

Notification Regarding Offering of Shares to be Issued by Third-Party Allotment

At a Board of Directors meeting held on November 11, 2009, Sun Frontier Fudousan Co., Ltd. approved a resolution to make an offering of shares to be issued by third-party allotment (“the allotment of new shares to third parties”). Details of the offering are described below.

1. Offering Overview

(1) Issue Date	November 30, 2009
(2) Total number of new shares to be issued	Common stock: 40,000 shares
(3) Issue price	25,000 yen per share
(4) Funds to be procured	1,000,000,000 yen
(5) Method of Offering or Allocation (Allotted party)	Third-party allotment (Tomoaki Horiguchi: 40,000 shares)
(6) Other	Each item above is subject to the effectiveness of the securities registration statement to be filed under the Financial Instruments and Exchange Law of Japan.

2. Purpose and Reason of Offering

In the previous consolidated fiscal year, the Sun Frontier Fudousan Group reported a net loss of ¥17,666 million. The main cause of this loss was the recording of valuation loss on inventories and loss on sales of inventories due to sharply decline real estate prices under the impact of the global financial crisis. Furthermore, in the interim period of the consolidated fiscal year ending March 2010, the Group reported a net loss of ¥4,336 million, after additionally recording a valuation loss on inventories and a valuation loss on investment securities. At the end of the interim period of the consolidated fiscal year ending March 2010, our net assets had decreased sharply from ¥25,078 million at the end of the same period in the previous consolidated fiscal year to ¥3,617 million. In addition, our equity ratio fell to 16.6% from 45.9% at the end of the same period in the previous consolidated fiscal year, significantly below the 30% level we have set as our objective from the standpoint of financial safety.

To eliminate these conditions as quickly as possible, the Sun Frontier Fudousan Group will steadily implement and continue various measures centered on the establishment of a stable revenue base and thorough cost reductions, and work to enhance new earning capacity aimed at future growth, and has decided to implement a capital injection based on the allotment of new shares to third parties.

In the real estate market where the Sun Frontier Fudousan Group is developing its businesses, transactions that gave the impression of a market recovery were noted in some segments, and indications of change began to appear against the backdrop of hopes the economy had stabilized. For the market as a whole, however, a difficult business climate continued. Moves toward a recovery of liquidity were slow in the office properties market in particular, a segment where Sun Frontier Fudousan is focusing its efforts, and rent prices in the leasing market followed a downward trend. Given such an environment, the Sun Frontier Fudousan Group

zealously pursued measures aimed at improving operating performance, ranging from strengthening income such as fee proceeds in the real estate service business and thorough spending cuts at every level of the Group, to the sale of replanning properties. Although faced with such market conditions, the Sun Frontier Fudousan Group will seek to quickly stabilize its financial base, work to expand stable earnings base in the real estate service business and enhance earning capacity through new replanning projects and other efforts, and firmly lay a foundation for new growth. Furthermore, we will respond to the trust placed in us by all of our stakeholders including our shareholders.

3. Amount, use and payment schedule of procured funds

(1) Amount of funds to be procured (approximate balance the Company obtains)

Total paid-in amount	Approximate issuance-related costs	Approximate balance obtained
1,000,000,000 yen	6,000,000 yen	994,000,000 yen

- (Note) 1. The approximate issuance-related costs do not include consumption tax, etc.
2. The main expenses for this transaction include the registration and license tax.

(2) Specific use of procured funds

Specific use	Amount	Payment schedule
Property acquisition expense related to the replanning business	994 million yen	December 2009 – November 2010

4. Approach concerning the reasonableness of the use of funds

The Sun Frontier Fudousan Group has been affected by the rapid deterioration of the real estate market since 2008, and reported a quarterly (current period) net loss in each quarter of the interim period of the consolidated fiscal year ending March 2010, following similar losses in the previous consolidated fiscal year (fiscal year ended March 2009). The main cause of these losses was the recording of valuation loss on inventories, loss on sales of inventories, and valuation loss on investment securities. All of these valuation losses were incurred on investments in replanning properties (real estate renovated for sale) or the development SPC, which were acquired before the financial crisis that began in September 2008.

Together with reporting valuation losses to appropriately reflect prevailing market conditions for each project during this period, the Sun Frontier Fudousan Group worked to quickly sell properties for which conversion for commercial use was completed and projects on which we had halted development, even if the sale was accompanied by a loss, and strove to reduce interest-bearing debts. We also took steps to stabilize the cash flow on properties for which long-term holding was judged to be appropriate. These efforts included transitioning from short-term borrowings to long-term borrowings with the cooperation of financial institutions. Furthermore, at the end of the second quarter, we appropriated impairment loss on investment securities (investment in a real estate privately offered fund and another vehicle) as mentioned above.

Through a series of measures that included the reporting of these valuation losses, property sales and a shift to long-term borrowings, the Sun Frontier Fudousan Group has improved the structure of its balance sheet to ensure it is sufficiently resilient even under such unstable market conditions.

Nevertheless, as described in “2. Purpose and Reason of Offering” above, the Sun Frontier Fudousan Group’s equity ratio at the end of the interim consolidated fiscal year had declined to 16.6%, making it necessary to quickly replenish equity capital and strengthen our financial base in order to maintain financial soundness, enhance earning capacity and set the stage for new growth. As the capital base for this new business growth, a capital increase through the allotment of new shares to third parties will make a major contribution to our efforts to undertake new proposals in the replanning business.

In the Sun Frontier Fudousan Group’s replanning business, we purchase older commercial buildings that are experiencing a high vacancy rate, which we sell to investors after enhancing the real estate value by executing improvements and repairs, changing the property use and other works, and attracting new tenants. Consequently the ability to obtain funds to acquire properties flexibly while prudently following changing market conditions has become a critical factor for our management of this business. Moreover, when acquiring properties we normally adopt a funding scheme in which about 60-70% of the purchase price is procured using loans from financial institutions and the balance is financed from own capital. We believe a capital increase through the allotment of new shares to third parties will also function effectively in our financing transactions with financial institutions when we acquire properties.

Although we have not finalized purchases of any specific properties at this time, we intend to acquire properties by targeting small and medium-scale commercial buildings located in central Tokyo, a market segment where we possess strengths as an operating base and where liquidity is comparatively high, even under extremely uncertain market conditions. During the consolidated fiscal year ending March 2010, we plan to purchase two or three buildings at a price of roughly ¥500-1,000 million per building. Therefore, we plan to allocate ¥500 million, or about half of the funds raised through the allotment of new shares to third parties, for the acquisition of a property during the current fiscal year, and apply the remaining ¥494 million to the purchase of properties in the next fiscal year.

As indicated above, our financial arrangements for existing projects acquired before the financial crisis have been fully completed. We believe the net funds from the allotment of new shares to third parties, which we will use to undertake new projects under the actual conditions of the current and future real estate market, will contribute significantly to boosting the future earning capacity of the Sun Frontier Fudousan Group and the improvement of our corporate value.

Based on the above considerations, we believe the use of funds raised through the allotment of new shares to third parties is sufficiently reasonable from a management standpoint.