SUN FRONTIER

Sun Frontier Fudousan Annual Report 2008

Year Ended March 31, 2008

Corporate Profile

Sun Frontier Fudousan Co., Ltd. is developing a comprehensive real estate services business centered on its Replanning business. By purchasing antiquated buildings that are underperforming because they have aged, the Company creates new value by refurbishing and converting the properties into high-occupancy buildings that meet today's needs. The Company's Replanning business is a real estate revitalization business that pursues development without following the traditional "scrap-and-build" approach, and offers an essential business model linked to resource conservation and reductions in CO^2 emissions that have earned social support in the drive to create a recycling-based society.

Sun Frontier Fudousan was established in April 1999, and listed on JASDAQ in November 2004 and on the First Section of the Tokyo Stock Exchange in February 2007. Currently the Sun Frontier Fudousan Group, which includes three consolidated subsidiaries, is developing a real estate revitalization business, a real estate services business and other real estate businesses such as real estate securitization and asset management

Sun Frontier Fudousan's Strengths

The source of our strengths is our ability to discover the best use and realize maximum value.

Property purchasing:
Speed of purchasing decisions and action

Commercialization:
Ability to comprehend market changes based on local sites

Project duration:
Acquisition to exit in roughly six months

Marketing activities:
Ability to penetration end markets based on meticulous marketing efforts

Property sales:
High gross margins in the Replanning business

Contents

Financial Highlights

Sun Frontier Fudousan Co., Ltd and Subsidiaries

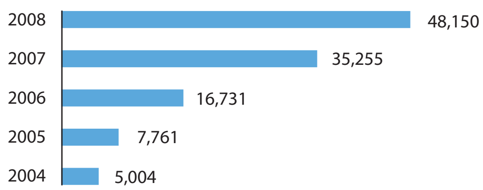
years ended March 31, 2007 and 2008

	Thousands of Yen		Thousands of U.S. Dollars
	2007	**2008**	**2008**
For the Year:			
Net sales	¥35,254,545	**¥48,150,224**	**$480,589**
Operating income	8,708,158	**6,960,840**	**69,476**
Net income	4,853,931	**3,650,868**	**36,439**
Net income per share (yen/dollar)	15,192.55	**11,014.04**	**109.93**
Diluted income per share (yen/dollar)	15,134.76	**11,011.48**	**109.91**
Cash dividends per share (yen/dollar)	1,000	**1,500**	**14.97**
At year-end:			
Total assets	54,502,686	**57,316,156**	**572,075**
Total net assets	22,734,782	**26,085,642**	**260,362**
Number of outstanding shares	331,303	**331,495**	
Net assets per share (yen/dollar)	68,613.51	**78,584.15**	**784.35**

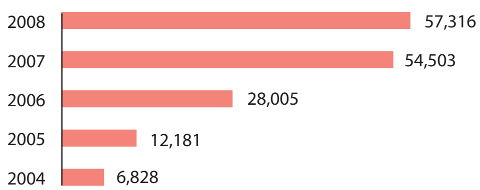
Note : The U.S. dollar amounts represent transaction of yen amounts at the rate of ¥100.19 = U.S.$1.00, the exchange rate as of March 31, 2008.

(Millions of yen)

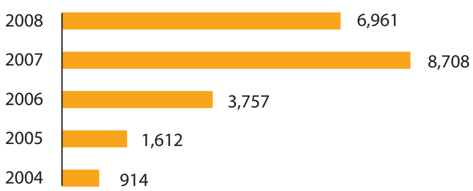
Net sales



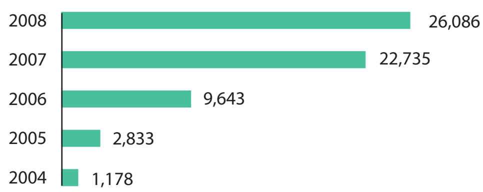
Total assets



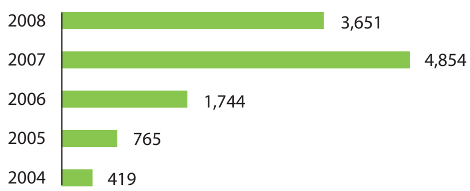
Operating income



Net assets



Net income



Note:
The Company began using consolidated financial reporting starting with year ended March31, 2006, so data for year ended March31, 2005 and before is non-consolidated.

Message from the President

Thank you for continued support of Sun Frontier Fudousan and our company Group.

During the fiscal year ended March 2008, the uncertainty regarding the outlook for the entire real estate industry began to spread as the sense of a slowdown in Japan's domestic economy grew stronger. The market was affected by several factors, including a decrease in property market liquidity because of fund procurement difficulties faced by J-REITs and privately offered funds, which had been the driving force behind rising price in recent years, and a decline in the availability of non-recourse loans, which are indispensable for real estate securitization.

The fiscal year marked a major turning point not only for the economy, but was unquestionably a year of evolution and kaleidoscopic change for our company as well. For the full year, consolidated net sales increased 36.6% year-on-year to ¥48,150 million, but operating income declined 20.1% year-on-year to ¥6,960 million and net income fell to ¥3,650 million, 24.8% lower than the previous consolidated fiscal year. This was the first year-on-year decline in earnings since the company was established in 1999, and a result that fell short of our publicly released projections. Factors leading to this result included not only the decrease in market liquidity, but also our inability to work on many of our purchased properties and the level of property revitalization difficulties. I cannot deny that our investment decisions regarding property purchases stemmed from my over-optimistic analysis as a result of growing complacent because of the strong economy and overconfidence in the company's abilities, and my desire as head of the company to expand our business.

Many of our purchased properties presented substantial difficulties that we expected to require extended attention for a period of three to five years, even with our revitalization knowledge and experience, and we decided to boldly sell these properties promptly to generate cash as the market deteriorated. Fortunately many of the properties were located in prime locations, such as in front of train stations and on streets that were connected directly to major roads. The vigorous sales activities of our special sales team, centered on the sales brokerage division, were also successful.

As a result, we made rapid progress in replacing these inventory properties. Looking at the number of buildings sold, during the fourth quarter we disposed of 25 buildings, in contrast to a total of 22 sold during the first three quarters. Moreover, for inventories held at fiscal year-end we accelerated the sale of properties that presented the possibility of a loss. This reduced the inventory balance of 55 buildings with a value of ¥55.73 billion at the end of the third quarter to 34 buildings valued at ¥45.40 billion at the end of the fiscal year. Our present inventory of properties is fairly muscular, and I can say we have created a system that can generate valuable business in the sectors and areas where we excel.

While the slowdown of our company cannot be denied when looking solely at the numerical results for fiscal 2008, my sense is that the change in the business environment in the latter half of fiscal 2008 presented an extremely valuable opportunity for our company's business development. The businesses and properties that were profitable in fiscal 2008 fulfilled all the requirements of the company's basic strategy for the replanning business, and have increased earnings even under a severe market environment. The fact we were able to confirm the true worth of high added value based on replanning, despite the contrary trend evident from the lackluster earnings of the entire real estate industry, was an opportunity for each employee to reconfirm the concepts and strengths of our company's businesses and provided a major boost in confidence. I believe that being able to again strongly recognize that specialization in businesses where we can provide high value-added services, and in fields where we can demonstrate the company's strengths with our undivided attention, is indispensable for our company's development, and was a fruitful harvest that will contribute to our future development.

The listing of our stock on the First Section of the Tokyo Stock Exchange in 2007 greatly strengthened our ability to raise funds, and we have created an organization that can also undertake replanning for large-scale properties that were difficult to administer. This was also a result of the unfailing understanding and support we have received from all our shareholders.

In the future, we will continue doing our best to ensure fair, highly transparent information disclosure for our shareholders and provide opportunities for understanding the company as it truly is. Furthermore, through efforts to build relationships that create trust with all our shareholders, customers and other stakeholders, we will seek to establish relationships that will grow and withstand the test of time.

I look forward to continuing to receive your warm support, guidance and encouragement in the future for the development of our company and businesses.

June 2008

Tomoaki Horiguchi

Tomoaki Horiguchi
President

Review of Operations

Real Estate Revitalization

In the Group's core business of replanning, we again clearly devised a policy of "specializing in central Tokyo office buildings," and the Group worked aggressively to replace properties held while proceeding with the disposal of real estate held for sale. In particular, in light of the current market we determined it was important to quickly dispose of certain types of properties and generate cash. These included properties with low market liquidity such as those in local areas, residential properties, or properties with divided ownership, which were not consistent with the Group's business policies, as well as properties that did not enable the Group to sufficiently demonstrate its leasing capabilities, and properties that had to be held for extended periods of three to five years in order to coordinate existing tenants' rights when performing seismic retrofitting work. The Group sold these properties even if the prices were below book value.

On the other hand, as the desire of real estate funds to purchase properties weakened against a backdrop of concerns of a credit crunch, the Group strengthened sales activities targeting traditionally important clients among general corporations and wealthy individuals, particularly clients wishing to purchase properties for replacing business assets or for minimizing inheritance tax. As a result, the Group sold 25 buildings during the fourth fiscal quarter, compared with 22 buildings during the first three fiscal quarters, and dramatically expanded its business. The Group also completed early introduction of the Accounting Standard for Measurement of Inventories, and appropriated ¥1.33 billion of valuation losses on inventories from 11 properties, accounting for possible losses earlier than required. On the other hand, the Group was able to ensure earnings as planned from projects it acquired in central Tokyo, which the Group has traditionally emphasized, by using the internal management resources embodied in its "Mochiyori power*." As a result, the Group's dominance in business areas where it should be active was evident.

* "Mochiyori power" is one of our philosophies representing employee's willingness to cooperate each other and to contribute without sectionalism. "Mochiyori" (Japanese word) means to bring along something when people gather.

<Before>

<After>

During the course of the year the Group purchased a total of 40 properties, including 23 that were subsequently sold during the same period. In particular, during the fourth fiscal quarter the Group purchased four properties that will enable it to fully demonstrate its business perspective because of characteristics in which the Group specializes, such as their central Tokyo location and high vacancy rates.

In the building leasing business, properties owned for the long-term maintained stable operations, while lease revenue from inventories remained steady for each property.

As a result, for the Group's real estate revitalization business as a whole, net sales rose 34.9% year-on-year to ¥44,063,777 thousand and operating income fell to ¥5,432,867 thousand down 36.2% from the previous fiscal year.

Real Estate Services

In real estate services, the Group's sales and leasing brokerage divisions and property management, as well as construction planning, focused on efforts to further improve the quality of the real estate revitalization business.

In its brokerage business, the Group created added value from the viewpoint of leasing, the source of real estate value, centered on the leasing brokerage division, and worked to rapidly market properties by providing indirect support for high-quality workmanship. In the sales brokerage division as well, earnings remained firm despite a downward trend in the number of actual transactions because the Group successfully concluded contracts that generated more than ¥200 million in fees per agreement, by proceeding with sales of revitalized properties and working to increase the size of transactions with parties outside the Group. In addition, during the fiscal year the Group achieved substantial qualitative improvements, such as successively mediating properties for J-REITs.

In the property management business, the Group continued to aggressively pursue large contracts. Although the number of properties under contract fell slightly, there

<Before>

Tennis courts

<After>

Office space

Conversion

Review of Operations

was a substantial improvement in the size of individual contracts, and as a result the total floor space under contract has increased. The Group also was able to increase profitability by creating new sources of revenue such as rent revision fees.

In the construction planning business, the Group is strongly pursuing improvement in the quality of revitalization properties, by refocusing on marketing its revitalization activities in conjunction with an increase in the number of properties handled by the real estate revitalization business.

In the leasing guarantee business, the number and outstanding balance of guarantees have remained steady as a result of business introductions from within the Group and active efforts to market the Group's services to outside brokerage companies.

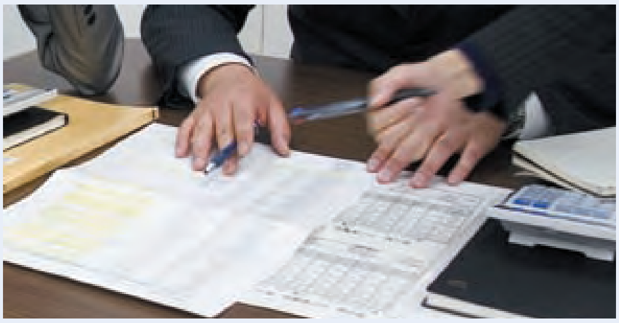
As a result of the above activities, net sales for real estate service business as a whole rose 4.4% year-on-year to ¥1,719,581 thousand and operating income increased 51.1% year-on-year to ¥56,157 thousand.

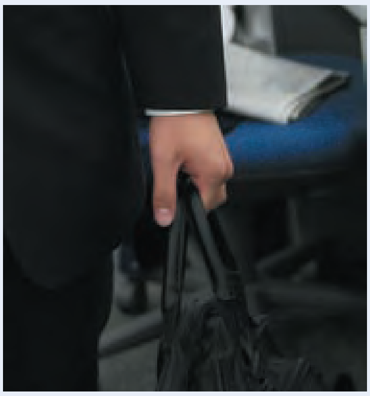
Other Real Estate

The asset management business contributed substantially to earnings, including asset management revenue recorded in conjunction with the sale of properties held by privately offered funds.

The real estate securitization business also posted dividend revenue accompanying the disposal of properties held by privately offered funds.

As a result, for the Group's other real estate business net sales rose 150.5% year-on-year to ¥2,366,865 thousand and operating income increased 158.8% year-on-year to ¥2,294,240 thousand.





Analysis of Current Conditions and Future Strategy

Property Market Analysis

Sales market

Domestic financial institutions became more selective regarding borrowers they were willing to finance, making it more difficult for general real estate companies to attain financing. In addition, J-REIT that are having difficulty raising funds could not purchase real estate, and small and medium-sized funds were shut out or withdrew from the market, creating an environment under which individual investors and general corporations were able to purchase properties.

Purchase environment	Sales environment
Privately offered funds and others are expected to release numerous properties onto the market in the future.	Real estate prices are currently in an adjustment phase, and the severe market will continue for one or two years. Various buyers are in the market, so property sales are not completely impossible (foreign financial institutions, corporations, wealthy individuals, etc.).

Requires a rapid response sensitive to market conditions
Sales and marketing capabilities being critical

Leasing market

Building vacancy rates have increased in sub-central Tokyo, and rents asked from new tenant have leveled off.
Total rent amounts in central Tokyo are projected to rise over the next two to three years owing to rent gaps among existing tenants.

"Ability to deal with tenants directly" will be critical

Nevertheless, Japanese financial institutions are taking an active stance concerning real estate loans accompanying actual demand (new construction and renovation).

An excellent opportunity that will enable Sun Frontier Fudousan to take maximum advantage of its strengths to dif erentiate the Group from other companies

Analysis of the Company in Fiscal 2008

Held an excessive amount of risks and properties

- We allowed acquisition rivalry to drive us, acquiring properties for which we could not create value, as well as engaging in bulk regional and condominium purchases.
- We were unable to handle the massive number of properties and the challenges of revitalizing them.

Our response →

- In light of the market reversal, we decided to swiftly divest properties and generate cash.
- Sell properties that require long revitalization lead times to help consolidate assets.

Balance of inventories:

	December 31, 2007	→	**March 31, 2008**
Number of buildings:	55 buildings	→	**34 buildings**
Value:	¥55.73 billion		**¥45.4 billion**

Businesses and properties that generated a prof t fulf lled all the requirements of the Company's "basic strategy for the replanning business."

1. Specialize in the building business
2. Lanchester strategy (specialization in central Tokyo projects surrounding our sales offices)
3. Concentrate on "Mochiyori power" as our strength

→ **Replanning Business Policy for Fiscal 2009**

1. Divest all properties that do not match our policy by the first half of fiscal 2009.
2. Simultaneously, concentrate on completing replanning projects earlier.
3. Separate large and small properties in doing so.

By following this business policy

We are fully executing the company's strategy concerning rapid revitalization, using a six month business period as the replanning business starting point.

Replanning Business Strategy

1. Specializing in central Tokyo office buildings

Our strategy is to specialize in commercial facilities and central Tokyo office building, which are our forte, and not handling residential properties at all which are dramatically affected by economic fluctuations.

Office buildings are superior investment vehicles during periods of economic fluctuations, and we will display leasing and property management strengths in this sector. We can clearly differentiate ourselves from the competition in office buildings, which test one's ability to add true value in real estate. Sun Frontier Fudousan will be able to further increase the market competitiveness of the company by specializing in this field.

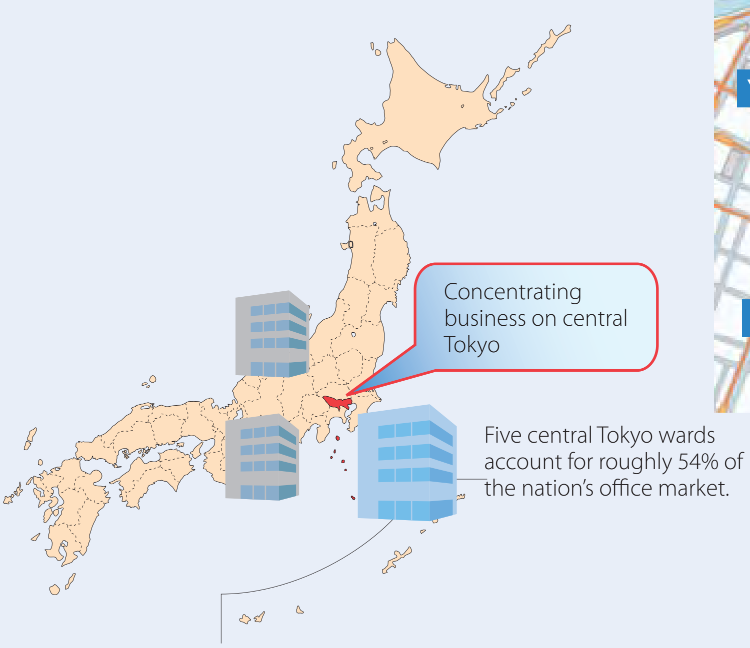
2. Lanchester strategy

— Dominant leasing capabilities in home territory —

- Our leasing brokerage division is developing a strategy to become the top player in the area by concentrating its sales and marketing force at the limited markets in Ginza, Kanda, Shinjuku and Yokohama.
- We are able to obtain, in real time, detailed information on property trends, owner and tenant trends, rent levels, development information and historical transitions, and to distinguish ourselves from rivals through"narrow and deep" development.
- We can act swiftly because we know our market.
- As costs are reduced, we can determine the highest rents.

Specific example: In Ginza…

- Segment the market and customers, creating a narrow focus for deploying management resources.
- Focus our priority on areas that match us one-on-one with rival companies.
- Form very close ties with customers, something that rivals find impossible.
- Become the top player by concentrating management resources in otherwise scanty markets and areas.



3. "Mochiyori" strategy

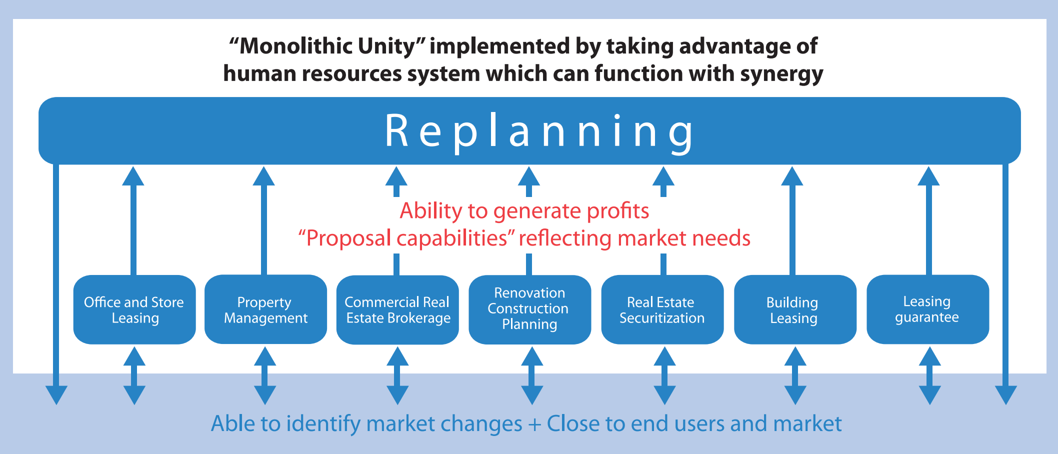
This is the strategy of specializing in projects that we are able to make the most of the know-how and specialization possessed by each in-house division. It starts from the purchasing stage led by the replanning division, and extends to the exit strategy by the leasing, property management, construction and sales brokerage divisions.

The synergistic effect created by our various internal real estate functions is able to realize "workmanship that seeks truth," which is not limited to simple renovations but extends to various facets of properties. The critical factors for determining real estate's added value include not only a building's hard elements such as design, functions and location, but also management aspects such as leasing and property management. We believe these management aspects are the resources that enable us to differentiate.

Our unique corporate culture of "working for our colleagues"

Converting employees' "mochiyori power" into added value for customers is the key to development of our replanning business. We believe "people" are the foundation of our firm and that fostering "people" will support corporate growth.

The point of human resources training is the individual abilities cultivated while pursuing work with a strong awareness of the question, "What can we do for our customers?" We have proclaimed "altruism over egoism" as our corporate credo, and we've institutionalized various programs centered on our young employees that place publicly-oriented "public wants" at the heart of our employee training through the concept "for colleagues, for customers, for society."



CSR Activities

Sun Frontier Fudousan is developing various activities under its corporate philosophy “contribute to the perpetual prosperity of humanity and nature.”

- **Responsibility to our shareholders**
  We will strive to maximize shareholder value by developing a fair, highly profitable comprehensive real estate services business and pursuing fair, honest and correct earnings. We will also always maintain highly transparent and prompt information disclosure.

- **Responsibility to the environment**
  We will limit wasteful use of non-renewable resources and seek to create added value, and develop a recycling-oriented real estate revitalization business that is in harmony with the environment.

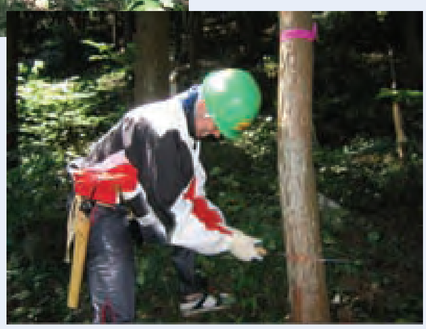
- **Responsibility to collaborating companies**
  We will build relationships based on trust and a sense of urgency, by offering society even better products and services through transactions that are always equitable and impartial.

- **Responsibility to governments and local communities**
  Based on our principle for making judgments – “do the right thing as a human being,” – we will pursue fair earnings and contribute to the prosperity of Japan’s economy through our company activities by observing laws and social norms. As a member of our local communities, we will always contribute to creating attractive and vigorous towns with affection and a thankful heart.

- **Responsibility to our employees**
  We will foster individuals who can contribute to society, respect all employees and pursue both physical and spiritual happiness based on Sun Frontier’s philosophy.

- **Responsibility to our customers**
  To achieve the satisfaction of our customers we will offer high quality, high value-added products and services, by devoting ourselves to the site principle and understanding customers’ needs.



Examples of CSR Activities through Business

USC Building

Replanning is all about conserving fossil fuels and recycling to avoid scrap-and-build, thereby contributing to society by adding new value and safeguarding the environment. For this property we developed various revitalization plans that differed from normal financial techniques using the view-points of “physical property value” and “environmentally friendly,” and completed the building revitalization based on the project concept “harmonizing nature and offices.” This is one example in which we adopted concepts such as a rooftop biotope for the new wing, a solar power system on the roof of the main building and opening of the site where transformed the area that the demolished building was once occupied into public green space.

Reduction of environmental load through the USC building conversion

- CO^2 emissions volume reduction of about 49% compared with new construction (estimate based on the Life Cycle Assessment Policy of the Architectural Institute of Japan)
- Reduced volume of LC virgin resources used (quantity of new resources used) by 65% compared with new construction
- Able to reduce LC scrap volume (total volume of scrap material generated) by about 64%
- Able to reduce the final LC waste volume (amount of waste materials converted into cubic meters) by 88% as a result of the conversion

Social Contribution Activities

Cleaning Drives

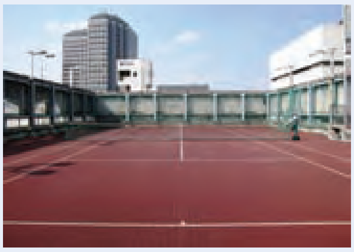
Employees at the headquarters (Hibiya) and all branches (Kanda, Shinjuku and Yokohama) participate actively in environmental beautification efforts in the local area.

Afforestation at Mount Takao

Employees participated in afforestation programs at Mount Takao in collaboration with student organizations and corporate volunteer groups, to encourage everyone to think about “society’s coexistence with forests” and help participants acquire knowledge and skills.

<Before>

USC Building



Tennis Court

<After>

USC Building

Biotope

Risk Information

The risk information below outlines accounting risk factors and risk factors related to the business areas described in our annual report. It focuses on the factors that could have the greatest effect on investor decisions. Note that forward-looking statements ref ect the opinions of the Group at the end of the current consolidated accounting year.

1. Business Environment, Sun Frontier Fudousan's Business Characteristics

(1) Business Environment

Since the Group does business in the real estate market, a major shift in this market in future, or in long-term business conditions, interest rates or other macroeconomic conditions could reduce the Group's transaction volume and force more unfavorable transaction conditions, affecting the Group's earnings.

(2) Replanning

① Today's low interest rate environment makes the properties sold by our Replanning Business unit consistently attractive to both domestic and foreign investors using them as investment vehicles. While we expect sales to continue being solid, a sudden rise in interest rates or real estate prices in future could stall sales and affect the Group's earnings.

② For both replanning and real estate investment, the Group primarily procured loans from financial institutions equivalent to the purchase cost of properties. Rather than relying on a particular financial institution for financing, the Group spreads financing evenly among several institutions for maximum benefit, and works to reduce the result that interest-bearing liabilities as assets are excluded from the balance sheet for the equity finance and securitization. A change in monetary conditions could cause changes in the lending policies of financial institutions, impeding the Group's ability to obtain the financing it has planned, and affecting the Replanning Business unit's activities and the Group's earnings.

③ Replanning properties are purchased and then sold after replanning work is completed. The Replanning Business unit records sales and the cost of sales at the time properties are sold. Since replanning transactions have higher values than transactions in our other business units where the Group only acts as a broker, changes in the timing or value of these transactions could affect the Group's earnings.

(3) New Business Areas

Seeking strategic growth areas, the Group is using its subsidiaries to move into the areas of real estate securitization, asset management and leasing guarantee services. We plan to grow these areas by drawing on our unique know-how and wealth of experience, and are already starting to see results. However, a shift in business conditions away from our forecasts could prevent us from working on these areas as planned, and affect the Group's earnings or balance sheet.

(4) Competition

The Group works in the areas of planning, building leasing, commercial real estate trading and rental brokerage services, property management, construction planning, real estate securitization, asset management and leasing guarantee services. Our unique identity comes from our ability to organically link each of these areas to provide comprehensive commercial real estate services. However, acquiring the types of properties our Replanning Business unit targets could become more competitive moving forward. To deal with this risk, we are working on maintaining and improving our competitiveness, and looking for ways to keep an edge over our competitors. However, if we can't keep our competitive advantage, the Group's earnings could be affected.

(5) Real Estate Securitization and Asset Management

For our real estate securitization and asset management business areas, we, as an asset manager, receive an asset management fee proportional to the balance of assets, and an incentive fee proportional to their fund's performance. Real estate funds do not guarantee investors' principal or returns. Investors must always invest at their own risk, but if fund performance declines, the Group's asset manager performance evaluations will drop, which could affect the Group's earnings or the balance sheet.

2. Legislation Af ecting the Group

The Group's business is regulated by laws such as the Law Regulating Housing Sites Development, Architects Law, Construction Industry Law, Law on Appraisal of Real Estate, Real Estate Investment Advisory Business Registration Regulations, and Financial Instruments and Exchange Law. The Group has obtained all relevant permits and licenses mandated by these statutes.

The table below lists the permits and licenses needed for the Group's major business areas, including their validity periods and whether they can be revoked for cause. To date, the Group has never had cause for revocation of a permit or license, but if such cause arose in future, it could have a major impact on the Group's business activities. In the future, the Group's business could also be affected if any of the relevant statutes is repealed or if new legislation is established.

(1) Permits and licenses with legally or contractually imposed validity periods or other restrictions

License, permit or registration	Company issued to	Validity period	Areas covered	Relevant statute	Issued by:	License Cancellation Articles
License to Trade in Housing Sites	Sun Frontier Fudousan	Dec. 29, 2004 to Dec. 28, 2009	—	Law Regulating Housing Sites Development	Minister of Land, Infrastructure and Transport	Article 66 Article 67
	SF Investments	Dec. 22, 2005 to Dec. 21, 2010				
General Construction Industry Permit	Sun Frontier Fudousan	Dec. 26, 2005 to Dec. 25, 2010	Construction, roofing, steel structure work, carpentry, tiling, brickwork, cement block work, interior finishing	Construction Industry Law	Prefectural Governor	Article 29 Article 29, Clause 2
First-Class Architect Office Registration	Sun Frontier Fudousan	Through Jan.10, 2007	—	Architects Law	Prefectural Governor	Article 26

License, permit or registration	Company issued to	Validity period	Areas covered	Relevant statute	Issued by:	License Cancellation Articles
Real Estate Appraiser Registration	Sun Frontier Fudousan	Feb. 7, 2003 to Feb. 6, 2008	—	Law on Appraisal of Real Estate	Prefectural Governor	Article 41
General Real Estate Investment Advisor Registration	Sun Frontier Fudousan	Nov. 3, 2004 to Nov. 2, 2009	—	Real Estate Investment Advisory Business Registration Regulations	Minister of Land, Infrastructure and Transport	Article 30
	Sun Frontier Real Estate Investment Advisors	Dec. 9, 2005 to Dec. 8, 2010				
TType 2 Financial Instrument Trading Business registration	Sun Frontier Fudousan	Registered on September 30, 2007	—	Financial Instruments and Exchange Act	Kanto Finance Bureau Director	Article 52
	Sun Frontier Real Estate Investment Advisors	Registered on September 30, 2007	—			
Investment Advisor/ Broker registration	Sun Frontier Real Estate Investment Advisors	Registered on September 30, 2007	—	Financial Instruments and Exchange Act	Kanto Finance Bureau Director	Article 52
Qualified Institutional Investor registration	Sun Frontier Fudousan	Mar. 1, 2008 to Feb. 28, 2010	—	Financial Instruments and Exchange Act	Commissioner of Financial Services Agency	—

(2) The execution of the Group's real estate securitization and asset management business operations will be subject to the restrictions of the laws below. In the future, the Group's business could be affected if any of the applicable laws is repealed, if new legal regulations are imposed, or if changes are made to applicable accounting systems. The execution of the Group's real estate securitization and asset management business operations will be subject to the restrictions of the laws below. In the future, the Group's business could be affected if any of the applicable laws is repealed, if new legal regulations are imposed, or if changes are made to applicable accounting systems.

① Asset Liquidation Law
The regulations of the Asset Liquidation Law will apply when engaging in real estate securitization through a special purpose company formed under the provisions of that law.

② Financial Instruments and Exchange Law
Under the provisions of the Financial Instruments and Exchange Law (which went into effect on September 30, 2007), the Company is considered a Type 2 Financial Instrument Trading Business. With the official acceptance of our application, we are now officially registered by the government in this category. We have also finished registering our wholly-owned subsidiary Sun Frontier Real Estate Investment Advisors as a Type 2 Financial Instrument Trading Business and as an Investment Advisor/Broker. As a result, Sun Frontier Fudousan and Sun Frontier Real Estate Investment Advisors are now subject to the regulations of the Financial Instruments and Exchange Law when engaging in financial instrument transactions such as selling trust beneficiary rights. Sun Frontier Fudousan has also registered as a Qualified Institutional Investor, enabling us to make our own investment decisions and bear the liability for them. While this move will increase our investment opportunities, it will also eliminate our protection under the regulations of the Financial Instruments and Exchange Law when purchasing financial instruments.

3. Reliance on President Tomoaki Horiguchi

Tomoaki Horiguchi, our company's president, started up our company's core business of replanning based on a wealth of experience in the real estate trading and rental brokerage business, and as the CEO of the Group's management, he plays an important role in determining and promoting corporate strategies and business strategies.

As a consequence, the Group is working to put in place a management framework by bolstering our management team to avoid excessive reliance on Mr. Horiguchi, but there is still a high degree of reliance on Mr. Horiguchi, so if for some reason Mr. Horiguchi was hindered from performing his duties as a manager, our company's performance and the promotion of our business may be affected.

4. Asset Impairment Accounting

The Group currently does not feel that any of our fixed assets will generate a loss affecting our earnings or balance sheet. However, if the Group may need to post a loss on asset impairment due to a decrease in the rent standard or an increase in the vacancy rate in relation to future economic conditions. The Group's earnings or balance sheet could be affected in this case.

5. Protection of Personal Information

Since the Group's business activities involve storing personal information on building owners, tenants and other individuals, the Group is a "Personal Information Handler" as defined in the relevant statutes. Moving forward, we expect to handle an increasing amount of related personal information as our business grows, and to deal with it, have upgraded our information management system and spare no pains in internal information management measures. However, unforeseeable accidents could cause leaks of personal information belonging to clients or other individuals, damaging the Group's reputation and affecting earnings.

6. Falsification of Structural Data

The public confidence in construction projects in Japan has been dwindling since a scandal over falsified structural data came to light in November 2005. Public suspicions about property construction still exist. The Company checked the construction history of each of the properties we have sold to confirm that none of the companies involved in the scandal had worked on any of them. While the Group had no involvement with the scandal, similar problems have not been completely resolved. There is an atmosphere of growing public distrust of Japan's real estate projects and real estate industry, and if the public's desire for real estate investment declines, the Group's earnings could be affected.

Corporate Governance

Basic Approach

All the Group's directors and employees are instilled with a highly ethical outlook, and use "Fairness as a human being" as the primary criterion in all their business decisions. Implementing this is the foundation of our corporate management. The core mission of our management is to earn the solid trust of our shareholders, clients, employees and other stakeholders by contributing to the public good through our business activities, pursuing profits in an honest and transparent manner, and increasing our corporate value on a long-term and ongoing basis. We are therefore working to improve our corporate governance using the following basic policy points:

① Improving transparency and ensuring fairness
② Rapid decision-making and execution of business operations
③ Upholding our responsibility to provide explanations
④ Disclosing information in a timely and appropriate manner
⑤ Raising compliance awareness

To continue to respond to social and legislative changes moving forward, we will research corporate governance methods appropriate to the Group whenever needed, making any revisions needed.

(1) Corporate organization and internal control system

① Basic explanation of corporate organization

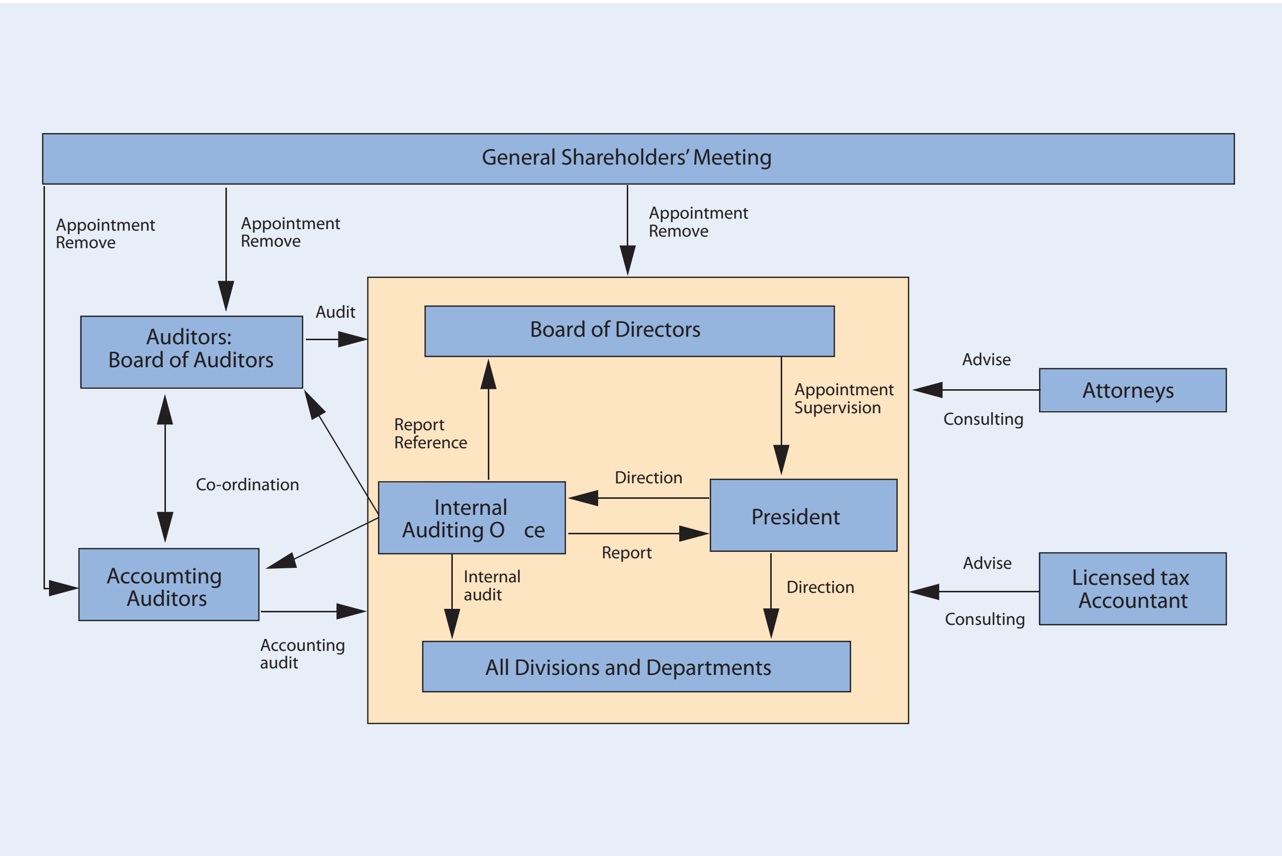
Board of Directors:

Comprised of five directors (none of them outside directors). Holds regular Board meetings every month to vote on items set forth in statutes or the Articles of Association, and to report, discuss and vote on important business matters. The Board also oversees execution of the work of the directors. Whenever needed, the Board holds extraordinary meetings to provide greater mobility.

Auditors:

The Company uses an auditor system. Our Board of Auditors is comprised of three auditors (all outside auditors), and meets once a month. As set forth in the audit plans created every fiscal year, the auditors attend the meetings of the Board of Directors and other major meetings, and work with the Compliance/Internal Audit Office and the accounting auditors to audit the Company's operations. Whenever needed, the Board of Auditors receives reports from the Compliance/Internal Audit Office and the outside audit company that audits the Company's accounting practices. Activities such as on-site audits enable the Board of Auditors to benefit from exposure to a broad spectrum of opinions, and to strengthen its connections to other organizations while maintaining its independence.

② Corporate organization and internal control details are as follows



③ Internal control systems

Creating and implementing systems to ensure that all directors and employees execute their job duties properly is an important management responsibility. To fulfill this responsibility, the Company is endeavoring to augment and improve its internal control methods, and has documented its approach in the Basic Policies for Creating Internal Control Systems.

Compliance:

Ensuring that all our directors and employees always uphold the letter and spirit of the law when carrying out their job duties is one of our corporate duties to society. By improving our internal management organization and raising compliance awareness, we are creating a management organization that will continue to earn the trust of the community in the years to come. We have created a legal department that provides training and educational programs to increase compliance awareness, and a strict whistleblower system designed to completely protect whistleblowers. Known as the Corporate Ethics Helpline, the whistleblower system will enable prevention or early detection of corporate scandals caused by legal violations or malfeasance. It will create better incentives for tackling corporate ethics problems, provide a control method against the risk of damage to our reputation, and help ensure the trust of the community.

Business execution organization:

Under the provisions of internal regulations such as the Job Authority Regulations, Documentation Handling Regulations, Organization Regulations and Affiliate Management Regulations, the Company has created a business execution organization designed to ensure that business operations are executed properly and efficiently, and comprising all the Group companies. To ensure immediate compliance with amendments to applicable laws and changes to our internal control methods, internal regulations are created or revised whenever needed to increase the efficiency of work execution.

④ Internal auditing, auditor auditing, accounting auditing

Internal auditing:

The Internal Auditing Office (staffed by three auditors) answers directly to the President. Its mission is to verify the appropriateness and effectiveness of the internal management system for all Sun Frontier Fudousan's operations. It carries out periodic audits in line with the Internal Auditing Plan—a document that sets forth the risk management conditions in each department. The Internal Auditing Office calls for improvements and revisions to areas covered by its audits, and creates the Internal Auditing Report to report its findings to the President. It works with auditors and auditing companies to ensure the internal system of checks and balances functions properly.

Auditor auditing:

Carried out by three auditors. In line with the auditor-created Auditing Policy and Auditing Plan, the auditors attend meetings of the Board and other important conferences, and work closely with organizations such as the Internal Auditing Office, internal management departments and auditing companies to audit the execution of the work done by the directors.

Accounting auditing:

Accounting auditing is outsourced to BDO Sanyu & Co. Audits are carried out at regular intervals throughout the year to prevent audit work accumulating at year-end. In addition to standard auditing, Sanyu also provides advice on accounting issues and internal regulatory issues whenever needed.

We also receive advice from consultant tax accountants to ensure tax compliance.

⑤ Relationship of outside directors/outside auditors to Company

We do not appoint outside directors.

Two of the Company's outside auditors owned shares in the Company at the end of March 2008 (Koichiro Shimomura owned 7 shares and Hiroichi Kase owned 6 shares), but no other outside auditors have any personal relationship to the Company, have engaged in any transactions with it, or hold any other interests in it.

(2) Risk management system

The Company has created an effective risk management system to cope with risks. Risk management manuals have been created to provide guidance on a wide variety of risks, and each department manages the risks that apply to it individually. Directors and department/office heads stay abreast of critical management issues (such as contracts, quality and intellectual property) by seeking exposure to a broad spectrum of opinions, and report and investigate these issues as needed at their weekly meetings. The Board of Directors holds extraordinary meetings to deal with emergencies as soon as they arise.

In order to reinforce our risk management, internal auditing is also conducted with the aim of improving our training sufficiency with regard to legal issues as provided to executives and regular employees and to undertake educational activities.

Furthermore, a lawyer's office has been contracted to provide advice on handling cases with legal implications, and their advice and instruction, etc. have been received accordingly.

(3) Director remuneration breakdowns

Remuneration paid to directors and auditors

	Total number of recipients	Total amount received (thousands of yen)
Directors (numbers of outsiders in parentheses)	5 (–)	127,980 (–)
Auditors (numbers of outsiders in parentheses)	3 (3)	10,500 (10.500)

(4) Auditing remuneration breakdowns

	For current fiscal year (July 1, 2006 to June 30, 2007; thousands of yen)
Remuneration for work set forth in Article 2, Paragraph 1 of Certified Public Accounting Law	18,000
Remuneration for other work	5,000

5 Years Summary

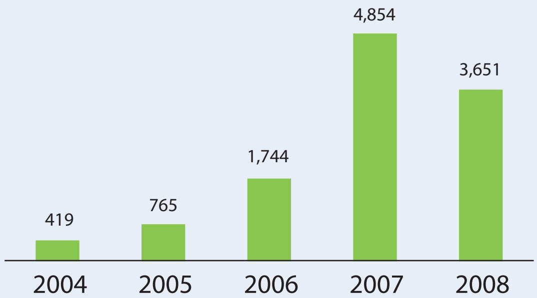
Years ended March 31, 2004, 2005, 2006, 2007 and 2008

	Non-consolidated		Consolidated		
			Thousands of Yen		
	2004	2005	2006	2007	**2008**
For the Year:					
Net sales	¥5,003,943	¥7,760,982	¥16,730,890	¥35,254,545	**¥48,150,224**
Real-estate revitalization		6,295,263	15,037,064	32,662,679	**44,063,777**
Real-estate services		1,465,719	1,669,040	1,647,087	**1,719,581**
Other real-estate business			24,784	944,777	**2,366,865**
Operating income	913,773	1,612,313	3,756,693	8,708,157	**6,960,840**
Net income	418,685	764,835	1,744,100	4,853,931	**3,650,868**
At year-end:					
Total assets	6,828,485	12,181,378	28,005,030	54,502,686	**57,316,156**
Total net assets	1,178,122	2,833,416	9,643,327	22,734,782	**26,085,642**
Number of outstanding shares	19,004	21,004	96,966	331,303	**331,495**

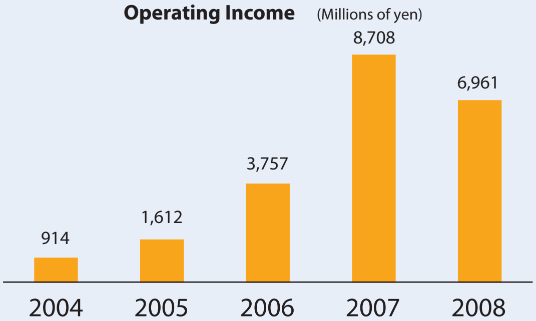
※1. The fiscal year ended March 31, 2006 under review marked the beginning of consolidated reporting for the Company.
※2. The Company executed 4-for-1 stock split on May 20, 2005.
※3. The Company issued 11,000 shares by increase in capital through public offering as of September 15, 2005.
※4. The Company issued 1,950 shares by increase in capital through third party allotment as of October 14, 2005.
※5. The Company executed 3-for-1 stock split on April 1, 2006.

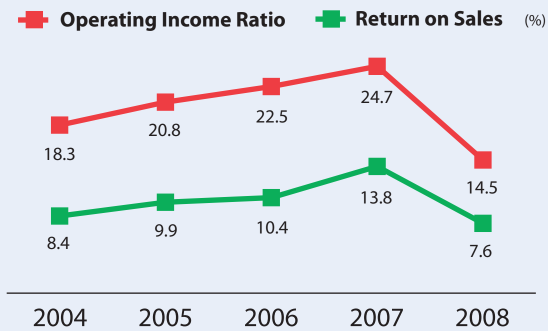
Net Sales (Millions of yen)

Net Income (Millions of yen)



Operating Income (Millions of yen)





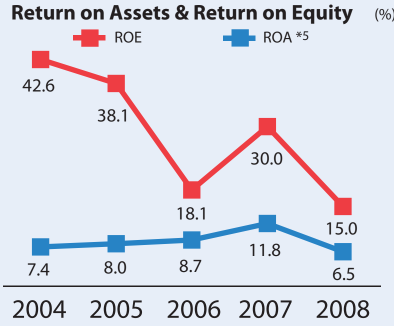
Main Financial Indicators

Years ended March 31, 2004, 2005, 2006, 2007 and 2008

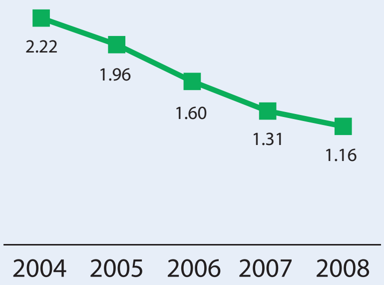
	Non-consolidated		Consolidated		
	2004	2005	2006	2007	**2008**
EPS*1(yen)	21,663.08	38,141.45	18,914.91	15,192.55	**11,014.04**
BPS*2(yen)	61,625.04	134,327.57	99,192.78	68,613.51	**78,584.15**
ROE*3(%)	42.6%	38.1%	18.1%	30.0%	**15.0%**
ROA*4 (%)	6.1%	6.3%	6.2%	8.9%	**6.4%**
ROA*5 (%)	7.4%	8.0%	8.7%	11.8%	**6.5%**
Asset turnover*6 (times)	0.89	0.82	0.83	0.85	**0.86**
Inventory turnover*7(times)	2.22	1.96	1.60	1.31	**1.16**
Shareholders' equity ratio*8(%)	17.3%	23.3%	34.4%	41.7%	**45.5%**
Current ratio*9(%)	135.6%	119.8%	185.2%	246.7%	**216.8%**
Fixed assets ratio*10 (%)	216.0%	141.7%	33.7%	15.1%	**16.7%**

*1: EPS = Net income / Weighted average number of shares
*2: BPS = Net assets / Weighted average number of shares
*3: ROE = Net income / Shareholders' equity (Yearly average) ×100
*4: ROA = Net income / Total assets (Fiscal year-end) ×100
*5: ROA = Net income / Total assets (Yearly average) ×100
*6: Asset Turnover = Net sales / Total assets (Yearly average)
*7: Inventory Turnover= Net sales / Inventory (Yearly average)
*8: Shareholders' Equity Ratio = Total shareholders' equity / Total assets (Fiscal year-end) ×100
*9: Current ratio = Current assets / Current liabilities (Fiscal year-end) ×100
*10: Fixed assets ratio = Fixed assets / Shareholders' equity (Fiscal year-end) ×100

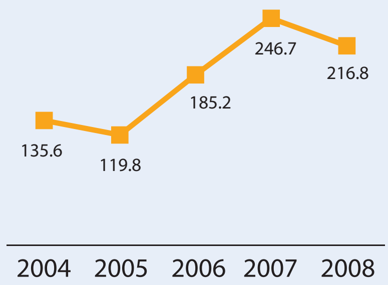
Return on Assets & Return on Equity (%)



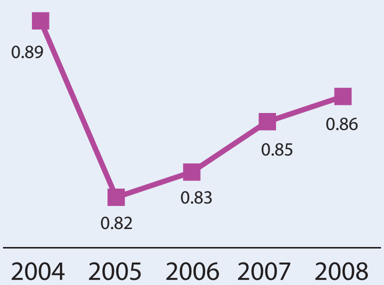
Inventory Turnover (Times)



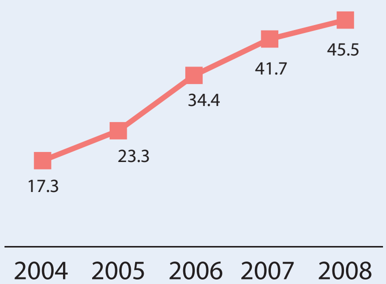
Current Ratio (%)



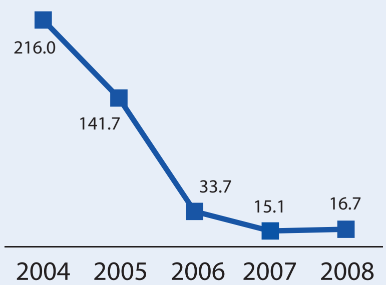
Asset Turnover (Times)



Shareholders' Equity Ratio (%)



Fixed Assets Ratio (%)



Analysis of Financial Position and Results of Operations

1. Assets, Liabilities and Net Assets

Current assets at the end of the fiscal year increased ¥1,892,655 thousand compared to the previous fiscal year to ¥52,960,413 thousand because of a decline in cash and bank deposits and an increase in inventories.

Cash and bank deposits fell ¥5,947,371 thousand compared to the end of the previous fiscal year to ¥5,222,909 thousand, as the result of a net outflow of cash from operating activities of ¥4,955,836 thousand, a net outflow of cash from investing activities of ¥388,657 thousand, a net outflow of ¥36,985 thousand from financing activities, and a decrease of ¥565,892 thousand in time deposits with a maturity of more than 3 months.

Inventories mainly consisted of real estate held for sale and for-sale real estate under construction in the replanning business unit, and increased ¥7,564,119 thousand compared to the end of the previous fiscal year to ¥45,404,462 thousand as an inventory allowance for future earnings growth.

Fixed assets rose ¥920,813 thousand compared to the end of the previous fiscal year to ¥4,355,742 thousand, reflecting factors such as the acquisition of investment securities.

Total liabilities at the end of the fiscal year declined ¥537,390 thousand compared to the end of the previous fiscal year to ¥31,230,513 thousand, as a result of a net increase in short-term borrowings for the acquisition of inventories and the repayment of long-term borrowings. Total net assets increased ¥3,350,859 thousand compared to the end of the previous fiscal year to ¥26,085,642 thousand because of ¥3,650,868 thousand in net income.

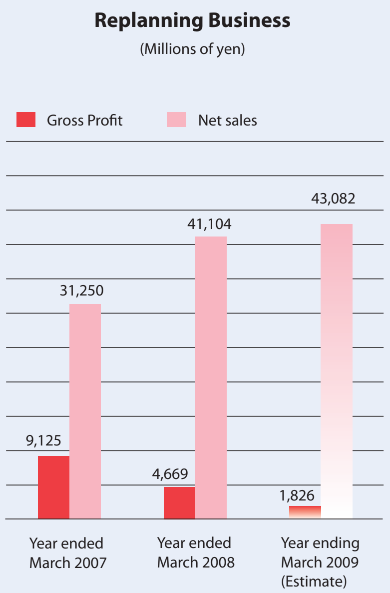
As a result, net assets per share were ¥78,584.15.

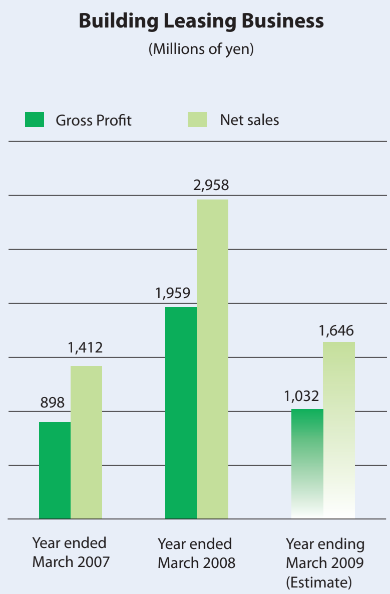
Actual experience by the replanning business unit made it easier to fund procurement. As a result, the Group moved forward with inventory purchases, resulting in total assets growing ¥2,813,469 thousand compared to the end of the previous fiscal year to ¥57,316,156 thousand.

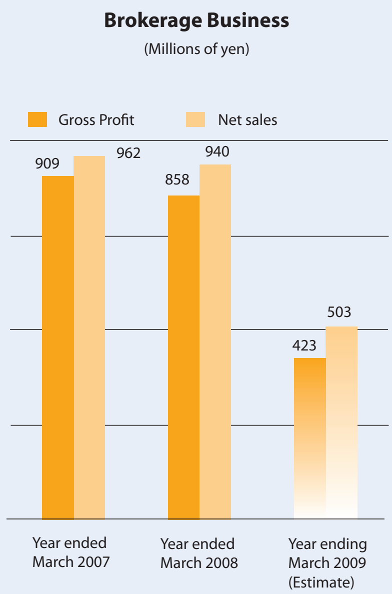
2. Results of Operations

Consolidated net sales for the fiscal year rose 36.6% year-on-year (hereafter, comparisons are the same unless otherwise noted) to ¥48,150,224 thousand. In the real estate revitalization business, segment sales increased 34.9% to ¥44,063,777 thousand, while segment sales for the real estate service business were off 4.4% to ¥1,719,581 thousand and segment sales in the other real estate business increased 150.5% from the prior fiscal year to ¥2,366,865 thousand. Segment sales in the real estate revitalization business and other real estate business included sales of property to replace existing inventory and dividend revenue accompanying the disposal of properties held by privately offered funds.

In the real estate revitalization business, segment sales were divided between sales in the replanning business, which increased 31.5% to ¥41,104,796 thousand, and sales in the building leasing business, which rose 109.5% to ¥2,958,980 thousand. The replanning business therefore accounted for 85.4% of consolidated net sales. In the real estate revitalization business, the cost of sales was also higher in conjunction with an increase in the size of replanning properties. For the real estate revitalization business as a whole including the building leasing business, the ratio of cost to sales was 85.0%, which reflected early application of the Accounting Standard for Measurement of Inventories and posting of a valuation losses on inventories. Segment sales in the real estate service business included ¥940,395 thousand from brokerage operations, down 2.2%, and ¥779,186







Note: The Company has revised the forecast of operating results for the fiscal year ending March 31, 2009, which were given at the time of publication of its financial statements on May 8, 2008.

thousand in the property management and construction planning businesses, up 13.7%. In addition, segment sales for the real estate service business reflected the results from working actively to increase the size of transactions with parties outside the Group (increase in fees and total floor space under contract per property), despite a downward trend in the actual number of transactions and number of properties under contract. In the real estate service business, the ratio of cost to sales for the real estate service business overall was 23.9% because the division restrained the cost of sales for property management, construction planning and other services.

As a result of the factors described above, consolidated gross profit decreased 15.1% to ¥10,273,059 thousand. The consolidated gross margin was 21.3%.

Although personnel expenses increased together with the growth in the number of employees, and sales commissions and fees paid also were higher, selling, general and administrative expenses fell 2.3% to ¥3,312,218 thousand and the selling, general and administrative expenses ratio improved 2.7% points from the previous fiscal year to 6.9%. One reason was the fact that unlike the previous fiscal year, the company did not book amortization of goodwill. Nevertheless, the cost of sales rose substantially, increasing 63.6% to ¥37,877,164 thousand because of the increase in purchased properties. Operating income dropped 20.1% to ¥6,960,840 thousand, and the operating income ratio fell 10.3% points from the previous fiscal year to 14.5%. In addition to these factors, interest expenses on borrowings and financing-related costs rose in conjunction with the acquisition of inventories, and after adding and subtracting extraordinary gains and losses income before income taxes declined 23.3% from the previous fiscal year to ¥6,352,648 thousand.

As a result of the above factors, net income fell 24.8% to ¥3,650,868 thousand, and the return on sales was 7.6%. Net income per share was ¥11,014.04, and the return on equity was 15.0%.

3. Analysis of Cash Flows

Cash and cash equivalents ("cash") fell ¥5,381,479 thousand compared to the beginning of the fiscal year and stood at ¥4,787,802 thousand at the fiscal year-end. Although the Group recorded income before income taxes of ¥6,352,648 thousand, inventories rose as a result of the acquisition of replanning properties by the real estate revitalization business, and an increase in income tax payments.

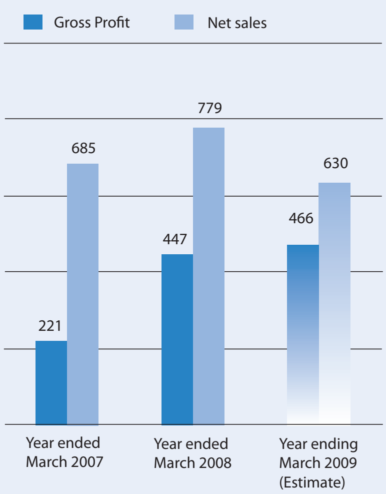
Net cash used in operating activities fell 62.7% to ¥4,955,836 thousand. This was mainly because the Group recorded ¥6,352,648 thousand in income before income taxes, but inventories rose by ¥8,056,132 thousand and ¥4,234,260 thousand was income tax paid.

Net cash used in investing activities fell to ¥388,657 thousand, down 64.2%. This was mainly the result of ¥1,035,326 thousand in proceeds from time deposits, ¥469,435 thousand in payments for time deposits and ¥604,700 thousand in purchases of investment securities.

Net cash used in financing activities was ¥36,985 thousand, compared to net cash provided by financing activities of ¥18,548,639 thousand in the previous year. This was mainly due to repayments of long-term loans of ¥11,103,200 thousand and dividend payments of ¥330,021 thousand, which offset rises in proceeds from short-term borrowings to ¥5,271,000 thousand and proceeds from long-term borrowings of ¥6,232,000 thousand.

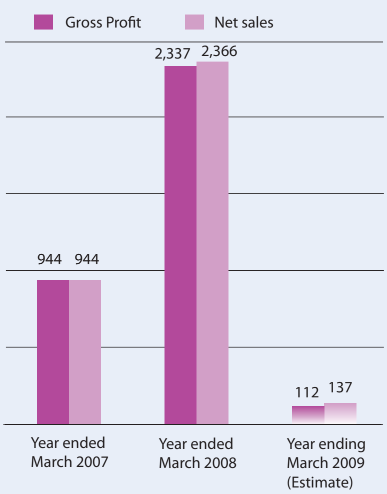
PM, Construction planning, Leasing Guarantee Services

(Millions of yen)



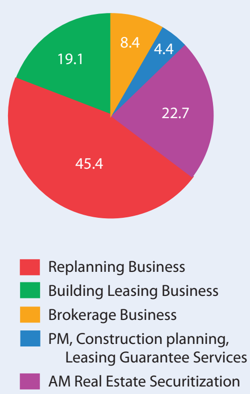
AM Real Estate Securitization

(Millions of yen)



Gross Prof ts by Business Segment

(Year ended March 31, 2008)
(%)



Financial Statements

Sun Frontier Fudousan Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

As of March 31, 2007 and 2008

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2007	**2008**	**2008**
ASSETS			
Current assets:			
Cash and bank deposits	¥11,170,280	**¥ 5,222,909**	**$ 52,130**
Accounts receivable - trade	242,424	**55,126**	**550**
Inventories	37,840,343	**45,404,462**	**453,184**
Deferred tax assets (Note 11)	366,206	**988,383**	**9,865**
Other current assets	1,449,510	**1,289,592**	**12,871**
Allowance for doubtful accounts	(1,006)	**(60)**	**(1)**
Total current assets	51,067,757	**52,960,413**	**528,600**
Property and equipment, net (Note 3)	2,277,222	**2,440,701**	**24,361**
Intangible assets	64,413	**73,726**	**736**
Investments and other assets:			
Investment securities (Note 6)	722,756	**1,461,737**	**14,590**
Other assets	339,089	**383,107**	**3,824**
Deferred tax assets (Note 11)	32,755	**–**	**–**
Allowance for doubtful accounts	(1,307)	**(3,530)**	**(35)**
Total investments and other assets	1,093,293	**1,841,314**	**18,378**
Total assets	¥54,502,686	**¥57,316,156**	**$572,075**

See accompanying summary of significant accounting policies and other notes to financial statements.

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2007	**2008**	**2008**
LIABILITIES			
Current liabilities:			
Accounts payable - trade	¥ 775,838	**¥ 594,467**	**$ 5,933**
Short-term borrowings (Notes 4 and 7)	7,919,000	**13,190,000**	**131,650**
Current portion of long-term debts (Notes 4 and 7)	8,471,200	**7,986,000**	**79,709**
Income taxes payable	2,434,210	**1,490,368**	**14,875**
Accrued bonuses for employees	72,203	**90,658**	**905**
Accrued bonuses for directors	46,000	**–**	**–**
Construction warranty reserve	61,100	**47,500**	**474**
Reserve for losses on closure of business offices	10,575	**–**	**–**
Other current liabilities	910,365	**1,029,977**	**10,280**
Total current liabilities	20,700,493	**24,428,971**	**243,826**
Long-term liabilities:			
Corporate bonds	486,000	**378,000**	**3,773**
Long-term debts (Notes 4 and 7)	8,209,260	**3,823,260**	**38,160**
Deferred tax liabilities	–	**38,607**	**385**
Reserve for directors' retirement benefits	78,451	**–**	**–**
Other long-term liabilities	2,293,699	**2,561,674**	**25,568**
Total long-term liabilities	11,067,410	**6,801,541**	**67,886**
Total liabilities	31,767,904	**31,230,513**	**311,713**
Contingent liabilities (Note 5)			
NET ASSETS (NOTE 12)			
Shareholders' equity:			
Common stock, 912,000 in 2007 and 2008, 331,303 and 331,495 shares issued and outstanding in 2007 and 2008, respectively	7,227,668	**7,228,308**	**72,146**
Additional paid-in capital	7,289,003	**7,289,643**	**72,758**
Retained earnings	8,210,477	**11,530,043**	**115,082**
Total shareholders' equity	22,727,149	**26,047,994**	**259,986**
Valuation and translation adjustments:			
Net unrealized holding gain on securities	4,714	**2,259**	**23**
Total valuation and translation adjustments	4,714	**2,259**	**23**
Stock acquisition rights (Note 8)	2,918	**35,388**	**353**
Total net assets	22,734,782	**26,085,642**	**260,362**
Total net assets and liabilities	¥54,502,686	**¥57,316,156**	**$572,075**

See accompanying summary of significant accounting policies and other notes to financial statements.

Sun Frontier Fudousan Co., Ltd. and Subsidiaries

Consolidated Statements of Income

For the years ended March 31, 2007 and 2008

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2007	**2008**	**2008**
Net sales	¥35,254,545	**¥48,150,224**	**$480,589**
Costs of sales	23,155,684	**37,877,164**	**378,053**
Gross profit	12,098,860	**10,273,059**	**102,536**
Selling, general and administrative expenses	3,390,702	**3,312,218**	**33,059**
Operating income	8,708,158	**6,960,840**	**69,476**
Other income (expenses):			
Interest and dividend income	7,706	**18,178**	**181**
Interest expenses	(286,024)	**(550,419)**	**(5,494)**
Gain from cancellation of insurance	3,587	**–**	**–**
Penalty income	–	**41,854**	**418**
Interest on tax refund	–	**10,748**	**107**
Finance costs	(70,500)	**(138,662)**	**(1,384)**
Reversal of allowance for doubtful accounts	1,074	**684**	**7**
Reversal of construction warranty reserve	8,540	**13,042**	**130**
Loss on sales of property and equipment	–	**(7,645)**	**(76)**
Loss on disposal of property and equipment	(1,197)	**(100)**	**(1)**
Gain on reserve for losses on closure of business offices	–	**3,511**	**35**
Losses on closure of business offices	(10,575)	**–**	**–**
Loss on liquidation of investment	–	**(3,300)**	**(33)**
Other, net	(73,260)	**3,916**	**39**
Other expenses, net	(420,650)	**(608,193)**	**(6,070)**
Income before income taxes	8,287,507	**6,352,648**	**63,406**
Income taxes (Note 11):			
Current	4,056,679	**3,250,910**	**32,447**
Deferred	(623,103)	**(549,129)**	**(5,481)**
	3,433,576	**2,701,780**	**26,967**
Net income	¥ 4,853,931	**¥ 3,650,868**	**$ 36,439**

	Yen		U.S. dollars (Note 1)
Net income per share:			
Basic	¥15,192.55	**¥11,014.04**	**$ 109.93**
Diluted	15,134.76	**11,011.48**	**109.91**
Cash dividends per share	1,000.00	**1,500.00**	**14.97**

	Shares	
Weighted average shares outstanding:		
Basic	319,494	**331,474**
Diluted	320,714	**331,551**

See accompanying summary of significant accounting policies and other notes to financial statements.

Sun Frontier Fudousan Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2007 and 2008

		Thousands of yen					
	Number of Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Holding Gain on Securities	Stock Acquisition Rights	Total Net Assets
Balance as of March 31, 2006	96,966	¥ 3,050,911	¥ 3,112,248	¥ 3,478,512	¥ 1,654	¥ –	¥ 9,643,327
3-for-1 stock split	193,932	–	–	–	–	–	–
Common stock issued under the public offering	35,000	3,799,600	3,799,600	–	–	–	7,599,200
Common stock issued under the third party allotment	3,413	370,515	370,515	–	–	–	741,030
Common stock issued under the execution of stock acquisition rights	1,992	6,641	6,639	–	–	–	13,280
Net income	–	–	–	4,853,931	–	–	4,853,931
Cash dividends paid	–	–	–	(96,966)	–	–	(96,966)
Bonuses to directors and statutory auditors	–	–	–	(25,000)	–	–	(25,000)
Changes of items other than shareholders' equity, net	–	–	–	–	3,059	2,918	5,978
Balance as of March 31, 2007	331,303	¥ 7,227,668	¥ 7,289,003	¥ 8,210,477	¥ 4,714	¥ 2,918	¥ 22,734,782
Common stock issued under the execution of stock acquisition rights	192	640	639	–	–	–	1,280
Net income	–	–	–	3,650,868	–	–	3,650,868
Cash dividends paid	–	–	–	(331,303)	–	–	(331,303)
Changes of items other than shareholders' equity, net	–	–	–	–	(2,455)	32,469	30,014
Balance as of March 31, 2008	**331,495**	**¥7,228,308**	**¥7,289,643**	**¥11,530,043**	**¥2,259**	**¥35,388**	**¥26,085,642**

	Thousands of U.S. dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Holding Gain on Securities	Stock Acquisition Rights	Total Net Assets
Balance as of March 31, 2007	$ 72,140	$ 72,752	$ 81,949	$47	$ 29	$ 226,917
Common stock issued under the execution of stock acquisition rights	6	6	–	–	–	13
Net income	–	–	36,439	–	–	36,439
Cash dividends paid	–	–	(3,307)	–	–	(3,307)
Changes of items other than shareholders' equity, net	–	–	–	(25)	324	300
Balance as of March 31, 2008	**$72,146**	**$72,758**	**$115,082**	**$23**	**$353**	**$260,362**

See accompanying summary of significant accounting policies and other notes to financial statements.

Sun Frontier Fudousan Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended March 31, 2007 and 2008

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2007	**2008**	**2008**
Cash Flows from Operating Activities:			
Income before income taxes	¥ 8,287,507	**¥ 6,352,648**	**$ 63,406**
Adjustments to reconcile income before income taxes to net cash used in operating activities:			
Depreciation and amortization	291,314	**589,164**	**5,880**
Amortization of goodwill	473,078	**–**	**–**
Stock acquisition rights	2,918	**32,469**	**324**
Allowance for doubtful accounts	(1,074)	**1,276**	**13**
Accrued bonuses for employees	15,742	**18,455**	**184**
Accrued bonuses for directors	46,000	**(46,000)**	**(459)**
Reserve for directors' retirement benefits	3,866	**(78,451)**	**(783)**
Construction warranty reserve	(12,100)	**(13,600)**	**(136)**
Reserve for losses on closure of business offices	10,575	**(5,279)**	**(53)**
Interest and dividend income	(7,706)	**(18,178)**	**(181)**
Interest expenses	286,024	**550,419**	**5,494**
Gain from Cancellation of insurance	(3,587)	**–**	**–**
Stock delivery costs	42,928	**–**	**–**
Loss on sales of property and equipment	–	**7,645**	**76**
Loss on disposal of property and equipments	1,197	**100**	**1**
Loss on liquidation of investment	–	**3,300**	**33**
Accounts receivable - trade	173,973	**220,395**	**2,200**
Inventories	(21,949,630)	**(8,056,132)**	**(80,409)**
Accounts payable - trade	861,676	**(370,732)**	**(3,700)**
Consumption tax payable	(51,115)	**(80,510)**	**(804)**
Consumption tax receivable	7,834	**45,433**	**453**
Security deposits received	1,764,901	**192,556**	**1,922**
Payments for directors' and statutory auditors' bonuses	(25,000)	**–**	**–**
Others, net	136,090	**260,415**	**2,599**
Sub-total	(9,644,583)	**(394,602)**	**(3,939)**
Interest and dividends received	5,504	**20,428**	**204**
Interest paid	(291,673)	**(549,819)**	**(5,488)**
Refunded income tax received	–	**202,417**	**2,020**
Income taxes paid	(3,368,432)	**(4,234,260)**	**(42,262)**
Net cash used in operating activities	(13,299,184)	**(4,955,836)**	**(49,464)**
Cash Flows from Investing Activities:			
Payments for time deposits	(395,268)	**(469,435)**	**(4,685)**
Proceeds from time deposits	116,000	**1,035,326**	**10,334**
Purchases of property and equipment	(48,035)	**(272,780)**	**(2,723)**
Sales of property and equipment	–	**1,442**	**14**
Purchases of intangible fixed assets	(42,343)	**(36,617)**	**(365)**
Purchases of investment securities	(713,804)	**(604,700)**	**(6,036)**
Payments for security deposits	(14,213)	**(156,806)**	**(1,565)**
Proceeds from security deposits	–	**108,241**	**1,080**
Others, net	12,168	**6,671**	**67**
Net cash used in investing activities	(1,085,497)	**(388,657)**	**(3,879)**
Cash Flows from Financing Activities:			
Proceeds from short-term borrowings, net	(1,804,000)	**5,271,000**	**52,610**
Proceeds from long-term borrowings	15,960,000	**6,232,000**	**62,202**
Repayments of long-term borrowings	(2,833,300)	**(11,103,200)**	**(110,821)**
Payments for redemption of bonds	(988,000)	**(108,000)**	**(1,078)**
Proceeds from issuance of common stock	8,310,583	**1,235**	**12**
Dividends paid	(96,643)	**(330,021)**	**(3,294)**
Net cash provided by (used in) financing activities	18,548,639	**(36,985)**	**(369)**
Net increase (decrease) in cash and cash equivalents	4,163,957	**(5,381,479)**	**(53,713)**
Cash and cash equivalents at beginning of year	6,005,324	**10,169,282**	**101,500**
Cash and cash equivalents at end of year (Note 13)	¥10,169,282	**¥ 4,787,802**	**$ 47,787**

See accompanying summary of significant accounting policies and other notes to financial statements.

Sun Frontier Fudousan Co., Ltd. and subsidiaries

Notes to the Consolidated Financial Statements

For the years ended March 31, 2007 and 2008

1. Basis of Presenting the Financial Statements

Sun Frontier Fudousan Co., Ltd. ("Sun Frontier") and its consolidated subsidiaries (collectively, the "Company") maintain their accounts and records in accordance with the provision set forth in a new corporate law of Japan (the "Corporate Law") and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Financial Reporting Standards or accounting standards generally accepted in the United States of America. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying consolidated financial statements are the translation of the audited consolidated financial statements of the Company which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and were filed with the Kanto Financial Bureau in Japan as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made in the financial statements issued domestically in order to present them in a form which is more familiar to the readers outside Japan.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate of ¥100.19 to U.S. $1 at March 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at that or any other rate.

The Japanese yen amounts in thousands in financial statements are cut off at the thousand.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The consolidated financial statements include the accounts of Sun Frontier and its 3 significant subsidiaries as of March 31, 2008. Consolidated subsidiaries are SF Capital Co., Ltd., Sun Frontier Real Estate Investment Advisors Inc. and SF Building Support.

In October 2007, Sun Frontier merged and removed from consolidation SF Investments Inc., which Sun Frontier consolidated in the previous fiscal year. The Company's consolidated statements of income, net assets and cash flows include income and loss, retained earnings and cash flows from that company through its removal from consolidation. The fiscal years end of all these subsidiaries were the same date as Sun Frontier.

SF Conversion Special Purpose Company became an affiliate accounted for under the equity method from this fiscal year since it has become significant to operations. Some equity method affiliates have fiscal year-ends that differ from those of Sun Frontier, therefore, the consolidated financial statements are prepared by using such affiliates financial statements for the relevant accounting period.

From the year ended March 31, 2007, the Company recognized the amortization of consolidation adjustment accounts as amortization of goodwill. The Company applied the straight-line method for the goodwill for subsidiaries over seven months.

(2) Cash and Cash Equivalents

Cash and cash equivalents on the statements of cash flows consist of cash on hand and deposits with banks withdrawable on demand, and highly liquid short-term investments with negligence risk of fluctuation in value and maturities of these months or less.

(3) Investment Securities

The Company has only non-marketable security classified as other securities. Non-marketable other securities are stated at cost determined by the moving-average method. However, the Company accounted for silent partnerships investments through the specific identification method, posting the equivalent to holdings in silent partnerships to Others and investments and other assets to Investment Securities. The Company recorded net gains and losses from silent partnerships investments for sales purposes in Net Sales and the Cost of Sales. The corresponding Others in current assets and Investment Securities in investments and other assets rose and declined accordingly.

The Company recognizes impairment losses for investment securities for which the fair value declined by more than 50% or considers impairment losses for those for which the average market price at the end of the fiscal year declined by more than 30% but less than 50%.

(4) Inventories
Real estate held for sale and real estate under construction are stated at cost, determined by the specific identification method (write-downs due to decreased profitability of assets).

Leased assets are depreciated with the same method as property and equipment.

Supplies are stated at cost, determined by the last purchase method.

Accounting Standard for Measurement of Inventory effective from the fiscal year ended March 31, 2008, the Company applied the Financial Accounting Standard No.9 "Accounting Standards for Measurement of Inventory " issued on July 5, 2006 by the Accounting Standards Board of Japan. As of results of this adoption, operating income and income before income taxes decreased by ¥487,899 thousand ($4,870 thousand), respectively. The impact on segment information was immaterial.

(5) Property and Equipment
Property and equipment are stated at cost. Depreciation is calculated by the declining balance method while the straight line method is applied to buildings. The estimated useful lives are as follows:

	2007	2008
Buildings and structures	3 to 43 years	3 to 43 years
Vehicles	6 years	6 years
Other	3 to 10 years	3 to 15 years

Property and equipment between ¥100 thousand and ¥200 thousand are depreciated on a straight line basis over three years.

Following the amendment of the Japanese Corporation Tax Law, the Company changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 in accordance with the amended Japanese Corporation Tax Law. This change did not materially affect operating income or income before income taxes. The impact on segment information was immaterial.

Following the amendment of the Japanese Corporation Tax Law, with respect to tangible fixed assets acquired on or March 31, 2007, the Company now amortize the difference between the amount equivalent to 5% of the acquisition cost and memorandum price using the straight-line method over five years starting from the fiscal year after the residual value reaches 5% of acquisition cost, due to the adoption of the depreciation method prescribed in the amended Japanese Corporation Tax Law, and the amortized is included in depreciation expense.
This change did not materially affect operating income or income before income taxes. The impact on segment information was immaterial.

(6) Intangible Assets
Intangible assets primarily consist of internal-use software, which is amortized straight-line over five years.

(7) Long-term Prepaid Expenses
Long-term prepaid expenses are stated at cost, determined by the straight-line method.

(8) Stock and Bonds Issuance Costs
Stock and bonds issuance costs are expensed as incurred.

(9) Allowance for Doubtful Accounts
Allowance for doubtful accounts is provided based on past experiences for normal receivables and on an estimate of the collectibility of receivables from companies in financial difficulties.

(10) Accrued Bonuses for Employees
Accrued bonuses for employees are provided for using the estimated amount which the Company is obligated to pay to employees after the fiscal year-end, based on services provided during the current period.

(11) Accrued Bonuses for Directors

Accrued bonuses for directors are provided for using the estimated amount which the Company is obligated to pay to directors after the fiscal year-end, based on services provided during the current period.

However, the Company does not record accrued bonuses for directors for current period since the Company will not pay directors' bonuses based on services provided during the current period.

(12) Reserve for Directors' Retirement Benefits

The Company terminated the directors' retirement benefit plan in the previous fiscal year. At the annual general shareholders' meeting on June 22, 2007, shareholders approved a proposal to terminate the plan and pay the outstanding retirement benefits to the directors. As a result, the Company reversed all directors' retirement benefit reserves during this fiscal year and recorded it in Other of Long-term liabilities.

(13) Construction Warranty Reserve

To prepare for repair costs related to real estate sold, construction warranty reserve is provided based on the past experiences.

(14) Reserve for Losses on Closure of Business Offices

The Company appropriates the amount as estimated to losses on closure of business offices for the year ended March 31, 2007.

(15) Derivatives and Hedge Accounting

In order to reduce its exposure to fluctuations in interest rates on variable rate borrowings, the Company utilizes derivative financial instruments such as interest rate swap contracts. Since the Company meets the requirement for exceptions to apply the hedge accounting, under Japanese accounting standards for financial instruments, the Company does not require to record derivative financial instruments on balance sheet at fair value. The Company does not hold derivative contracts for speculative purposes.

(16) Income Taxes

The Company uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period the change is enacted. A valuation allowance is established to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

(17) Earnings per Share ("EPS")

Basic EPS is computed based on the average number of shares of common stock outstanding during each period and diluted EPS assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.

(18) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Japan requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Property and Equipment

Property and equipment as of March 31, 2007 and 2008 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Buildings and structures	¥1,216,875	**¥1,339,394**	**$13,369**
Vehicles	9,922	**9,922**	**99**
Land	1,186,585	**1,261,337**	**12,589**
Other	90,921	**115,297**	**1,151**
Accumulated depreciation	(227,081)	**(285,250)**	**(2,847)**
Total	¥2,277,222	**¥2,440,701**	**$24,361**

4. Assets Pledged as Collateral

Assets pledged as collateral as of March 31, 2007 and 2008 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Inventories	¥32,013,010	**¥31,051,532**	**$309,926**
Buildings	964,059	**934,434**	**9,327**
Land	1,186,585	**1,186,585**	**11,843**
Total	¥34,163,655	**¥33,172,552**	**$331,096**

Liabilities secured by the above collateral are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Short-term borrowings	¥ 7,919,000	**¥12,710,000**	**$126,859**
Current portion of bonds, unsecured bonds guaranteed by bank	108,000	**108,000**	**1,078**
Current portion of long-term borrowings	8,331,000	**7,158,000**	**71,444**
Bonds unsecured bonds guaranteed by bank	486,000	**378,000**	**3,773**
Long-term borrowings	8,209,260	**3,663,260**	**36,563**
Total	¥25,053,260	**¥24,017,260**	**$239,717**

5. Contingent Liabilities

The Company was contingently liable for guarantee as of March 31, 2007 and 2008 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Maximum surety for leasing guarantee business	¥1,619,692	**¥3,915,057**	**$39,076**
Customers for real estate-collateralized loans from financial institutions	–	**1,630,000**	**16,269**
Total	¥1,619,692	**¥5,545,057**	**$55,345**

6. Investment Securities

(1) The following table summarizes acquisition costs, book values and fair values of available-for-sale securities with available fair values at March 31, 2007 and 2008:

	Thousands of yen						Thousands of U.S. dollars		
	2007			**2008**			**2008**		
	Acquisition cost	Carrying value	Unrealized gain	Acquisition cost	Carrying value	Unrealized gain	Acquisition cost	Carrying value	Unrealized gain
Other	¥3,750	¥11,700	¥7,950	**¥3,750**	**¥7,560**	**¥3,810**	**$37**	**$75**	**$38**

(2) Book value of securities without fair value as of March 31, 2007 and 2008 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Other securities			
Equity investment in silent partnerships	¥136,056	**¥ 118,828**	**$ 1,186**
Equity securities of affiliates	575,000	**1,335,348**	**13,328**

7. Short-term Borrowings and Long-term debts

Short-term borrowings represent mainly bank loans with weighted average interest rates of 1.83% and 1.79% as of March 31, 2007 and 2008, respectively.

Long-term debts and current portion of long-term debts as of March 31, 2007 and 2008 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
1.09% unsecured bonds, due on September 25, 2012	¥ 594,000	**¥ 486,000**	**$ 4,850**
Total Bonds	594,000	**486,000**	**4,850**
Secured long-term borrowings with interest rate of 2.575% as of March 31, 2007, due on May 31, 2007	13,000	**–**	**–**
Unsecured long-term borrowings with interest rate of 1.84% as of March 31, 2007, due on December 4, 2007	12,200	**–**	**–**
Unsecured long-term borrowings with interest rate of 2.48% as of March 31, 2007, due on January 31, 2008	20,000	**–**	**–**
Secured long-term borrowings with interest rate of 2.40% (fixed rate) as of March 31, 2008, due on September 20, 2015	381,440	**336,680**	**3,360**
Secured long-term borrowings with interest rate of 1.90% (fixed rate) as of March 31, 2008, due on May 20, 2019	405,820	**372,580**	**3,719**
Secured long-term borrowings with interest rate of 1.77% (tibor plus 1.0%) as of March 31, 2008, due on April 6, 2008	1,100,000	**1,100,000**	**10,979**
Secured long-term borrowings with interest rate of 1.875% (short-term prime rate of major commercial banks) as of March 31, 2008, due on July 31, 2008	900,000	**900,000**	**8,983**
Secured long-term borrowings with interest rate of 1.875% (short-term prime rate of major commercial banks) as of March 31, 2008, due on June 30, 2008	940,000	**940,000**	**9,382**
Secured long-term borrowings with interest rate of 1.64% as of March 31, 2008, due on April 24, 2008	420,000	**–**	**–**
Secured long-term borrowings with interest rate of 1.875% (short-term prime rate of major commercial banks) as of March 31, 2008, due on March 31, 2009	600,000	**600,000**	**5,989**
Secured long-term borrowings with interest rate of 1.54% as of March 31, 2008, due on March 25, 2008	8,000,000	**–**	**–**
Secured long-term borrowings with interest rate of 1.77% (tibor plus 1.0%) as of March 31, 2008, due on April 30, 2008	3,780,000	**3,540,000**	**35,333**
Secured long-term borrowings with interest rate of 1.67% (tibor plus 0.9%) as of March 31, 2008, due on August 20, 2009	–	**2,382,000**	**23,775**
Secured long-term borrowings with interest rate of 2.31% (libor plus 1.35%) as of March 31, 2008, due on March 27, 2009	–	**600,000**	**5,989**
Secured long-term borrowings with interest rate of 1.975% (short-term prime rate of major commercial banks plus 0.1%) as of March 31, 2008, due on June 30, 2009	–	**650,000**	**6,488**
Secured long-term borrowings with interest rate of 2.00% (short-term prime rate of major commercial banks plus 0.13%) as of March 31, 2008, due on July 6, 2010	–	**280,000**	**2,795**
Total long-term borrowings	16,572,460	**11,701,260**	**116,791**
Total long-term debts	¥17,166,460	**¥12,187,260**	**$121,641**

The aggregate annual future maturities of long-term debts as of March 31, 2008 are as follow:

Year ending March, 31	Thousands of yen	Thousands of U.S. dollars
2009	**¥7,986,000**	**$79,709**
2010	**3,338,000**	**33,317**
2011	**226,000**	**2,255**
2012	**186,000**	**1,856**
2013 and thereafter	**451,260**	**4,504**

8. Stock-based Remuneration System

(1) Sun Frontier Fudousan recorded ¥2,918 thousand and ¥32,469 thousand ($324 thousand) in expenses relating to stock options to Selling, general and administrative expenses in the fiscal year ended March 31, 2007 and 2008, respectively. The details and scale of the stock options and changes are as shown below.

Details of stock options:

	2004 stock options	2006 stock options
Categories and number of those granted stock options	The Company's directors: 5 The Company's auditors: 1 The Company's employees: 63 External partner companies: 2	The Company's directors: 5 The Company's employees: 113
Number of stock options (Note 1)	Common stock: 2,520 shares	Common stock: 1,128 shares
Date of grant	June 25, 2004	March 19, 2007
Vesting conditions	(Note 2)	(Note 3)
Service period	June 25, 2004 – June 25, 2006	March 19, 2007 – March 2, 2010
Exercise period	June 26, 2006 – June 25, 2014	March 3, 2010 – March 2, 2012

(Notes) 1. Number of stock options

These figures have been adjusted to reflect a 4-for-1 stock split on May 20, 2005 and a 3-for-1 stock split on April 1, 2006.

2. Vesting conditions of 2004 stock options

(i) Granter is required to be a director, an auditor, or an employee of Sun Frontier Fudousan at the time of exercise of stock acquisition rights. However, it shall be possible to exercise stock acquisition rights only under conditions specially approved by the board of directors of Sun Frontier Fudousan, including retirement due to termination of term of appointment, retirement at mandatory retirement age, and retirement or resignation due to company circumstances. Moreover, for granter at external partner companies, the partner relationship with Sun Frontier Fudousan must exist at the time of exercise of stock acquisition rights.

(ii) Succession of stock acquisition rights shall not be permitted when a granter dies. However, a successor may exercise stock acquisition rights only when the board of director of Sun Frontier Fudousan has given special approval.

(iii) Conditions for the 2004 stock options are as specified by the Stock Acquisition Rights Allotment Agreement concluded separately between Sun Frontier Fudousan and granters based on the resolution of the general meeting of shareholders convened on June 25, 2004 and the resolution of the board of directors meeting held on June 25, 2004 relating to the issuance of stock acquisition rights.

3. Vesting conditions of 2006 stock options

(i) Granter is required to be a director, an auditor, or an employee of Sun Frontier Fudousan at the time of exercise of stock acquisition rights. However, it shall be possible to exercise stock acquisition rights only under conditions specially approved by the board of directors of Sun Frontier Fudousan, including retirement due to expiry of term of appointment and retirement at mandatory retirement age.

(ii) Succession of stock acquisition rights shall not be permitted when a granter dies by March 2, 2010. However, a successor may exercise stock acquisition rights only when the board of directors of Sun Frontier Fudousan has given special approval.

(iii) Stock acquisition rights holders may not exercise the 2006 stock options unless the closing price of the Sun Frontier Fudousan's ordinary shares on the Tokyo Stock Exchange, Inc., on the date before the date of commencement of the exercise period for stock acquisition rights is at least 1.3 times the exercise price. In the event that the closing price is lower than this figure, the relevant stock acquisition rights shall forfeit on the date of commencement of the exercise period.

(2) Scale of stock options and changes
The number of stock options is shown converted into the number of shares for stock options in existence.

(a) The fiscal year ended March 31, 2007:

(i) Number of stock options

	2004 stock options	2006 stock options
Shares before vested		
Outstanding at end of previous fiscal year	–	–
Granted	–	1,128
Forfeited	–	–
Ascertaining of rights	–	–
Unascertained balance	–	1,128
Shares after vested		
Outstanding at end of previous fiscal year	840	–
Vested	–	–
Increase due to stock split	1,680	–
Exercise of rights	1,992	–
Forfeited	276	–
Exercisable at end of the year	252	–

Note: On April 1, 2006, the Company executed a 3-for-1 stock split of its common stock.

(ii) Unit price information

	2004 stock options	2006 stock options
Exercise price (¥)	6,667	298,620
Weighted average share price at time of exercise (¥)	234,250	–
Fair value unit price (Date of grant) (¥)	–	93,155

Note: On April 1, 2006, the Company executed a 3-for-1 stock split of its common stock and adjusted the exercise price as of the time of grant of the 2004 stock options.

(b) The fiscal year ended March 31, 2008:

(i) Number of stock options

	2004 stock options	2006 stock options
Shares before vested		
Outstanding at end of previous fiscal year	–	1,128
Granted	–	–
Forfeited	–	76
Ascertaining of rights	–	–
Unascertained balance	–	1,052
Shares after vested		
Outstanding at end of previous fiscal year	252	–
Vested	–	–
Exercise of rights	192	–
Forfeited	–	–
Exercisable at end of the year	60	–

(ii) Unit price information

	2004 stock options	2006 stock options
Exercise price (¥)	6,667	298,620
Weighted average share price at time of exercise (¥)	277,333	–
Fair value unit price (Date of grant) (¥)	–	93,155

(3) Option-pricing model and assumptions to estimate the fair value unit price for stock options
The fair value unit price for the 2006 stock options granted in the fiscal year ended March 31, 2007 was estimated using the Black-Scholes option-valuation model, and the main basic values are as shown below.

Main basic values

	2006 stock options
Share price volatility (Note 1)	45.80%
Expected lives (Note 2)	3 years, 11 months
Expected dividend (Note 3)	¥333/share
Risk-free interest rate (Note 4)	0.956%

(Notes) 1. Computed on the basis of actual share prices for a period of 2 years and 5 months (November 2004 – March 2007).
2. As a reasonable estimate is difficult without adequate data, estimates are based on the assumption of exercise at the mid-point of the exercise period.
3. Based on the actual dividend for the year ended March 2006.
4. Government bond yield for the period corresponding to the forecast remaining period.

(4) Method for estimating the number of vesting rights
Basically, a method is adopted that reflects only the number of actual lapsed rights because of the difficulties in making a reasonable estimate of the future number of lapsed rights.

9. Derivatives
The Company has not presented information, as there was no year-end balance. The Company excluded interest rate swaps to which we applied hedge accounting.

10. Retirement Benefit Plan
The Company has a defined contribution pension plan covering substantially all employees who meet certain eligibility requirements. During the year ended March 31, 2007 and 2008, the Company made contributions to employees for ¥10,180 thousand and ¥12,960 thousand ($129 thousand), respectively.

11. Income Taxes
(1) The significant components of deferred tax assets and liabilities as of March 31, 2007 and 2008 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Deferred tax assets – current			
Accrued bonuses for employees	¥ 29,386	**¥ 36,959**	**$ 369**
Accrued expenses	25,297	**23,354**	**233**
Accrued enterprise taxes	213,995	**157,215**	**1,569**
Inventories	41,819	**683,825**	**6,825**
Security deposits received	3,997	**2,645**	**26**
Sundry taxes	21,004	**64,660**	**645**
Construction warranty reserve	24,867	**19,332**	**193**
Other	5,837	**4,638**	**46**
Sub-total	366,206	**992,631**	**9,907**
Deferred tax assets – non-current			
Reserve for directors' retirement benefits	31,929	**–**	**–**
Long-term accounts payable	–	**30,695**	**306**
Losses carried forward on subsidiaries	36,570	**29,589**	**295**
Other	4,061	**7,388**	**74**
Sub-total	72,561	**67,672**	**675**
Valuation allowance	(36,570)	**(33,838)**	**(338)**
Total deferred tax assets	402,196	**1,026,466**	**10,245**
Deferred tax liabilities – non-current			
Unrealized holding gain on securities	(3,235)	**(1,550)**	**(15)**
Retained earnings for equity method affiliates	–	**(75,139)**	**(750)**
Sub-total	(3,235)	**(76,690)**	**(765)**
Total deferred tax liabilities	(3,235)	**(76,690)**	**(765)**
Deferred tax assets (liabilities), net	¥398,961	**¥949,776**	**$9,480**

(2) The reconciliation of difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2007 and 2008 are omitted as the total of these differences is less than 5% of statutory tax rate.

12. Net Assets

From May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. Under the Corporate Law, the entire amount of the issuance price of share is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one half of the issue price of new shares as additional paid-in capital, which is one component of capital surplus. The Corporate Law also provides that when a company makes cash appropriations such as cash dividends from capital surplus or earnings surplus, the company has to set aside at least of 10% of the total amount of the cash payments as earnings reserve or additional paid-in capital until the total amount of capital surplus and earnings surplus equals 25% of common stock. The total amount of the Company's capital surplus has reached 25% of common stock and , therefore, the Company is no longer to provide for the earnings surplus.

Year-end dividends are to be approved by the shareholders at a shareholders' meeting held subsequent to the fiscal year to which the dividends are applicable. Under the Corporate Law, interim dividends may also be paid anytime upon resolution of the Board of Directors, subject to certain limitation imposed by the Corporate Law. The maximum amount that a company can distribute as dividends is calculated based on the non-consolidated financial statements of the company in accordance with the Corporate Law.

13. Supplementary Cash Flow Information

(1) Cash and cash equivalents reported in the statements of cash flows are reconciled with cash and bank deposits reported in the balance sheets as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Cash and bank deposits	¥11,170,280	**¥5,222,909**	**$52,130**
Bank deposits with an original maturity over three months	(1,000,998)	**(435,106)**	**(4,343)**
Cash and cash equivalents	¥10,169,282	**¥4,787,802**	**$47,787**

(2) Depreciation costs for lease inventories during rental contracts included in Depreciation Expenses were ¥212,130 thousand and ¥494,129 thousand ($4,932 thousand) for years ended March 31, 2007, and 2008, respectively.

14. Segment Information

(1) Sales and operating income by business segment

	Thousands of yen					
	2007					
	Real-estate revitalization	Real-estate services	Other real-estate business	Total	Elimination/ Corporate	Consolidated
Sales to external customers	¥32,662,679	¥1,647,087	¥944,777	¥35,254,545	¥ –	¥35,254,545
Intersegment sales	–	223,628	–	223,628	(223,628)	–
Total sales	32,662,679	1,870,715	944,777	35,478,173	(223,628)	35,254,545
Operating expenses	24,151,905	1,833,555	58,258	26,043,719	502,668	26,546,387
Operating income	¥ 8,510,774	¥ 37,160	¥886,518	¥ 9,434,453	¥(726,296)	¥ 8,708,157

	Thousands of yen					
	2008					
	Real-estate revitalization	Real-estate services	Other real-estate business	Total	Elimination/ Corporate	Consolidated
Sales to external customers	**¥44,063,777**	**¥1,719,581**	**¥2,366,865**	**¥48,150,224**	**¥ –**	**¥48,150,224**
Intersegment sales	**–**	**15,445**	**–**	**15,445**	**(15,445)**	**–**
Total sales	**44,063,777**	**1,735,027**	**2,366,865**	**48,165,669**	**(15,445)**	**48,150,224**
Operating expenses	**38,630,909**	**1,678,869**	**72,624**	**40,382,404**	**806,979**	**41,189,384**
Operating income	**¥ 5,432,867**	**¥ 56,157**	**¥2,294,240**	**¥ 7,783,265**	**¥(822,424)**	**¥ 6,960,840**

	Thousands of U.S. dollars					
	2008					
	Real-estate revitalization	Real-estate services	Other real-estate business	Total	Elimination/ Corporate	Consolidated
Sales to external customers	**$439,802**	**$17,163**	**$23,624**	**$480,589**	**$ –**	**$480,589**
Intersegment sales	**–**	**154**	**–**	**154**	**(154)**	**–**
Total sales	**439,802**	**17,317**	**23,624**	**480,743**	**(154)**	**480,589**
Operating expenses	**385,576**	**16,757**	**725**	**403,058**	**8,054**	**411,113**
Operating income	**$ 54,226**	**$ 561**	**$22,899**	**$ 77,685**	**$(8,209)**	**$ 69,476**

(2) Assets, depreciation and capital expenditures by business segment

	Thousands of yen					
	2007					
	Real-estate revitalization	Real-estate services	Other real-estate business	Total	Elimination/ Corporate	Consolidated
Assets	¥42,499,828	¥864,914	¥1,780,272	¥45,145,016	¥9,357,670	¥54,502,686
Depreciation	33,249	27,478	234	60,961	18,221	79,183
Capital expenditures	16,480	27,786	419	44,685	14,375	59,061

	Thousands of yen					
	2008					
	Real-estate revitalization	Real-estate services	Other real-estate business	Total	Elimination/ Corporate	Consolidated
Assets	**¥49,379,573**	**¥614,740**	**¥1,727,894**	**¥51,722,208**	**¥5,593,947**	**¥57,316,156**
Depreciation	**39,450**	**27,952**	**104**	**67,506**	**27,528**	**95,034**
Capital expenditures	**45,326**	**118,304**	**1,011**	**164,641**	**60,381**	**225,023**

	Thousands of U.S. dollars					
	2008					
	Real-estate revitalization	Real-estate services	Other real-estate business	Total	Elimination/ Corporate	Consolidated
Assets	**$492,859**	**$6,136**	**$17,246**	**$516,241**	**$55,833**	**$572,075**
Depreciation	**394**	**279**	**1**	**674**	**275**	**949**
Capital expenditures	**452**	**1,181**	**10**	**1,643**	**603**	**2,246**

(Notes) 1. The following are the primary business segments of the Group and the description of the Company's primary businesses.

Real-estate revitalization	Purchase, renovation, rent, sales of real-estate for business
Real-estate services	Brokerage services, property management, construction planning and rent guarantee
Other real-estate business	Asset management, private fund planning, creation, and management

2. Among operating expenses, the amount of undistributable operating expenses included in the "Elimination/ Corporate" column were ¥672,852 thousand for the year ended March 31, 2007 and ¥821,718 thousand ($8,202 thousand) for the year ended March 31, 2008, mainly expenses for the Company's management departments.
3. Among assets, the amount of corporate assets included in the "Elimination/Corporate" column was ¥9,424,981 thousands as of March 31, 2007 and ¥5,594,608 ($55,840 thousand) as of March 31, 2008. These assets are primarily comprised of surplus funds of the Company (cash), long-term investment funds (investment securities) and assets related to the administration divisions.
4. Beginning from the fiscal year ended March 31, 2008, the Company adopted the Financial Accounting Standard No. 9 "Accounting Standards for Measurement of Inventory" issued on July 5, 2006 by the Accounting Standards Board of Japan. As a result of this adoption, operating expenses in the real estate revitalization business increased by ¥487,899 thousand ($4,870 thousand), while, operating income and assets decreased by the same amount, respectively.
5. Changes in Accounting Policy
   (i) Inventories – referred to 2 (4) to the accompanying financial statements.
   (ii) Property and Equipments – referred to 2 (5) to the accompanying financial statements.

15. Per Share Information

(1) Per share information for the year ended March 31, 2007 and 2008 were as follows:

	Yen		U.S. dollars
	2007	**2008**	**2008**
Net assets per share	¥68,613.51	**¥78,584.15**	**$784.35**
Net income per share	15,192.55	**11,014.04**	**109.93**
Fully diluted net income per share	15,134.76	**11,011.48**	**109.91**

(2) The following are the basis for calculating the net income per share, and diluted income per share:

	Thousands of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Net income	¥4,853,931	**¥3,650,868**	**$36,439**

	2007	**2008**
Weighted average number of shares outstanding (shares)	319,494	**331,474**
Increase in common stock (shares)	1,220	**77**

Note: Fully diluted net income per share is computed assuming full dilution of the above common stock equivalents with dilutive effect.

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
SUN FRONTIER FUDOUSAN CO., LTD.

We have audited the accompanying consolidated balance sheets of SUN FRONTIER FUDOUSAN CO., LTD. and its consolidated subsidiaries as of March 31, 2007 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SUN FRONTIER FUDOUSAN CO., LTD. and its consolidated subsidiaries as of March 31, 2007 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan as described in Note 1 to the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respects to the year ended March 31, 2008 are presented solely for convenience. Such translation of amounts into U.S. dollar amounts, in our opinion, has been made on the basis set forth in Note 1 to the consolidated financial statements.

BDO Sanyu & Co.

BDO Sanyu & Co.
Tokyo, Japan

June 26, 2008

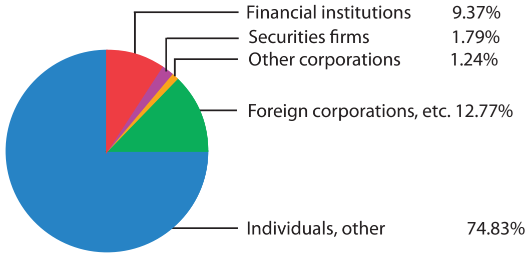
Corporate Information

Share Information

(as of March 31, 2008)

Number of authorized shares:	912,000 shares
Number of shares issued:	331,495 shares
Shares per trading unit:	1 share
Number of shareholders:	9,190

Breakdown of Shareholders



Change in Quantity of Outstanding Stock and Paid-in Capital

Date	Variation in quantity of outstanding stock	Balance of outstanding stock	Variation in capital stock (¥thousand)	Balance of capital stock (¥ thousand)	Variation in paid-in capital (¥ thousand)	Balance of paid-in capital (¥ thousand)
April 1, 2006 (Note: 1)	193,932	290,898	–	3,050,911	–	3,112,248
July 11, 2006 (Note: 2)	35,000	325,898	3,799,600	6,850,511	3,799,600	6,911,848
August 8, 2006 (Note: 3)	3,413	329,311	370,515	7,221,027	370,515	7,282,364
April 1, 2006 through March 31, 2007 (Note: 4)	1,992	331,303	6,641	7,227,668	6,639	7,289,003
April 1, 2007 through March 31, 2008 (Note: 4)	192	331,495	640	7,228,308	639	7,289,643

Note: 1: The result of a stock split (three-for-one)
2: Public offering by the book-building method; issue price: ¥228,920; issue value: ¥217,120; amount credited to common stock: ¥108,560; total paid-in amount: ¥7,599,200 thousand
3: Capital increase by third-party allocation in conjunction with sale by over-allotment; issue price: ¥217,120; amount credited to common stock: ¥108,560; allocated to: Daiwa Securities SMBC Co., Ltd.
4: The number of shares increased from the exercise of warrants.

Principal Shareholders

Trade name	Number of the Company's shares held (shares)	Voting rights (%)
Tomoaki Horiguchi	176,322	53.19
Japan Trustee Services Bank, Ltd.(trust units)	10,414	3.14
The Master Trust Bank of Japan, Ltd.(trust units)	9,300	2.81
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	5,603	1.69
JPMCB Omnibus US Pension Treaty Jasdaq 380052	5,556	1.68
Shinichi Hasegawa	5,257	1.59
JP Morgan Chase Bank 380055	4,209	1.27
Takeshi Kobayashi	4,143	1.25
Keiko Horiguchi	3,990	1.20
Deutsche Bank AG London 610	2,342	0.70

Notes: 1. 9,582 of the shares attributed to Japan Trustee Services Bank Ltd. above are for that company's trust business. 3,999 of these shares are designated for pension trusts and the remaining 5,583 of them are designated for investment trusts.
2. 5,097 of the shares attributed to The Master Trust Bank of Japan, Ltd. above are for that company's trust business. 3,390 of these shares are designated for pension trusts and the remaining 1,707 of them are designated for investment trusts.
3. JP Morgan Asset Management (UK) Limited and JP Morgan Asset Management Co., Ltd. sent a copy of a report of large-volume share ownership on March 31, 2008. It reported ownership of the share quantities below on that date. However, since the Company could not confirm the actual number of shares these companies owned at the end of the term, they have not been included among the major stockholders above.

Trade name	Number of the Company's shares held (shares)	Stock ownership ratios (%)
JP Morgan Asset Management Limited	11,294	3.14
JP Morgan Whitefriars, INC	410	0.12
JP Morgan Securities Limited	303	0.09

Corporate Data
(as of March 31, 2008)

Name:
Sun Frontier Fudousan Co., Ltd.

Date established:
April 8, 1999

Number of employees:
136 (Non-consolidated), 152 (Consolidated)

Paid-in capital:
¥7,228million

Stock listing:
Tokyo stock exchange 1st section

Code number:
8934

Financial Year:
April 1 to March 31

Annual shareholders' meeting:
Within three months after the day following the end of the fiscal year

Headquarters:
13F, Toho Hibiya Building, 2-2, Yurakucho 1-chome,
Chiyoda-ku, Tokyo 100-0006
Tel: 81-3-5521-1301
Fax: 81-3-5521-1421

Business offices (Leasing business division):
Ginza, Kanda, Shinjuku, Yokohama,
Shibuya (Operation start on July 1, 2008)

Group Companies

SF Capital Co., Ltd.
(Business: Investing in special purpose companies and other businesses)

Sun Frontier Real Estate Investment Advisors Inc.
(Business: Providing investment management services for domestic and overseas real estate)

SF Building Support Inc.
(Business: Providing guarantor services for tenants of leased properties)

Board of Directors and Corporate Auditors
(as of June 30, 2008)

President
Tomoaki Horiguchi

Senior Managing Director
Seiichi Saito

Managing Director
Masahiro Mochizuki

Directors
Kunihiro Kotaki
Izumi Nakamura

Full-time Statutory Auditor
Koichiro Shimomura

Statutory Auditors
Mizue Akita
Koichi Kase

SUN FRONTIER

Sun Frontier Fudousan Co., Ltd.
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