



# Business Report 2010

Fiscal Year Ended March 31, 2010





President  
Tomoaki Horiguchi

## Review of the Fiscal Year Ended March 31, 2010

In fiscal 2009, we focused on restructuring balance sheet and strengthening profitability.

Total revenue from the operation for fiscal 2009 decreased 46.2% from the preceding fiscal year, to ¥14,469 million. Operating loss stood at ¥3,448million, ordinary loss at ¥3,776million, and net loss at ¥3,712million. The main reason was to record approximately ¥4,300 million in valuation losses in the second quarter, because of lingering market weakness caused by financial crises. We deeply regret that we have now reported substantial net losses for two consecutive fiscal years, and consequently we have decided to forgo dividend payment for fiscal 2009 as well.

During fiscal 2009, we strove to restructure balance sheet and strengthen profitability by (1)revising our balance sheet and reducing interest-bearing liabilities by disposing inventory assets, (2)establishing a stable earning base by enhancing our real estate related fee business, (3)lowering the break-even point by thorough cost reduction at all levels of the company, and (4)boosting our capital base through a third-party allotment. As market sentiment in real estate market has been seemed to bottom in the second half of the fiscal year,

we have regained positive earnings since the third quarter, due to our progress of property sales according to plan, combined with the expansion of our real estate service business and the effect of cost reduction. Moreover, we strengthened our financial position and increased our shareholder's equity ratio to 38.7%, due to reducing interest-bearing liabilities through the sale of properties and boosting capital through a third-party allotment. In the fourth quarter, we resumed acquisitions of properties for replanning business after two years.

## Medium to Long-Term Business Policy

We will create relationships that enable us to foster broad, long-lasting business ties with customers.

Our business model had excessively depended on the increase of asset price and the expansion of Japanese economy. While this led to rapid growth in the past, it has proven inadequate for dealing with abrupt change in market, and exposed our fragile financial condition. We will never repeat this mistake. We will reconstruct a stable and long-term business model based on expanding customer base through provision of our real estate related services.

That is, we will expand our business by highly

esteeming our customers and developing just one encounter into lifetime relationship with mutual-trust.

We have wide ranged customer network of approximately 1,600 building owners and approximately 700 tenants annually with whom we have made leasing contract. With these building owners and tenants as two core value customers, we will expand our customer network and provide our diversified real estate related services including leasing brokerage, sales brokerage, real estate consulting, property management, building renewal, office relocation and delinquent rent guarantees and so on. By utilizing these specialized skills cross-functionally and understanding market needs accurately through our networks, we will develop long-term and strong relationship with customers.

⇒Refer to 1 on page 4.

## Three business domains

Our company has three business domains as follows.

The first is real estate services business, which is not overly subject to market fluctuations. By improving the quality of our real estate services based on comments and requests from customers and diversifying these services, we will strengthen our real estate periphery-related business. The second activity is building refurbishment and revitalization business (hereinafter "replanning business" or "replanning"). Utilizing our own capital, we purchase inefficient buildings, and increase the value of them through appropriate refurbishment, while carefully ascertaining the economic trend, future outlook and business risks. The third activity is office leasing business. In this business, we retain long-term ownership of buildings which contribute as our stable revenue base.

In developing these three business domain, we will carefully keep business balance, and make all three domains grow stably without excessive dependence on any single activity. To achieve it, we believe it is important to pursue firmly grounded management with avoidance of excessive preconceptions and overdoing as well as to carefully monitor the economic cycle and market situation.

⇒Refer to 2 on page 4.

## Our Three Management Policies

Enrich quality. Reinforce operating foundations. Provide multi-functional services.

Based on the idea of "customers first", we have the following three principal management policies.

First, we will enrich quality. We will make efforts to provide higher quality services and products to attain the customer satisfaction by catering to their requests and expectations at a high level. Specifically, this refers to our ability of building refurbishment and revitalization.

While we have received high accolades from the customers who purchased the properties refurbished or revitalized by our company, we will continue to pursue higher capability further. Next is the capability of making property management reports. In today's property markets integrated with financial markets, ultimate recipients of this report are investors of funds. Considering of these investors, we will carefully make sophisticated and comprehensible reports which enable to foresee the future of the properties. We also will further improve our customer service level. This is the hospitality aspect on which we have focused much effort until now, and we will make our abilities in this area even stronger.

Lastly, we will continue to improve our Internet website. By having reformed our leasing search site, we feel we have strengthened our ability to attract more customers and created a foundation on which our leasing brokerage and other real estate services businesses have grown. We will pursue higher quality based on the customer's perspective, not the self-complacent.

⇒Refer to 3 on page 4.

Our second policy is to "reinforce operating foundations". We aim to become stable and solid company by establishing our customer base and operating foundations, and strengthening our service division further. For this purpose, we will further strengthen and expand our property management, leasing

brokerage and sales brokerage services, and other services for which stable earnings can be projected. Sun Frontier Fudosan is specializing in the central area of Tokyo. In this area, there are a lot of firms and building owners who have contracted our services. Offices in central Tokyo form the heart of our base of operations, while our customer base is comprised of tenants and building owners. We will seek to turn one-time transactions into relationships bound by lifelong trust and create a corporate entity that is not easily affected by fluctuations in the market.

⇒Refer to 4 on page 5.

Third policy is to “provide multi-functional services”. We will provide integrated real estate services by drawing from customer requests related to real estate in the central area of Tokyo and being able to respond quickly. Majority of our customers including tenants and building owners are acquired through our leasing brokerage business. For tenants, we can also provide office layout plans and office relocation related services. On the other hand, we can also provide property management services and restoration works for building owners. That way we will construct our organization in which our customers can easily utilize our variety of services more and more. By valuing the comments or opinions received from customers, considering customers’ needs and bringing out the specialized skills of each internal division, we will provide integrated total real estate related services as well as develop just one encounter to lifetime relationships.

⇒Refer to 5 on page 5.

## The Future of the Replanning Business

We will develop our business responding to each stage of the economy.

Under the sign that the real estate market has bottomed out, we have restarted replanning business from purchasing small scale properties with utilizing our refurbishment and revitalization ability and know-how which we have cultivated over many years. To develop our replanning business over a long period of time,

it is crucial to balance between stability and expansion. That is, we have to make our judgment responding to each stage of economic change. Specifically, we will promptly change and adjust our business model in consideration of economic cycle – floor, upturn period, plateau and downturn period – based on various economic indicators and market events. We will develop our business steadily and resolutely, tailoring it each stage of the economy.

## At Last

Once again, I as a president and CEO apologize for the substantial loss we reported for the fiscal year ended March 2010, which resulted in conditions that reduced the valuable capital invested in Sun Frontier Fudosan by our shareholders. Nevertheless, as a result of our full efforts throughout the year to restructuring balance sheet and strengthening profitability, we were able to transform our business structure into an organization that achieved positive earnings under severe market conditions. This result was possible because of the understanding and support of all our shareholders, and on behalf of the company I would like to express our sincere appreciation.

In the future we will develop our business with customers taking a leading roll, and create a balanced business model that is not easily affected by market changes. We also will seek to be a one –stop, close at hand integrated services firm for building owners and tenants in the central area of Tokyo.

We hope we will continue to enjoy your encouragement and support for more years into the future.

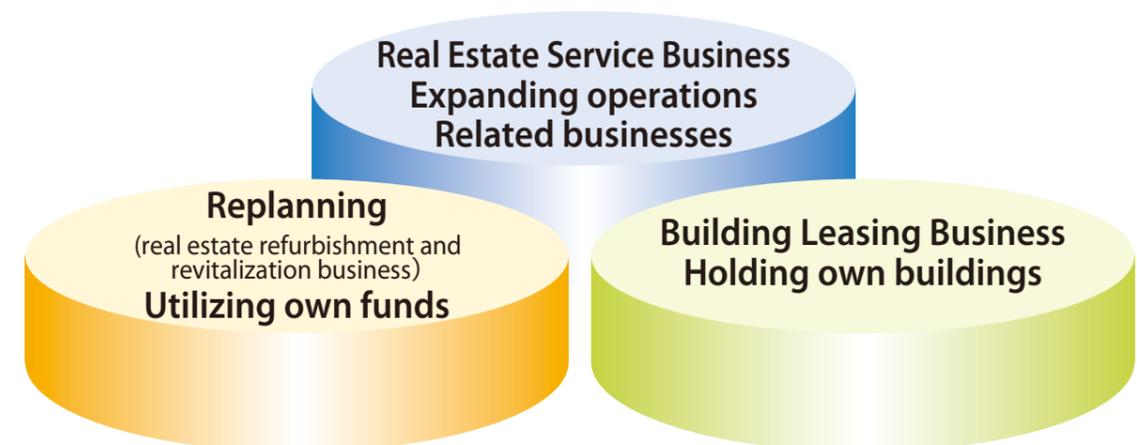
## 1 Business Model where Customers Play Leading Role

Building owners and tenants constitute our two major customer base



## 2 Three Business Domains

Pursuing stable growth with carefully keeping business balance



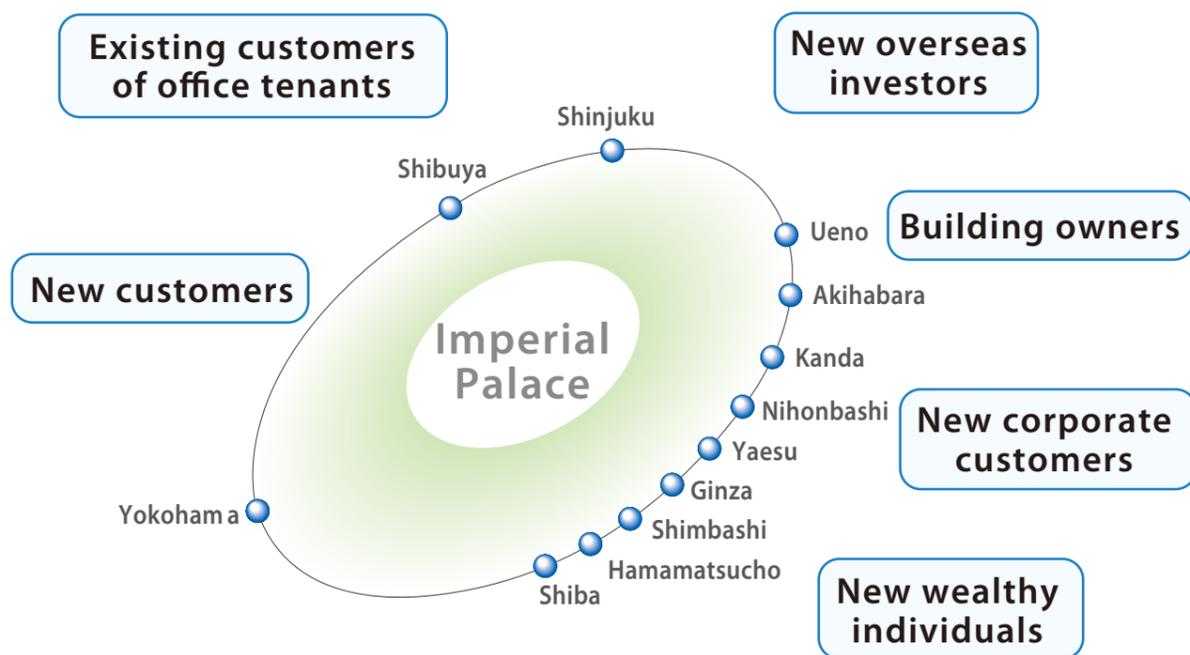
## 3 Enrich Quality

Pursuing quality based on the customer’s perspective



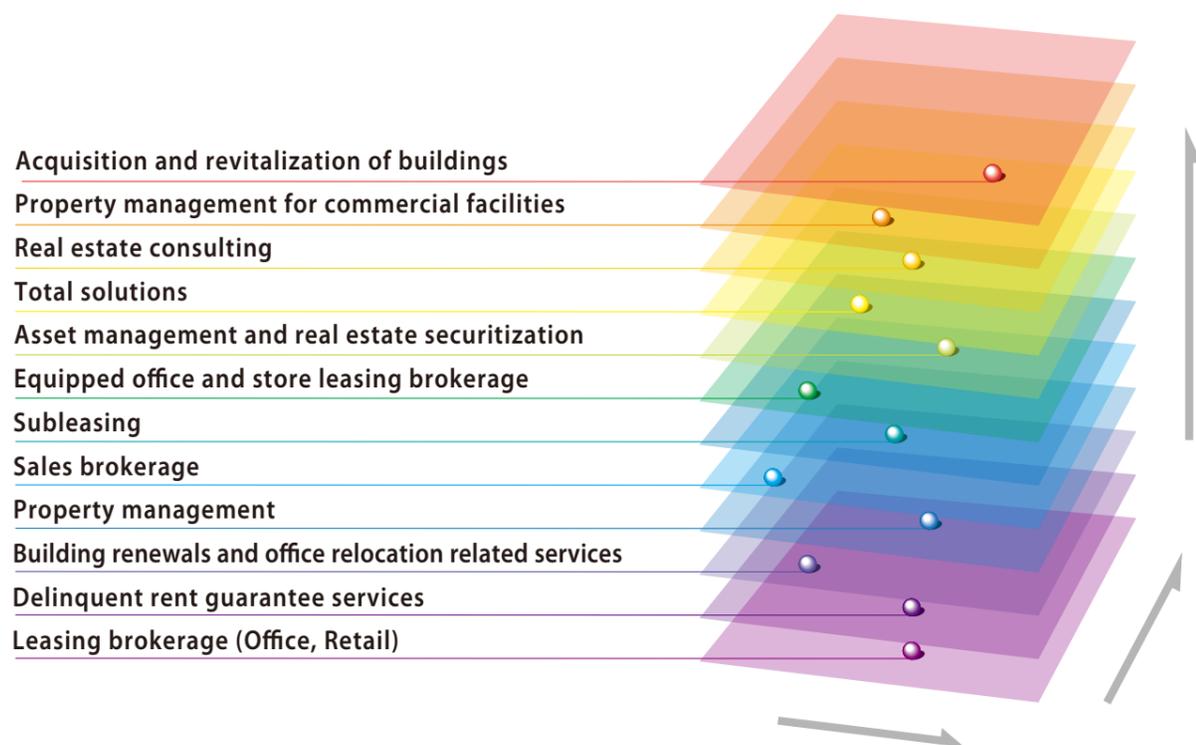
**4 Reinforce Operating Foundations**

Specializing in central Tokyo area



**5 Provide Multi-Functional Services**

One stop provider of diversified services

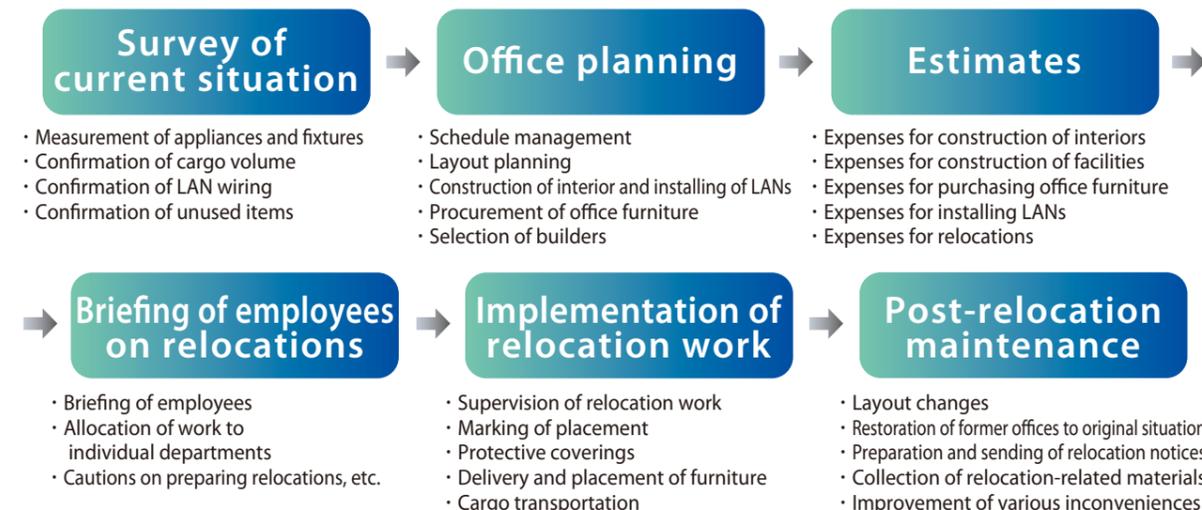


**Total Relocation Services**

Comprehensively handle various issues and general affairs related to relocation projects, as well as plan and produce office spaces that enhance operational capabilities

We provide services that comprehensively support relocation projects, providing solutions to various issues and general affairs ranging from entrance design to office layout, examination of working budgets, LAN wiring, air conditioning and disaster prevention, construction order placement for fixtures and facilities, and schedule management of moving. Our services not only provide reviews of expenses and support office expansions, but also enhance work efficiency through the improvement of office environments, in line with customer's policies.

**Work Flow**



**Example of Actual Project**

**Issue**

The customer had offices scattered on multiple floors in a small-sized building. The customer, having no experience in relocating to a different property, wanted to improve communication among employees and enhance their work efficiency.

**SUN FRONTIER**

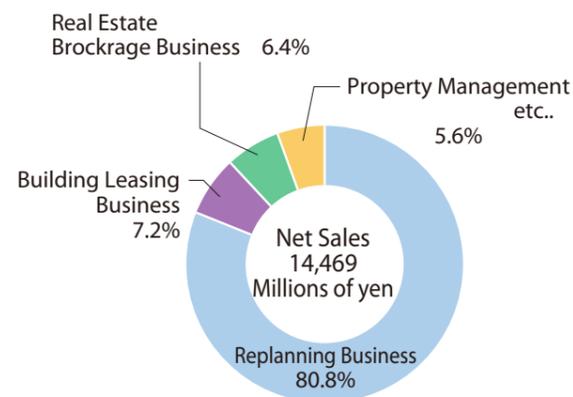
**Total Office Relocation Services**

We proposed the customer to relocate to a mid-sized building where office floors could be concentrated. Our layout proposal, which took into consideration the accessibility of each department and relation of works, vitalized communications among employees and enhanced operational efficiency. We provided total support for all relocation-related tasks in a comprehensive manner, from conceptual design, basic design, negotiations on construction prices with building contractors and the purchase of office furniture, to planning with regard to the reuse of existing furniture, completion of moving and advice on various general administrative works.

**Solution**

We implemented the relocation project at a low cost that met the customer's requirements, successfully saving precious time of the customer and reducing their burden.

# Overview of Each Business Segments

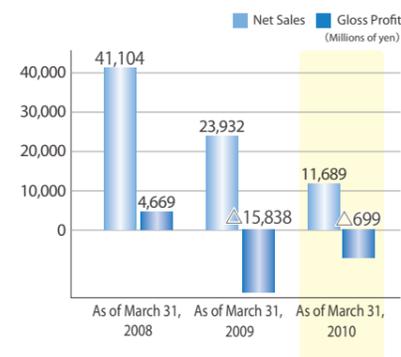


As the overall economy continues to return to a gradual recovery path, indications of a revival in the real estate industry can be seen as well against the backdrop of improvement in the financing environment. Based on such conditions, the Sun Frontier Fudousan Group continued moving forward with the sale of replanning properties, and strengthened its real estate services business in order to establish a stable revenue base. Nevertheless, because we recorded a valuation loss totaling ¥2,974 million in our real estate securitization business in the second quarter on investments in a new commercial property construction project by development SPC (special purpose company) and other private funds, revenue for the consolidated fiscal year were ¥14,469 million and the gross loss was ¥1,698 million. A summary of the operating results in our main businesses is described below.

## Replanning Business

In the replanning business, we continued to go ahead with the sales of properties in order to reduce interest-bearing liabilities and slim down the balance sheet. As a result, we completed the sales of six properties in the last fiscal year. In addition, we transferred to fixed assets four replanning buildings which are judged to be appropriate to be held for stable earnings over the long term. Consequently the number of inventory properties at the end of the fiscal year fell to one property. Regarding to acquisition of properties, on the other hand, we have signed a contract to acquire one new property in the fourth quarter after two years, after reviewing a lot of properties, particularly small and medium-sized properties located in the five wards of central Tokyo, with carefully considering market situation. The property will be settled in May 2010.

As a result of the above activities, sales were ¥11,689 million and the operating loss was ¥699 million.



## Building Leasing Business

In the building leasing business, although there was a drop in rental revenue resulting from our progress in selling large-scale refurbished properties, the two buildings we have been holding as fixed assets and the four replanning buildings transferred to fixed assets for the purpose of long-term ownership all maintained stable, high occupancy rates throughout the fiscal year. As a result of the above activities, sales were ¥1,034 million and the operating income was ¥649 million.

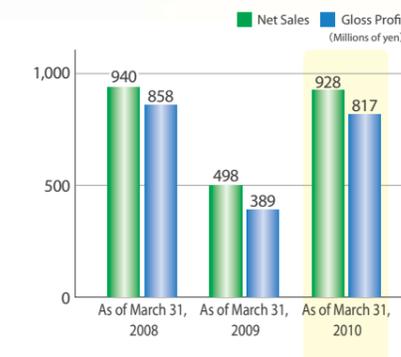


## Real Estate Brokerage Business

In our sales brokerage business, we continued efforts to strengthen our employees and organizational structure, and expand and enhanced our customer base by taking advantage of our variable capabilities, through cooperation among internal divisions such as our leasing brokerage and property management businesses. We also stimulated the potential needs of existing clients with whom we already have a proven track record. As a result, we achieved steady growth of contract volume particularly on small to medium-sized properties.

In our leasing brokerage business, we made efforts to attract tenants for replanning properties, as well as strengthen our marketing capabilities qualitatively and quantitatively, including an increase in the number of marketing staff, and concentrating on external brokerage projects. Moreover, collaboration with peripheral businesses related to leasing brokerage that comprehensively support office relocation, and the strengthening of our ability to attract customers through the innovation of a leasing search site, helped generate positive results. As a result, the number of leasing brokerage transactions we completed increased steadily.

As a result of the above activities, sales were ¥928 million and the operating income was ¥817 million.



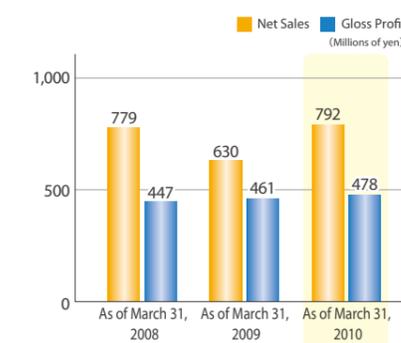
## Property Management / Construction Planning / Delinquent Rent Guarantee Business

In the property management business, the number of managed buildings grew steadily, which was contributed by the growth of our leasing businesses, even amid the rising trend for the vacancy rate in the leasing market. Along with striving to prevent vacancies by raising the level of customer satisfaction through detailed support for tenants at properties, we also focused on creating new earnings opportunities. This included aggressively proposing property improvements with a view to increasing property values.

In our construction planning business we developed a variety of activities ranging from construction management for large-scale projects, to interior finishing work for tenant relocations.

In our delinquent rent guarantee business, the number of contracts rose steadily and the balance of guarantees also increased firmly. Under the economic stagnation, the growth was spurred by the desire of building owners to avoid rent delinquency risk, and tenants' need to control expenditures and lower the risk of entrusting security deposits. In addition, we were able to sufficiently control delinquencies through rigorous preliminary investigations and prompt and resolute action when delinquencies did occur.

As a result of the above activities, sales were ¥792 million and the operating income was ¥478 million.



# Consolidated Financial Statements

## Consolidated Balance Sheets (Summary)

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
<b>Current Assets</b>	23,836	4,928
Cash and bank deposits	3,994	3,940
Inventories	19,575	764
Other current assets	266	223
<b>Fixed Assets</b>	3,643	8,430
Property and Equipment	1,690	8,069
Intangible Fixed Assets	53	34
Investments and Other Assets	1,899	327
<b>Total Assets</b>	27,479	13,359
<b>Current Liabilities</b>	4,975	2,209
Short-term borrowings※	4,028	1,447
Income taxes payable	14	14
Other current liabilities	931	747
<b>Long-term Liabilities</b>	14,564	5,964
Long-term debts and bonds	13,768	4,652
Other long-term liabilities	795	1,312
<b>Total Liabilities</b>	19,539	8,174
Shareholders' Equity	7,884	5,171
Others	55	13
<b>Total Net Assets</b>	7,939	5,184
<b>Total Liabilities and Net Assets</b>	27,479	13,359

※Short-term borrowings / Total of short-term borrowings, and long-term debts, including bonds and borrowings, due within one year.

### Inventories

Sales, valuation loss and transfer to fixed assets resulted in inventories falling by ¥18,810 million compared to the end of the previous fiscal year.

### Net Assets

Total net assets declined ¥2,755 million compared with the end of the previous fiscal year, despite the increase in common stock and additional paid-in capital from the third-party allotment of shares, because of the net loss of ¥3,712 million. (Equity Ratio / 38.7%).

### Fixed Assets

Fixed assets increased ¥4,787 million from the end of the previous consolidated fiscal year. Although fixed assets were reduced by the valuation loss reported on investment securities, property and equipment increased as a result of transfer from inventory assets.

### Interest-bearing debt

Repayment of borrowings by the sales of inventories resulted in interest-bearing debt falling by ¥11,697 million compared to the end of the previous fiscal year.

## Consolidated Statements of Income (Summary)

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
<b>Net Sales</b>	26,870	14,469
Cost of Sales	40,752	16,167
<b>Gross Loss</b>	13,881	1,698
Selling, General and Administrative Expenses	3,208	1,749
<b>Operating Loss</b>	17,090	3,448
Other Income	43	4
Other Expenses	747	332
<b>Ordinary Loss</b>	17,794	3,776
Extraordinary Gains	1,059	95
Extraordinary Losses	27	17
<b>Loss before Income Taxes</b>	16,763	3,698
Income taxes-current and other	- 47	13
Income taxes-deferred	951	0
<b>Net Loss</b>	17,666	3,712

### Gross Loss

Due to a recording of a valuation loss on inventories, gross loss was ¥1,698 million.

### Selling, General and Administrative Expenses

Group strove to compress general expenses; as a result, selling, general and administrative expenses decreased ¥1,459 million from the previous fiscal year.

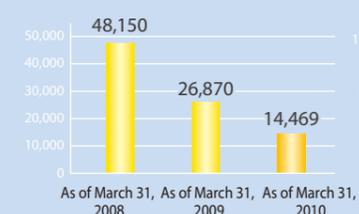
## Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
Cash Flows from Operating Activities	5,483	11,365
Cash Flows from Investing Activities	1,515	- 771
Cash Flows from Financing Activities	- 8,074	- 10,704
Increase (Decrease) Equivalents Cash and Cash Equivalents at Beginning of Year	- 1,075	- 110
Cash and Cash Equivalents at End of Year	3,712	3,601

## Financial Highlight

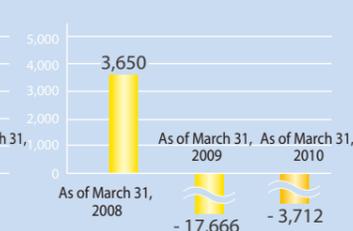
### Net Sales (Millions of yen)



### Ordinary Income (Millions of yen)



### Net Income (Millions of yen)



# Corporate Information

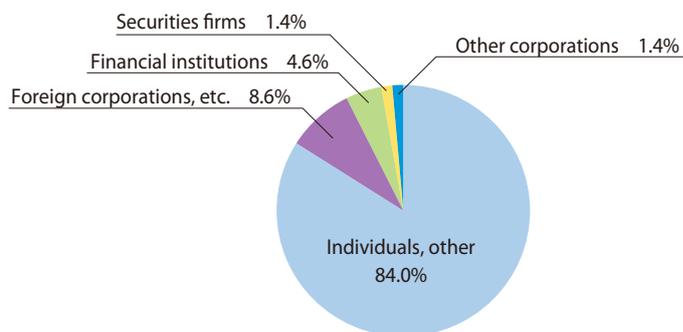
## Share information

Number of authorized shares	912,000 shares
Number of shares issued	371,495 shares
Number of shareholders	8,569

## Principal Shareholders

(Trade name)	(Number of the company's shares held)	(Voting rights)
Tomoaki Horiguchi	216,519shares	58.28%
JP Morgan Chase Bank 380055	11,763shares	3.17%
State Street Bank and Trust Company 505103	6,359shares	1.71%
Japan Securities Finance Co., Ltd.	4,331shares	1.17%
Keieki Sasaki	4,194shares	1.13%

## Breakdown of Shareholders



## Information

Financial Year	April 1 to March 31
Annual shareholder's meeting	June
Date of record	March 31
Stock listing	Tokyo stock exchange 1st section
Code number	8934

## Corporate Profile

Name	Sun Frontier Fudousan Co.,Ltd.	
Headquarters	14F, Toho Hibiya Building, 1-2-2, Yurakucho, Chiyoda-ku, Tokyo 100-0006	
Branches	Kanda,Shinjuku,Shibuya,Yokohama	
Paid-in capitals	¥7,728 million	
Number of employees	142 (consolidated)	
Board of Directors and Corporate Auditors	President	Tomoaki Horiguchi
	Senior Managing Director	Seiichi Saito
	Managing Director	Kunihiro Kotaki
	Director	Izumi Nakamura
	Full-Time Outside Auditor	Koichiro Shimomura
	Outside Auditor	Mizue Akita
Outside Auditor	Koichi Kase	
Group Companies	SF Building Support Inc.	
	Sun Frontier Real Estate Investment Advisors Inc.	