



Sun Frontier Fudousan Co., Ltd. Business Report 2011

Fiscal Year Ended March 31, 2011

Dear Shareholders

Our goal is to be a real estate
“company that makes happiness”

We will work towards providing satisfaction to our customers,
and being a true partner who they feel secure in talking to.



President
Tomoaki Horiguchi

Summary of the Fiscal Year Ended March 31, 2011

Shift to a Balanced Business Structure.

We offer our deepest sympathies to the victims of the Great East Japan Earthquake that occurred on March 11, 2011.

For this period, sales were ¥4,289 million, operating income ¥662 million, ordinary income ¥541 million, and net income ¥363 million. For the first time in 3 periods the balance was in the black for the full year, but since the effects of the losses from the previous two periods were still significant, we regret that this period will also not have any dividends.

Looking back over the past year, market conditions were still very unclear in the first half of the year, without stable footing. Moving into the second half of the year, just when markets had started to recover, Japan was beset by a most unfortunate disaster. For the real estate industry, investor stances both domestically and abroad have become more cautious, causing the market to once again become uncertain.

During this time, our company used past lessons to work towards building a stable

long-term business, by creating a balanced business structure and strengthening our client and financial bases. By shifting from a business model reliant on the condition of the real-estate market, especially on capital gains, to an earnings structure focused on income from fees, our business structure became one less susceptible to changes in the economy.

For our real estate refurbishment and revitalization business, we were unable to get any new replanning properties in the previous period (Year Ended March 31, 2010), but this period a total of 10 properties were purchased, with 6 being sold within the period, allowing our replanning business to start again focusing on small properties. Additionally we dealt with medium and large properties in new real estate restoration schemes such as “Joint Investment Replanning” which will be detailed later.

Main Business Targets

Specialize in middle to downstream areas for real estate business.

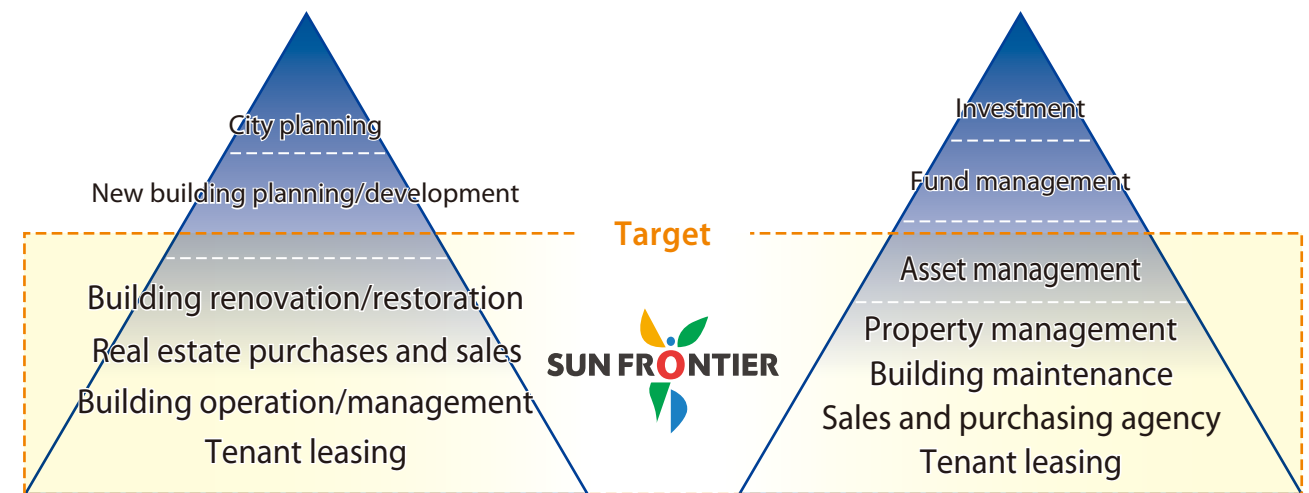
Our company is carrying out operations focusing on office and commercial buildings in central Tokyo (especially the central 5 cities) which compose the middle to downstream business areas of the real estate market. Referring to Figure 1, there are various business areas within the real estate development and real estate investment markets, and our company is focusing on those business areas surrounded by dotted lines (we consider this to be the middle to downstream areas for real estate business). Our company is best at business areas that require service through

manpower, such as property management or tenant leasing, where direct contact is taken with the building owners and tenant companies, and operating resources are focused on these areas. Also, by faithfully responding to the high demands of fund and investment companies, the business skills of our company are clearly polished.

【Figure 1】

【 Real Estate Development Market 】

【 Real Estate Investment Market 】



Business Portfolio

Moving to a long and fruitful relationship starting from a just encounter in leasing transactions.

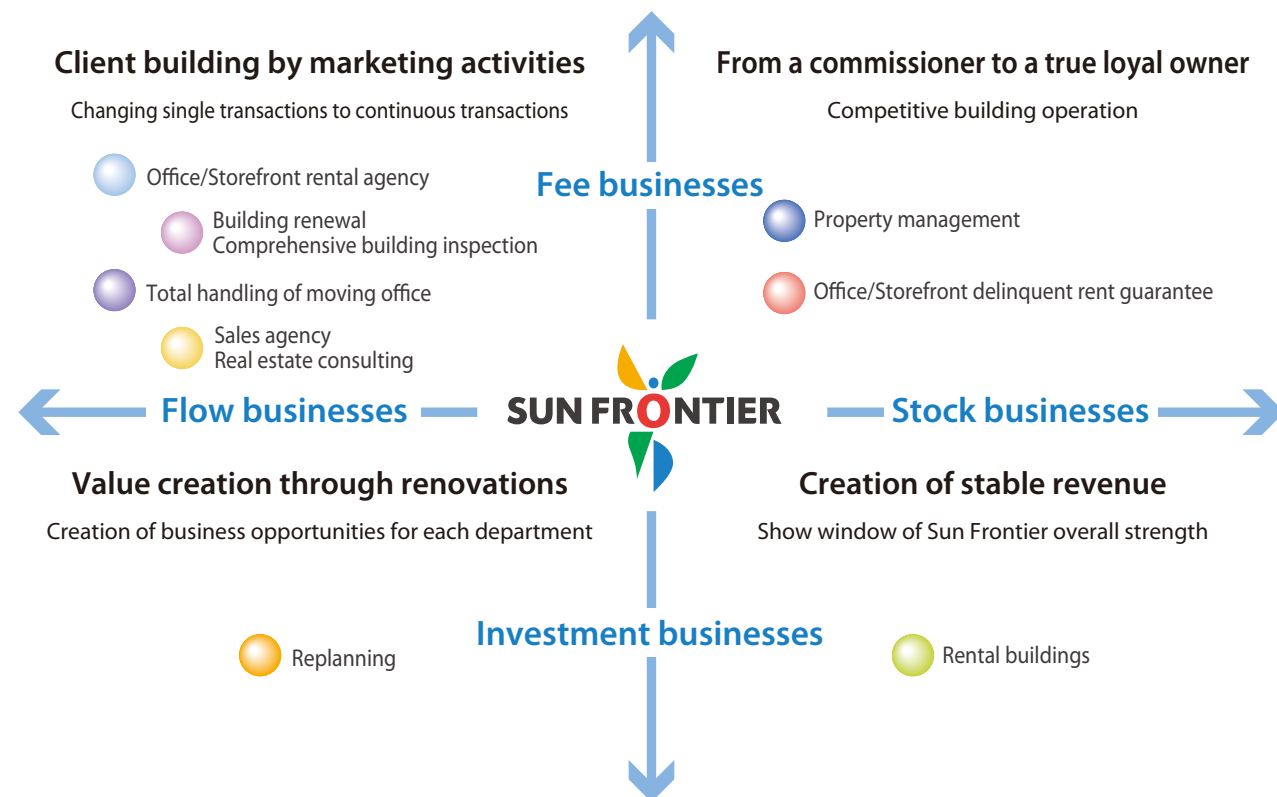
Our company aims to achieve a balanced business structure and stable growth. Figure 2 takes the business in our company and organizes them into 4 areas, with flow and stock businesses on the horizontal axis, and fee and investment businesses on the vertical axis.

Previously, the bottom left of the graph (investment × flow businesses) was focused on the replanning business. This area is easily influenced by changes in market conditions, and is the riskiest business area with large profits, but the possibility of losses even larger than those profits. Previously, there was too much of an emphasis put on this area.

From now on, the stock businesses on the right side of the graph will have more energy put into them, especial the property management business

on the upper right (fee × stock businesses). Come to think of it, our company has been making 700 to 800 successful rental contracts every year for offices in the central Tokyo area, and thus has connections with building owners. We will aim to create longer and deeper connections with these building owners, and increase commission assets. Also, by providing tenant companies with useful market information and introducing potential clients and partners, this will lead to stable repeaters and referrals by helping tenant business growth. Then by responding to the various leasing and sales agent needs that arise from commission building owners and tenant companies, our company will work to expand flow businesses (left side of graph) and build a business structure that values relationships with our customers.

【Figure 2】



New Approach to Real Estate Refurbishment and Revitalization

Small Scale Real Estate Refurbishment and Revitalization Business

This business focuses mainly on the independently wealthy as targets, with a highly fluid market, providing investment products that are reasonably priced and secure for real estate investment. With a basic model of rapid, high-paced restorations, the business cycle can be shortened to 3 to 5 months, thus limiting the risks of market fluctuations for this business.

In this period, 10 buildings were purchased, with 6 being sold within the period. The following pictures (examples 1 and 2) are some of the

properties acquired in this period. Through careful renewals and maximized utilization rate in a short business cycle, we were able to make products with a high degree of added value.

Joint Investment Replanning

For replanning medium and large buildings, we are taking an approach using a new joint investment scheme with close partners. Together with partners providing funds, our company is participating in joint equity investment, property management, construction management and tenant leasing. By joint investors each using their own strengths, this business model allows the maximum risk to be decreased while working to increase value in medium and large properties.



Location : Chuo-ku, Tokyo
 Use : Office
 Business period : 154 days
 Utilization rate : time of purchase 80% ⇒ time of sale 100%
 Total floor area : approximately 786 m² (237 tsubo)
 [Renewal Overview]
 Waterproofing roof, installing entrance air conditioning, painting outside stairs, etc.



Location : Minato-ku, Tokyo
 Use : Storefront, office, residence
 Business period : 92 days
 Utilization rate : time of purchase 41% ⇒ time of sale 100%
 Total floor area : approximately 683 m² (206 tsubo)
 [Renewal Overview]
 Altering residential layout, office air conditioning, facility renovations, waterproofing roof, cleaning outer wall, painting metal, etc.

Mid-term Strategy

Our company management philosophy, “We want customers to be happy.” It all starts here.

Our company has the following 3 points for our mid-term strategy.

1. Quality Improvement

In order to respond at a high level to customer requests and satisfy them, we are aiming to provide an even higher quality of service and product. To do so, extreme care is being taken with training human resources. In addition to focusing on improving problem solving skills and specialist knowledge and skills, even more effort has been put into the area of hospitality than before. Significant effort is also being put into part of our company’s unique staff training program, which focuses on “ideas” such as reason for living and sharing work goals. In the training, education is carried out in the spiritual area inside a logical mind. This training in the spiritual area strengthens motivation by having trainees face their true self at their core, which naturally leads to trying their best in daily work. Also, due to increased ambition and positivity, it can also lead to increased acquisition of knowledge.

Also, by expanding the functions of the quality assurance department, we are aiming to provide services and products of a higher quality. In addition

to improving system capabilities for PM reports, proposals and property information, we are pursuing from a customer viewpoint the quality and precision that customers want.

Finally, with thorough compliance training we are working towards improving quality of risk management.

2. Strengthening Management Base

With our two main client bases of building owners and tenant companies, our company will work towards further strengthening our client base. Also, through management that focuses on cash flow and a medium term diversification of financing, efforts will be made to strengthen our financial base.

3. Expanding Businesses

Our company is involved in various types of businesses as a comprehensive real estate company, but these all stem from the desire to be a true partner for customers in real estate and aiming to be a company that can support the creation of customer happiness. Based solely on “wanting customers to be happy”, attention will be paid to customer requests and opinions, drawing out the specialities of each internal department, with the points that were meetings turning into lines, the lines into squares, and those squares into three-dimensional cubes of providing comprehensive service to customers.

Main Objectives for Current Period

Real Estate Service Business

In addition to expanding commission assets for the property management business, effort will be made to create business opportunities based on the needs for sales, construction and restoration that arise from deals for commission assets and rentals.

Also, with thorough community-based marketing the relationship as partners with building owners and tenants will be strengthened, as well as expanding development of foreign investors in Asia particularly and expanding our domestic network of investors, asset holders and the wealthy, efforts will be made to further expand the customer base.

Real Estate Refurbishment and Revitalization Business

This business is being carried out with a focus on small scale real estate restoration in a shortened business cycle that minimizes risk from market fluctuations. Also, through joint investments with partners such as funds, medium and large scale properties are also being approached. By jointly investing risks are decreased, along with tying in to creating business opportunities for sales, rentals or property management.

Additionally, we are considering expanding into the fee business using our company experience

and knowhow for building restoration to help deal with the many issues facing building operations, including earthquake resistance.

Office Leasing Business

Basic policy is to use experience and knowhow from restoring buildings in our replanning business, increasing added value for rental buildings, as well as maintaining high performance. Also, as a business that increases income stably, a change to competitive buildings over the mid- to long-term is being planned.

Conclusion

management and agent businesses supplying middle to downstream areas for real estate service activities will be carried out under the policy of “always be quick in action and accomplish to the end” responding to customer requests.

Also, for capital policy, we are aware that an important issue for management is restoring dividends to our shareholders as soon as possible. While strengthening business structure to improve profitability, losses from capital decrease will be covered, and a capital structure created that allows for providing dividends.

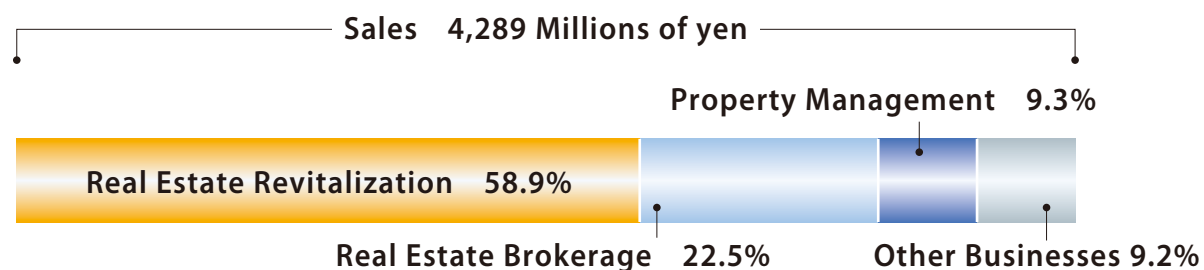
Our company Sun Frontier has returned to life. Learning from our mistakes, a solid footing will be made for our businesses, and returns given to everyone over the course of time. Please continue to provide us with your generous support in the future.



- Acquisition and revitalization of buildings
- Property management for commercial facilities
- Real estate consulting
- Total solutions
- Asset management and real estate securitization
- Equipped office and store leasing brokerage
- Subleasing
- Sales brokerage
- Property management
- Building renewals and office relocation related services
- Delinquent rent guarantee services
- Leasing brokerage (Office, Retail)



Overview of Each Business Segments



During the current consolidated fiscal year ended March 2011, Japanese economy including capital investment and personal consumption was showing signs of recovery against the backdrop of positive results from the international economy, which benefited from a recovery trend centered on Asia. However, Great East Japan Earthquake turned to clouded prospects. In the real estate industry, the vacancy rate in the building leasing market remained stubbornly high and there were still no visible indications of an improvement in supply and demand. This was despite signs pointing to a gradual improvement in the investment environment, including the evident recovery trend in real estate investment. Given such an environment, the Sun Frontier Fudousan Group made an effort to strengthen its customer base and financial foundations, in order to expand its business stably over the long term. Moreover, we worked to extend our existing businesses and cultivate new earnings opportunities in peripheral sectors by broadening our real estate services business. As a result, our operating results for the fiscal year ended March 2011 were as follows: sales of ¥4,289 million, operating income of ¥662 million, and ordinary income of ¥541 million. Net income was ¥363 million. A summary of the operating results in our main businesses is described below.

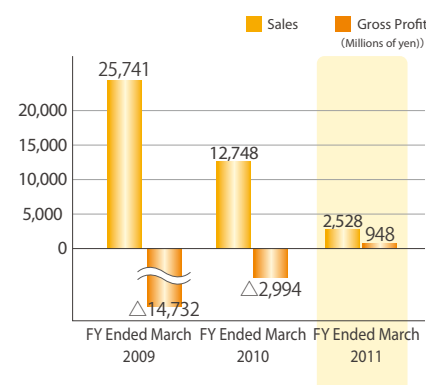
Real Estate Revitalization

In our replanning business, we carefully examined properties located in the five wards of central Tokyo, the Group's strongest area, mainly as short-term projects, and purchased ten properties. In addition, by simultaneously pursuing various property commercialization measures, we quickly restored high occupancy rates and completed the sale of six properties. Nevertheless, due to exercising greater prudence in our selection of properties acquired and in risk management in addition to the fact that liquidity in the real estate market did not recover to the extent envisaged at the beginning of the year, particularly for the commercial properties, the scale of properties acquired remained below the level assumed at the beginning of the year.

In the building leasing business, lease revenue remained stably as a result of maintaining high occupancy rates throughout the year.

In the real estate securitization business, we recorded a gain on distribution from our development SPC (special purpose company), on which we reported a loss on silent partnership investment in the prior consolidated fiscal year, as the result of disposition of the new commercial building.

As a result of the above activities, sales were ¥2,528 million and segment income was ¥797 million.

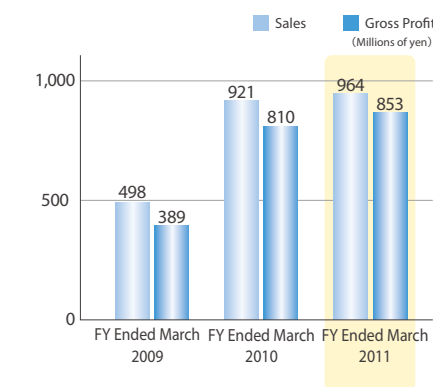


Real Estate Brokerage

In our sales brokerage business, we endeavored to strengthen our personnel and organizational structure, and worked to expand our customer base by taking advantage of our various capabilities, through cooperation among internal divisions such as our leasing brokerage and property management businesses. We also strove to expand opportunities for transactions with foreign investors, particularly in Asia. The results of this effort led to some contracts during the second half of the current consolidated fiscal year, mainly for small and medium-sized properties.

In the leasing brokerage business, we concentrated on strengthening our brokerage business capabilities through measures that included increasing the number of marketing staff, and worked to bolster fee income from collaboration with related businesses such as "Sonomanma Offices" and comprehensively support office relocation.

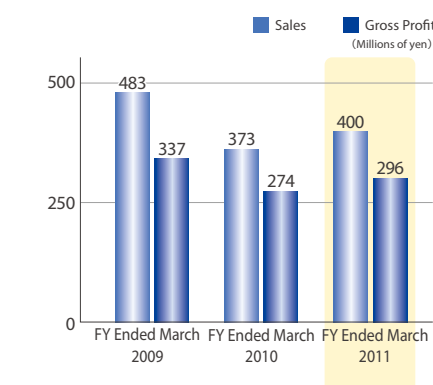
As a result of the above activities, sales were ¥964 million and segment income was ¥848 million.



Property Management

In the property management business, along with working to expand assets under contract, we made an effort to prevent vacancies through close tenant support at properties under contract. We also focused on creating new earnings opportunities, including appropriately proposing property improvements and restoration work with a view to increasing property values.

As a result of the above activities, sales were ¥400 million and segment income was ¥296 million.

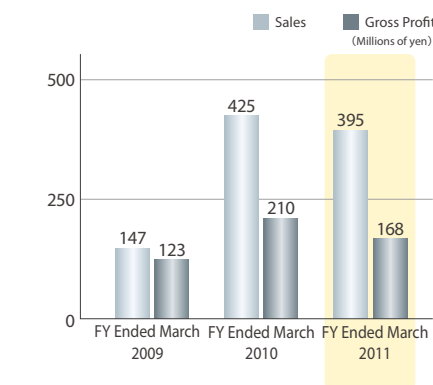


Other Businesses

In the construction planning business, both sales and profit for the business as a whole declined compared with one year ago because our results in the prior consolidated fiscal year included higher construction management fees for large projects, but the operating results for our "total relocation service," which resolves the various problems encountered on office relocations by providing services such as layout proposals, interior contracting and restoration work, expanded steadily.

In our delinquent rent guarantee business, the number of contracts generally continued to be flat. Demand was induced by the desire of building owners to avoid rent delinquency, and tenants' need to lower the risk of entrusting guarantee money and security deposits, because of the economic downturn.

As a result of the above activities, sales were ¥395 million and segment income was ¥168 million.



Consolidated Financial Statements

Consolidated Balance Sheets (Summary)

(Millions of yen)

| | As of March,31 2010 | As of March,31 2011 |
|---|---------------------|---------------------|
| Current Assets | 4,928 | 4,251 |
| Cash and deposits | 3,940 | 2,115 |
| Real estate for sale | 764 | 1,803 • |
| Other | 223 | 332 |
| Noncurrent Assets | 8,430 | 8,536 |
| Property, Plant and Equipment | 8,069 | 7,965 |
| Intangible Assets | 34 | 46 |
| Investments and Other Assets | 327 | 524 • |
| Total Assets | 13,359 | 12,787 |
| Current Liabilities | 2,209 | 1,810 |
| Short-term borrowings※ | 1,447 | 1,110 |
| Income taxes payable | 14 | 39 |
| Other | 747 | 670 |
| Noncurrent Liabilities | 5,964 | 5,422 |
| Long-term loans and bonds | 4,652 | 4,795 |
| Other | 1,312 | 626 |
| Total Liabilities | 8,174 | 7,232 • |
| Shareholders' Equity | 5,171 | 5,535 |
| Others | 13 | 19 |
| Total Net Assets | 5,184 | 5,554 |
| Total Liabilities and Net Assets | 13,359 | 12,787 |

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

• Real estate for sale

With the addition of 4 replanning properties, increased by around ¥1 billion compared to the previous period.

• Investments and Other Assets

From acquisition of replanning assets (investment securities), increased by approximately ¥200 million compared to the previous period.

• Total Liabilities

For development SPC, since liabilities from silent partnerships decreased due to completing sales of property, decreased by ¥940 million compared to the previous period.

Consolidated Statements of Income (Summary)

(Millions of yen)

| | FY Ended March, 2010 (April 1,2009 - March 31,2010) | FY Ended March, 2011 (April 1,2010 - March 31,2011) |
|--|---|---|
| Sales | 14,469 | 4,289 |
| Cost of Sales | 16,167 | 2,022 |
| Gross Profit | △1,698 | 2,267 |
| Selling, General and Administrative Expenses | 1,749 | 1,604 |
| Operating Income | △3,448 | 662 |
| Non-operating Income | 4 | 5 |
| Non-operating Expenses | 332 | 126 |
| Ordinary Income | △3,776 | 541 |
| Extraordinary Income | 95 | 10 |
| Extraordinary Losses | 17 | 157 • |
| Income before Income Taxes | △3,698 | 394 |
| Income taxes-current | 13 | 31 |
| Income taxes-deferred | 0 | 0 |
| Net Income | △3,712 | 363 |

Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

| | FY Ended March, 2010 (April 1,2009 - March 31,2010) | FY Ended March, 2011 (April 1,2010 - March 31,2011) |
|---|---|---|
| Cash Flows from Operating Activities | 11,365 | △722 |
| Cash Flows from Investing Activities | △771 | △934 |
| Cash Flows from Financing Activities | △10,704 | △203 |
| Net increase (decrease) in cash and cash equivalents | △110 | △1,861 • |
| Cash and Cash Equivalents at End of Year | 3,601 | 1,740 |

• Extraordinary Losses

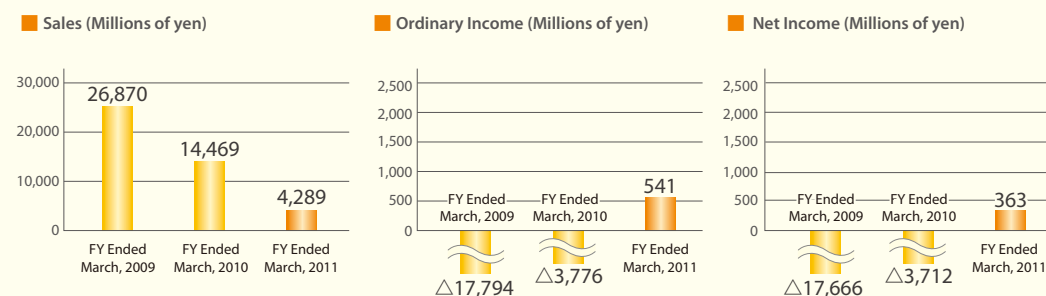
For the damages case*, an agreement was reached and the settlement money of ¥150 million listed.

*A case filed in December 2009 seeking damages regarding a real estate deal (settlement reached in December 2010)

• Net increase (decrease) in cash and cash equivalents

With the increase of inventory assets by ¥1 billion through property purchases in the replanning business, acquisition of ¥200 million in investment securities, and discharge of ¥550 million silent partnership debt from completing property sales for development SPC, compared to the balance at the beginning of the period there was a decrease of ¥1.86 billion.

Financial Highlight



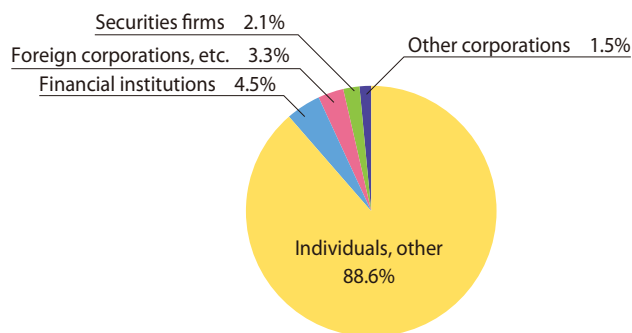
Share information

| | |
|-----------------------------|----------------|
| Number of authorized shares | 912,000 shares |
| Number of shares issued | 371,495 shares |
| Number of shareholders | 8,236 |

Principal Shareholders

| (Trade name) | (Number of the company's shares held) | (Voting rights) |
|--|---------------------------------------|-----------------|
| Tomoaki Horiguchi | 216,725 shares | 58.34% |
| Keieki Sasaki | 5,700 shares | 1.53% |
| BNK GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) | 4,726 shares | 1.27% |
| Keiko Horiguchi | 3,990 shares | 1.07% |
| Employee Stock Ownership Plan | 3,249shares | 0.87% |

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 | Ginza,Kanda,Shinjuku,Yokohama,Shibuya | |
| Paid-in capitals | ¥7,728 million | |
| Number of employees | 139 (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. | |