

Our property management business worked to improve the level of customer satisfaction and prevent vacancies, through close tenant support at properties under contract. Hence, we achieved progress in controlling cancellations because of office relocations due to downsizing and consolidation and in attracting new tenants, and succeeded in maintaining high occupancy rates at office-related properties in particular. We also were able to link this to growth in the number of properties under contract, as a result of aggressively developing sales aimed at securing new contracts as the market conducted reviews of management companies with the goal of controlling costs. Nevertheless, as a whole this business saw its income fall compared to the same period one year earlier because of a decrease in rent renewal fees, etc.

In our leasing guarantee business, we enjoyed a positive trend in the number of contracts. Our balance of guarantees grew steadily, spurred by conditions such as the failure of surety companies or their withdrawal from the business and the heightened need by firms to avoid lease contract related risks. We also were able to sufficiently control tenant rent delinquencies, which exhibited a rising trend under the influence of the economic downturn, by conducting rigorous pre-rental checks and responding promptly and decisively when delinquencies occurred.

As a result of the above efforts, sales were ¥281 million (down by 2.3% from the same period of the previous fiscal year), and operating loss was ¥28 million (compared to operating loss of ¥99 million in the same period of the previous fiscal year).

Other Real Estate

Our other real estate business experienced a slight increase in asset management income (AM fees). Dividend income from the real estate funds in question, however, fell against the backdrop of a decline in rental income from the privately offered funds in which we invested. We did not enter any new AM contracts or make any investments during the first quarter.

These efforts resulted in sales of ¥7 million (down by 83.2% from the same period of the previous fiscal year),

and an operating loss of ¥16 million (compared to operating income of ¥20 million in the same period of the previous fiscal year).

2. Qualitative information on consolidated financial conditions

Total assets at the end of the first quarter of the fiscal year ending March 2010 were ¥26,285 million (down by 4.3% from the end of the previous consolidated fiscal year), and liabilities were ¥18,482 million (down by 5.4%). The decrease in total assets was mainly because of ¥888 million decrease in cash and bank deposits, and ¥243 million decrease in inventories. The decrease in liabilities was mainly due to a decrease of ¥872 million in interest-bearing debts and ¥131 million decrease in accounts payable.

Net assets were ¥7,803 million (down by 1.7%). The main reason for the decline in net assets was the net loss of ¥142 million. Consequently, the equity ratio was 29.5%.

Cash flows

For the first quarter of the fiscal year ending March 2010, cash and cash equivalents (“cash”) totaled ¥2,796 million at the end of the first quarter, a decrease of ¥915 million compared to the balance at the beginning of the term. This decrease resulted mainly from an increase in proceeds from sales of properties, offset by repayments of long-term borrowings and interest payments.

The cash flows for the first quarter of the fiscal year ending March 31, 2010 are described below, along with the main factors affecting cash flows.

Cash flow from operating activities

Net cash used in operating activities was ¥58 million (compared to net cash provided of ¥503 million in the same period of the previous fiscal year). This figure was mainly the result of depreciation and amortization of ¥67 million, a decrease in inventories of ¥193 million as sales of properties and an increase in security deposits received of ¥55 million, offset by a loss before income taxes of ¥139 million, a decrease in accounts payable-trade of ¥131 million and interest paid of ¥103 million.

Cash flow from investing activities

Net cash provided by investing activities was ¥14 million (compared to net cash used of ¥418 million in the same period of the previous fiscal year). This was mainly ¥20 million in proceeds from the collection of security deposits.

Cash flow from financing activities

Net cash used in financing activities was ¥872 million (compared to net cash provided of ¥2,751 million in the same period of the previous fiscal year). This was mainly ¥872 million used for repayments of long-term borrowings.

3. Qualitative information on consolidated earnings forecasts

Earnings for the first quarter of fiscal year ending March 2010 met projections, and there are no changes from the semiannual and annual consolidated earnings forecasts released on May 14, 2009. 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 2010 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

Revision of accounting principles and standards used for normal accounting treatment

(Change in accounting standard for completed construction contracts and cost of completed construction contracts)

In the past, the Sun Frontier Fudousan Group had applied the completed-contract method when accounting for revenues and costs of construction contracts. Beginning from the first quarter of the consolidated fiscal year ending March 31, 2010, the Group applied the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Statement No. 15, December 27, 2007) and the Implementation Guidance on Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Implementation Guidance No. 18, December 27, 2007). From work contracts began during the first quarter of the current consolidated fiscal year, the Group applied the percentage-of-completion method for works for which the outcome of the construction activity until the end of the first quarter of the current consolidated fiscal year is deemed certain. For all other works, the Group applied the completed-contract method.

The affect of this change on the profit or loss in the first quarter of the consolidated fiscal year ending March 31, 2010 was not material

(4) Important matters concerning the going concern assumption

In the previous consolidated fiscal year, the Sun Frontier Fudousan Group was affected by the sharp decline in real estate values as a result of the global financial crisis, and incurred an operating loss after reporting a loss on sale of inventories and a valuation loss on inventories. The Group continued to incur operating losses in the first quarter of the consolidated fiscal year ending March 31, 2010, and reported an operating loss of ¥75 million.

However, the Group is proceeding with various measures to improve operating results, generally in accordance with its plan. Such efforts include improving profitability by strengthening real estate services, and lowering the Group's break-even point by implementing substantial cost reductions. The Group judges it will be able to sufficiently resolve these important matters.

5. Consolidated Financial Statements

*Amounts under one thousand yen have been rounded down.

(1) Quarterly Consolidated Balance Sheets

(¥ thousand)

	First Quarter of FY ending March 31, 2010 (as of June 30, 2009)	FY ended March 31, 2009 (as of March 31, 2009)
ASSETS		
Current Assets		
Cash and bank deposits	3,105,737	3,994,254
Accounts receivable - trade	98,832	63,380
Real estate held for sale	8,843,520	9,199,348
For-sale real estate under construction	10,487,330	10,374,534
Supplies	1,346	1,346
Other current assets	188,885	208,894
Allowance for doubtful accounts	(7,185)	(5,586)
Total Current Assets	22,718,467	23,836,173
Fixed Assets		
Property and Equipment		
Buildings	934,788	944,459
Vehicles	829	900
Land	722,773	722,773
Other	20,507	22,802
Total Property and Equipment	1,678,898	1,690,936
Intangible Fixed Assets		
Other	48,232	53,018
Total Intangible Fixed Assets	48,232	53,018
Investments and Other Assets		
Investment securities	1,520,621	1,542,041
Other	383,723	426,208
Allowance for doubtful accounts	(64,309)	(68,680)
Total Investments and Other Assets	1,840,034	1,899,569
Total Fixed Assets	3,567,165	3,643,524
Total Assets	26,285,633	27,479,697

(¥ thousand)

	First Quarter of FY ending March 31, 2010 (as of June 30, 2009)	FY ended March 31, 2009 (as of March 31, 2009)
LIABILITIES		
Current Liabilities		
Accounts payable - trade	69,250	201,016
Current portion of bonds	108,000	108,000
Current portion of long-term debts	10,270,688	3,920,688
Income taxes payable	10,945	14,666
Accrued bonuses for employees	10,874	40,459
Construction warranty reserve	22,900	30,600
Provisions for fulfillment of guarantees	6,656	6,700
Other current liabilities	584,350	652,972
Total Current Liabilities	11,083,664	4,975,102
Long-term Liabilities		
Corporate bonds	270,000	270,000
Long-term debts	6,276,796	13,498,968
Deferred tax liabilities	518	567
Other long-term liabilities	851,192	795,233
Total Long-term Liabilities	7,398,506	14,564,769
Total Liabilities	18,482,171	19,539,871
NET ASSETS		
Shareholders' Equity		
Common stock	7,228,308	7,228,308
Additional paid-in capital	-	7,289,643
Retained earnings	512,827	(6,633,874)
Total Shareholders' Equity	7,741,136	7,884,077
Valuation and Translation Adjustments		
Net unrealized holding gain on other securities	715	786
Total Valuation and Translation Adjustments	715	786
Stock Acquisition Rights	61,610	54,962
Total Net Assets	7,803,461	7,939,826
Total Liabilities and Net Assets	26,285,633	27,479,697

(2) Quarterly Consolidated Statements of Income

(¥ thousand)

	First Quarter of FY ended March 31, 2009 (April 1– June 30, 2008)	First Quarter of FY ending March 31, 2010 (April 1– June 30, 2009)
Net Sales	12,307,199	858,472
Cost of Sales	10,749,612	508,002
Gross Profit	1,557,586	350,470
Selling, General and Administrative Expenses	1,043,189	426,320
Operating Income (Loss)	514,397	(75,850)
Other Income	469	653
Interest income	79	335
Dividend receivable	240	240
Other	148	78
Other Expenses	218,483	92,202
Interest Expense	128,464	91,421
Fees for finance	89,655	-
Other	363	781
Ordinary Income (Loss)	296,383	(167,399)
Extraordinary Gains	-	29,609
Reversal of accrued bonuses for employees	-	17,709
Reversal of construction warranty reserve	-	7,529
Other	-	4,370
Extraordinary Losses	-	1,759
Loss on revaluation of memberships	-	1,759
Income (Loss) before Income Taxes	296,383	(139,549)
Income Taxes	123,767	3,391
Income taxes-current	1,515	3,391
Income taxes-deferred	122,252	-
<u>Net Income (Loss)</u>	<u>172,615</u>	<u>(142,940)</u>

(3) Quarterly Consolidated Statements of Cash Flows

(¥ thousand)

	First Quarter of FY ended March 31, 2009 (April 1– June 30, 2008)	First Quarter of FY ending March 31, 2010 (April 1– June 30, 2009)
Cash Flows from Operating Activities		
(Loss) before income taxes	296,383	(139,549)
Depreciation and amortization	119,528	67,061
Stock acquisition rights	5,227	6,647
Allowance for doubtful accounts	6	(2,772)
Accrued bonuses for employees	(71,489)	(29,585)
Accrued bonuses for directors	9,250	-
Construction warranty reserve	13,300	(7,700)
Provisions for fulfillment of guarantees	-	(43)
Interest and dividend income	(320)	(575)
Interest expense	128,464	91,421
Accounts receivable - trade	(58,884)	(32,259)
Inventories	2,171,260	193,309
Accounts payable-trade	552,148	(131,765)
Consumption tax payable	893	(20,516)
Consumption tax receivable	(28,166)	-
Security deposits received	(1,052,807)	55,958
Others, net	(64,446)	(741)
Sub total	2,020,348	48,889
Interest and dividend received	320	630
Interest paid	(85,444)	(103,539)
Income tax paid	(1,432,009)	(4,216)
Net Cash Provided by (Used in) Operating Activities	503,215	(58,235)
Cash Flows from Investing Activities		
Payments for time deposits	(126,062)	(48,155)
Proceed from time deposits	36,000	36,000
Purchases of property and equipments	(2,446)	(130)
Purchases of intangible fixed assets	(839)	(385)
Purchases of investment securities	(319,300)	-
Proceeds from collection of loans receivable	-	6,633
Payments for security deposits	(6,013)	-
Proceed from security deposits	157	20,995
Others, net	(337)	-
Net Cash Provided by (Used in) Investing Activities	(418,840)	14,958
Cash Flows from Financing Activities		
Net increase (Decrease) in short-term borrowings	11,500	-
Proceeds from long-term borrowings	8,800,000	-
Repayments of long-term borrowings	(5,629,500)	(872,172)
Dividends paid	(430,734)	(224)
Net Cash Provided by (Used in) Financing Activities	2,751,265	(872,396)
Decrease in Cash and Cash Equivalents	2,835,639	(915,673)
Cash and Cash Equivalents at Beginning of the Term	4,787,802	3,712,211
Cash and Cash Equivalents at End of the Term	<u>7,623,441</u>	<u>2,796,537</u>

(4) Notes on going-concern assumptions

None.

(5) Segment Information**a. Business Performance by Segment**

First Quarter of FY Ended March 31, 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

First Quarter of FY Ending March 31, 2010 (from April 1 — June 30, 2009)

(¥ thousand)

	Real-estate revitalization	Real-estate services	Other real-estate business	Total	Elimination/Corporate	Consolidated
Sales to external customers	569,471	281,034	7,966	858,472	—	858,472
Intersegment sales	—	152	—	152	(152)	—
Total sales	569,471	281,187	7,966	858,625	(152)	858,472
Operating income (loss)	69,616	(28,605)	(16,234)	24,775	(100,626)	(75,850)

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 ----- Replanning, Leasing of the company owned properties

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

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

b. Segment Information by Business Location

During the first quarter of FY ended March 31, 2009 (from April 1 – June 30, 2008) and from the first quarter of FY ending March 31, 2010 (from April 1 – June 30, 2009), 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 FY ended March 31, 2009 (from April 1 – June 30, 2008) and from the first quarter of FY ending March 31, 2010 (from April 1 – June 30, 2009), the Company and subsidiaries did not account overseas sales, so this item does not exist.

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

Based on a resolution of the General Meeting of the Shareholders held on June 26, 2009, the Company compensated for a carry-forward deficiency by transferring ¥7,289,643 thousand from additional paid-in capital to retained earnings.