

**Financial Results for Third Quarter of Fiscal Year
Ending March 31, 2010 (Fiscal 2010)
(Translation of Japanese Flash Report, Released on February 9, 2010)**

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 Third Quarter of Fiscal 2010 (from April 1 to December 31, 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)
Third Quarter of Fiscal 2010	¥9,125 (-54.4%)	¥(3,658) (-%)	¥(3,944) (-%)
Third Quarter of Fiscal 2009	¥20,031 (-27.6%)	¥(12,281) (-%)	¥(12,897) (-%)

	Net Income (Loss)	Net Income (Loss) per Share	Fully Diluted Net Income per Share (Yen)
Third Quarter of Fiscal 2010	¥(3,924) (-%)	¥(11,674.82)	¥-
Third Quarter Fiscal 2009	¥(12,888) (-%)	¥(38,879.83)	¥-

(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)
Third Quarter of Fiscal 2010	¥17,770	¥5,031	27.9%	¥13,351.14
Fiscal 2009	¥27,479	¥7,939	28.7%	¥23,785.76

Reference) Equity at term-end: 3rd quarter of fiscal 2010 (as of December 31, 2009): ¥4,959 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	-	¥0.00	-		
Fiscal 2010 (Projections)			-	¥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
Fiscal 2010	¥14,200 (-47.2%)	¥(3,700) (-%)	¥(4,050) (-%)	¥(4,000) (-%)	¥(12,066.54)

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 included 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 5.

(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):

December 2009: 371,495 shares March 2009: 331,495 shares

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

December 2009: - shares March 2009: - shares

3) Weighted average number of shares for the period from the first to third quarter (April 1 – December 31):

December 2009: 336,149 shares September 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 Group 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

During the third quarter (October – December 2009) of the consolidated fiscal year ending March 2010, Japan's economy moved toward a recovery in exports, and production picked up as the global economy got back on track. A strong sense of uncertainty over the outlook for the Japanese economy persisted as the appreciation of the yen and deflation moved ahead and employment conditions deteriorated with some concerns over a double-dip recession in the economy.

In the real estate industry where Sun Frontier Fudousan is conducting its businesses, signs of a partial recovery in the liquidity of the real estate market could be observed against the backdrop of the gradual restoration of stability in the financial markets. Nevertheless, conditions are unpredictable as, among other factors, the vacancy rate for commercial real estate remained at a high level, and rent prices in the leasing market continued to follow a moderate downward trend.

Given such an environment, the Sun Frontier Fudousan Group steadily pursued measures aimed at improving operating performance, ranging from establishing a stable profit base through an increase in fee proceeds in the real estate service business and a lowering of the breakeven point through exhaustive cost reductions at every level of the Group. In particular, we have endeavored to broaden our customer base and create earning opportunities in the real estate service business. They are done by working to enhance new services in peripheral businesses, including total support for office relocations, such as procurement of office furniture and suggestions for layout, and brokerage for furnished offices and stores at the same time as seeking to further strengthen our existing businesses. Moreover, we have been involved in activities to acquire new properties in the replanning business based on the stable financial position that comes from the completion of sales of large-scale properties and a 1,000 million yen capital injection based on a third-party allotment.

Therefore, earnings in the third quarter of the consolidated fiscal year ending March 2010 marked the first quarter in the black for six quarters since the first quarter (April – June 2008) of the preceding consolidated fiscal year.

As a result, our operating results for the third quarter of the consolidated fiscal year ending March 2010 were as follows: sales of ¥5,906 million (up by 10.6% from the same period of the previous fiscal year), operating income of ¥523 million (compared to an operating loss of ¥10,899 million in the same period of the previous fiscal year), and ordinary income of ¥428 million (compared to an ordinary loss of ¥11,040 million in the previous fiscal year). Net income was ¥412 million (compared to a net loss of ¥12,364 million).

Business performance by segment is as follows.

Real Estate Revitalization

In the replanning business, we completed the sale of properties scheduled for the quarter in line with projections. As a result, we sold three properties for a total of ¥5,169 million. The settlement date on the sale of the Frontier Ebisu Building is January 22, 2010, so the sale will be recorded in the fourth quarter. On the other hand, in terms of acquisitions, we considered a large number of small to medium-sized buildings in the five wards of central Tokyo, which is the Group's strongest area, but we did not purchase any during the quarter as a result of giving serious consideration to such factors as market trends, risk and business profitability.

In the building leasing business, although we kept occupancy rates in properties which are long-term holdings high through such means as detailed support for tenants, lease revenue declined because of the sale of inventories and some other factors.

As a result of the activities described above, sales were ¥5,457 million (up by 8.9% compared to the same period of the previous fiscal year) and operating income was ¥547 million (compared to an operating loss of ¥10,590 million in the same period of the previous fiscal year).

Real Estate Services

In our sales brokerage business, we continued efforts to strengthen our employees and organizational structure, and worked to develop our customer base by taking maximum advantage of our collective capabilities, through cooperation among internal divisions such as our leasing brokerage and property management businesses. We also worked to uncover the potential needs of existing clients with whom we already have a proven track record. As a result, we began to achieve steady contract results centered on small to medium-sized properties.

In the leasing brokerage business, we have been strengthening our marketing strategy in quantity and quality by increasing the number of marketing staff, and by pursuing even closer and stronger community ties again. Moreover, collaboration with peripheral businesses related to leasing brokerage that comprehensively support office relocation, and the strengthening of our ability to attract customers through the innovation of a leasing search site proved effective and generated stable results in the third quarter.

Our property management business continued working to improve the level of customer satisfaction and prevent vacancies through close tenant support at properties under contract, which includes regular questionnaires for tenants. We also actively developed efforts from a physical aspect as well, including management of building improvements and restoration work, with a view to improving property values. Amid a rising trend for the vacancy rate in the leasing market, contract results in our leasing business also led to new contracts for property management, and the number of properties under contract grew steadily.

In our leasing guarantee business, the number of contracts rose steadily and the guarantee balance moved firmly. Growth was spurred by the desire of building owners to avoid rent delinquency risk and tenants to control expenditures and reduce the risk of entrusting security deposits because of the economic downturn. In addition, we were able to keep delinquencies down through rigorous preliminary investigations and prompt and resolute action when delinquencies do arise.

With the completion of the commercial building project we have been involved in through a development SPC (special purpose company) as part of our real estate securitization business, we recorded revenue that included leasing fees related to the attraction of tenants and construction management fees related to the planning and design of the building.

As a result of the above efforts, sales were ¥453 million (up by 70.9% compared to the same period of the previous fiscal year) and operating income was ¥72 million (compared to an operating loss of ¥163 million in the same period of the previous fiscal year).

Other Real Estate

In our asset management business, asset management fees from existing projects remained stable.

On the other hand, in our real estate securitization business, dividends from privately offered funds fell due to the impact from the decline of rent in the leasing market.

As a result of the conditions described above, sales were ¥6 million (down by 90.3% from the same period of the previous fiscal year) and operating income was ¥4 million (down by 91.2% compared to the same period of the previous fiscal year).

2. Qualitative information on consolidated financial conditions

Total assets at the end of the third quarter of the fiscal year ending March 2010 were ¥17,770 million

(down by 35.3% from the end of the previous consolidated fiscal year), and liabilities were ¥12,738 million (down by 34.8%). The decrease in total assets was mainly because of ¥235 million decrease in cash and bank deposits, ¥7,760 million decrease in inventories, and ¥1,537 million decrease in investment securities. The decrease in liabilities was mainly due to a decrease of ¥7,321 million in interest-bearing debts.

Net assets were ¥5,031 million (down by 36.6%). The main reason for the decline in net assets was the net loss of ¥3,924 million, although increases in ¥500 million of common stock and ¥500 million of retained earnings through shares to be issued by third-party allotment. Consequently, the equity ratio was 27.9%.

Cash flows

For the third quarter of the fiscal year ending March 2010, cash and cash equivalents (“cash”) totaled ¥3,425 million at the end of the third quarter, an increase of ¥1,106 million compared to the balance at the end of the second quarter. This increase resulted mainly from an income before income taxes of ¥415 million, a decrease in inventories and proceeds from issuance of common stock, although decreases in security deposits received, purchases of investment securities, short-term borrowings and repayments of long-term borrowings.

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

Cash flow from operating activities

Net cash provided by operating activities was ¥4,969 million (compared to net cash provided by ¥3,068 million in the same period of the previous fiscal year). This figure was mainly an income before income taxes of ¥415 million and a decrease in inventories of ¥4,662 million, although a decrease in security deposits received of ¥447 million and an interest paid of ¥114 million.

Cash flow from investing activities

Net cash used in investing activities was ¥766 million (compared to net cash used in ¥77 million in the same period of the previous fiscal year). This was mainly ¥752 million in purchases of investment securities (a decrease in debts of silent partnership).

Cash flow from financing activities

Net cash used in financing activities was ¥3,096 million (compared to net cash used in ¥3,777 million in the same period of the previous fiscal year). This was mainly ¥869 million of decrease in short-term borrowings and ¥3,222 million of repayments of long-term borrowings, although ¥994 million of proceeds from issuance of common stock.

3. Qualitative information on consolidated earnings forecasts

There were no revisions from the consolidated earnings forecasts, which released on November 11, 2009.

4. Other

(1) Significant change in subsidiaries during the period (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 third 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 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 third 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 9 months cumulative period of the consolidated fiscal year ending March 2010 was not material.

(4) Important matters concerning the going concern assumption

In the previous consolidated fiscal year, the Sun Frontier Fudousan Group reported an operating loss of ¥17,090 million and a net loss of ¥17,666 million. Furthermore, in the 9 months cumulative period of the consolidated fiscal year ending March 2010, the Group reported an operating loss of ¥3,658 million and a net loss of ¥3,924 million, after additionally recording a valuation loss on inventories in light of prevailing market conditions and a new valuation loss on investment securities. The Group has again recorded an operating loss and a net loss.

As specific measures to improve earning capacity, the Sun Frontier Fudousan Group has fully implemented actions to (1) strengthen its specialized leasing brokerage business capabilities for the central Tokyo area, (2) enhance sales brokerage to take maximum advantage of the Group's comprehensive capabilities based on cooperation among the leasing brokerage, property management and other divisions and (3) reduce costs. In addition, (4) to achieve growth in earnings from small and medium-sized scale replanning projects, the Group increased capital through a 1,000 million yen capital injection based on a third-party allotment on November 30, 2009. By resolutely executing these measures, 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)

	End of 3Q of FY ending March 31, 2010 (as of December 31, 2009)	FY ended March 31, 2009 (as of March 31, 2009)
ASSETS		
Current Assets		
Cash and bank deposits	3,758,915	3,994,254
Accounts receivable - trade	136,198	63,380
Real estate held for sale	8,381,853	9,199,348
For-sale real estate under construction	3,431,100	10,374,534
Supplies	-	1,346
Other current assets	57,131	208,894
Allowance for doubtful accounts	(3,621)	(5,586)
Total Current Assets	15,761,578	23,836,173
Fixed Assets		
Property and Equipment		
Buildings (net)	906,983	944,459
Vehicles (net)	685	900
Land	722,773	722,773
Other (net)	15,656	22,802
Total Property and Equipment	1,646,099	1,690,936
Intangible Fixed Assets		
Other	39,123	53,018
Total Intangible Fixed Assets	39,123	53,018
Investments and Other Assets		
Investment securities	-	1,542,041
Other	386,104	426,208
Allowance for doubtful accounts	(62,554)	(68,680)
Total Investments and Other Assets	323,549	1,899,569
Total Fixed Assets	2,008,773	3,643,524
Total Assets	17,770,351	27,479,697

(¥ thousand)

	End of 3Q of FY ending March 31, 2010 (as of December 31, 2009)	FY ended March 31, 2009 (as of March 31, 2009)
LIABILITIES		
Current Liabilities		
Accounts payable - trade	103,488	201,016
Short-term borrowings	931,000	-
Current portion of bonds	108,000	108,000
Current portion of long-term debts	4,638,688	3,920,688
Income taxes payable	18,025	14,666
Accrued bonuses for employees	9,999	40,459
Construction warranty reserve	6,900	30,600
Provision for fulfillment of guarantees	5,000	6,700
Provision for office relocation expenses	5,119	-
Other current liabilities	825,600	652,972
Total Current Liabilities	6,651,821	4,975,102
Long-term Liabilities		
Corporate bonds	216,000	270,000
Long-term debts	4,582,452	13,498,968
Deferred tax liabilities	225	567
Other long-term liabilities	1,288,285	795,233
Total Long-term Liabilities	6,086,963	14,564,769
Total Liabilities	12,738,784	19,539,871
NET ASSETS		
Shareholders' Equity		
Common stock	7,728,308	7,228,308
Additional paid-in capital	500,000	7,289,643
Retained earnings	(3,268,712)	(6,633,874)
Total Shareholders' Equity	4,959,596	7,884,077
Valuation and Translation Adjustments		
Net unrealized holding gain on other securities	288	786
Total Valuation and Translation Adjustments	288	786
Stock Acquisition Rights	71,682	54,962
Total Net Assets	5,031,566	7,939,826
Total Liabilities and Net Assets	17,770,351	27,479,697

(2) Quarterly Consolidated Statements of Income

(From the first to third quarter of the fiscal year ending March 31, 2010)

(¥ thousand)

	From 1Q to3Q of FY ended March 31, 2009 (April 1– December 31, 2008)	From 1Q to3Q of FY ending March 31, 2010 (April 1– December 31, 2009)
Net Sales	20,031,266	9,125,961
Cost of Sales	29,714,814	11,409,775
Gross Loss	(9,683,547)	(2,283,813)
Selling, General and Administrative Expenses	2,598,341	1,374,750
Operating Loss	(12,281,889)	(3,658,564)
Other Income	13,765	2,572
Interest income	7,064	1,371
Dividend receivable	375	371
Return from cancellation of insurance	2,834	-
Other	3,491	829
Other Expenses	629,263	288,455
Interest Expense	428,712	280,506
Fees for finance	199,513	-
Other	1,037	7,949
Ordinary Loss	(12,897,386)	(3,944,447)
Extraordinary Gains	1,059,411	47,509
Gain on sales of property and equipment	1,058,783	-
Reversal of accrued bonuses for employees	-	17,709
Reversal of construction warranty reserve	627	22,815
Other	-	6,985
Extraordinary Losses	26,336	17,740
Loss on disposal of property and equipment	26,336	10,761
Revision of provision for office relocation expenses	-	5,119
Other	-	1,859
Loss before Income Taxes	(11,864,312)	(3,914,678)
Income Taxes	1,024,156	9,802
Income taxes-current	5,509	9,802
Income taxes-deferred	1,018,647	-
<u>Net Loss</u>	<u>(12,888,469)</u>	<u>(3,924,480)</u>

(Third quarter of fiscal year ending March 31, 2010)

(¥ thousand)

	3rd quarter of FY ended March 31, 2009 (October 1– December 31, 2008)	3rd quarter of FY ending March 31, 2010 (October 1– December 31, 2009)
Net Sales	5,342,488	5,906,757
Cost of Sales	15,410,310	4,885,238
Gross Profit (Loss)	(10,067,821)	1,021,519
Selling, General and Administrative Expenses	831,794	497,573
Operating Income (Loss)	(10,899,616)	523,945
Other Income	1,846	165
Interest income	33	30
Refunds of consumption tax	-	87
Return from cancellation of insurance	1,136	-
Dividend receivable	-	46
Other	676	1
Other Expenses	143,000	95,226
Interest Expense	142,187	88,846
Other	813	6,380
Ordinary Income (Loss)	(11,040,770)	428,884
Extraordinary Gains	18,600	2,313
Reversal of construction warranty reserve	100	240
Reversal of provision for fulfillment of guarantees	-	2,073
Reversal of accrued bonuses for directors	18,500	-
Extraordinary Losses	25,850	15,881
Loss on disposal of property and equipment	25,850	10,761
Revision of provision for office relocation expenses	-	5,119
Income (Loss) before Income Taxes	(11,048,020)	415,317
Income Taxes	1,316,909	3,141
Income taxes-current	2,195	3,141
Income taxes-deferred	1,314,713	-
<u>Net Income (Loss)</u>	<u>(12,364,929)</u>	<u>412,175</u>

(3) Quarterly Consolidated Statements of Cash Flows

(¥ thousand)

	From 1Q to3Q of FY ended March 31, 2009 (April 1– December 31, 2008)	From 1Q to3Q of FY ending March 31, 2010 (April 1– December 31, 2009)
Cash Flows from Operating Activities		
Loss before income taxes	(11,864,312)	(3,914,678)
Depreciation and amortization	324,130	194,441
Stock acquisition rights	15,098	16,719
Allowance for doubtful accounts	68,031	(8,091)
Accrued bonuses for employees	(76,172)	(30,459)
Construction warranty reserve	(25,200)	(23,700)
Provision for fulfillment of guarantees	-	(1,700)
Provision for office relocation expenses	-	5,119
Investment in a silent partnership	-	2,999,972
Interest and dividend income	(7,440)	(1,742)
Interest expense	428,712	280,506
Gain on sales of property and equipment	(1,058,783)	-
Loss on disposal of property and equipment	26,336	8,461
Accounts receivable - trade	(172,906)	(41,984)
Inventories	15,350,795	7,619,858
Accounts payable-trade	553,547	(98,200)
Consumption tax payable	27,947	(4,178)
Consumption tax receivable	186,439	-
Security deposits received	(1,563,203)	(223,440)
Others, net	(198,302)	227,515
Sub total	(2,014,717)	7,004,419
Interest and dividend received	7,440	1,798
Interest paid	(378,793)	(307,425)
Refunded income tax received	-	108,287
Income tax paid	(1,474,425)	(2,614)
Net Cash Provided by Operating Activities	168,938	6,804,465
Cash Flows from Investing Activities		
Payments for time deposits	(315,101)	(190,475)
Proceed from time deposits	461,145	154,000
Purchases of property and equipments	(5,445)	(130)
Sales of property and equipments	1,745,927	-
Purchases of intangible fixed assets	(2,199)	(1,623)
Purchases of investment securities	(319,300)	(752,821)
Payments for short-term loan receivable	(65,000)	-
Proceeds from collection of short-term loan receivable	-	6,633
Payments for security deposits	(4,831)	-
Proceed from security deposits	20,707	20,995
Others, net	5,562	-
Net Cash Provided by (Used in) Investing Activities	1,521,465	(763,422)
Cash Flows from Financing Activities		
Increase (Decrease) in short-term borrowings, net	(11,190,000)	931,000
Proceeds from long-term borrowings	18,160,000	-
Repayments of long-term borrowings	(9,236,222)	(8,198,516)
Payments for redemption of bonds	(54,000)	(54,000)
Proceeds from issuance of common stock	-	994,369
Dividends paid	(494,561)	(711)
Net Cash Used in Financing Activities	(2,814,783)	(6,327,858)
Decrease in Cash and Cash Equivalents	(1,124,379)	(286,814)
Cash and Cash Equivalents at Beginning of the Term	4,787,802	3,712,211
Cash and Cash Equivalents at End of the Term	3,663,422	3,425,396