



SUNCITY

Listed on Tokyo Stock Exchange
8910

Sun City Co., Ltd.

The following is the text of an announcement prepared by the Company for investors who cannot read Japanese from the official Japanese announcement approved by and submitted to the Tokyo Stock Exchange.

Sun City Co., Ltd. 11, August 2008

Extract from the 2Q Announcement - Balance Sheet Items, Revenues & Incomes, Inventories and Breach of Covenants

We have just announced our 2Q result and regrettably wish to draw your attention to the breach of covenants.

1. Consolidated Revenues and Incomes

	2008		2007				2006			
	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Revenue	12,454	4,216	69,591	35,327	28,894	11,553	43,747	19,818	16,574	3,583
Gross Margin	2,311	984	12,618	6,848	5,594	2,741	8,168	3,764	3,125	801
Operating Income	-576	-362	6,272	3,075	3,206	1,683	4,131	965	1,171	30
Recurring Income	-1,087	-651	5,245	2,298	2,595	1,553	3,557	620	991	-31
Net Income	-7,961	-443	2,934	1,252	1,449	881	2,066	293	550	-17
EPS			5,493				4,346			

(in millions of Yen)

2. Consolidated Balance Sheet

	2008		2007				2006			
	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Asset, Inventories	60,270	67,225	53,163	63,360	58,579	39,658	33,448	34,313	26,739	21,289
Asset, Cash	2,940	7,954	15,342	11,480	14,303	18,944	23,570	18,493	12,958	12,323
Total Asset	71,685	86,207	79,882	84,793	82,858	63,034	60,945	55,486	43,390	35,102
Liabilities, Short Term	28,477	33,773	33,640	28,508	30,043	32,884	27,519	17,111	18,779	16,213
Liabilities, Long Term	30,595	32,303	25,001	35,412	31,677	9,591	12,840	24,955	13,542	8,375
Total Liabilities	59,073	66,077	58,642	63,911	61,721	42,475	40,360	42,066	32,321	24,588
Equity	12,612	20,129	21,239	20,882	21,136	20,558	20,585	13,401	11,068	10,514
BPS	24,677	39,384	41,606	38,946	39,349	38,302	38,352	28,847	25,786	24,505

(in millions of Yen)



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3. Inventories Sold

	2008		2007				2006			
	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Apartments	395	197	1,085	835	553	208	1,258	897	593	280
Large Complexes	-3	0	20	15	6	3	19	10	8	0

(in millions of Yen)

“-3” for Large Complexes denotes cancellations.

4. Consolidated Cash Flow Statement

	Notes	2007	2008
		January - June in millions of Yen	January - June in millions of Yen
I Cash Flow from Operating Activities			
Net Income Before Tax		2,595	-7,668
Depreciation and Amortisation		11	23
Amortisation of Goodwill		120	210
Write-down of Goodwill			1,843
Write-down on Inventories			5,428
Loan Loss Reserves		35	-29
Reserves for Bonus		88	86
Reserves for Retirement Package, Directors		-24	78
Reserve for Retirement Package, Employees		2	
Interest and Dividend Payment Received		-16	-13
Interests Paid		419	547
Tangible Fixed Asset Write Down			8
Tangible Fixed Asset Realised Gains			-674
Tangible Fixed Asset Realised Loss			59
Receivables		564	437
Inventories		-12,923	-13,913
Payables Paid in Advance		-286	917
Payables		-11,287	-8,666



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Receivables Received in Advance		-353	1
Other Assets		153	-494
Other Liabilities		286	357
Other		-9	15
Subtotal		-20,624	-21,442
Interests and Dividends Received		14	17
Interests Paid		-393	-565
Taxes		-1,095	-1,497
Tax			
Net Total		-22,098	-23,488

	Notes	2007	2008
		January - June in millions of Yen	January - June in millions of Yen
II Cash Flow from Investment Activities			
Deposit into Saving Accounts		-82	-100
Withdrawals from Saving Accounts		82	100
Acquisition of Tangible Fixed Assets		-4	-11
Divestiture of Tangible Fixed Assets			1,791
Acquisition of Intangible Fixed Assets			
Acquisition of Securities			
Acquisition of Subsidiaries with Goodwill		-3,728	-650
Lending Cash		-17	-4
Loans Redeemed		11	4
Deposits Recovered			-700
Other Investments		-9	-262
Recovering Other Investments		7	75
Net Total		-3,740	242



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8910

	Notes	2007 in millions of Yen	2008 in millions of Yen
III Cash Flow from Financing Activities			
Short Term Loan		-4,460	2,900
Long Term Loan		27,889	16,654
Redemption of Long Term Loan		-6,280	-8,394
Redemption of Bonds			-59
Issuance of Bonds			300
New Shares		3	4
Stock Buy Back			
Dividend Payment		-907	-660
Net Total		16,244	10,745
Net Change of Cash Balance		-9,595	-12,501
Balance at the End of January		23,560	15,282
Balance at the End of June		13,965	2,780

5. Breach of Covenants

It is with a great regret that we have to announce that Sun City as a borrower has breached covenants with Mizuho and is likely to breach similar covenants with Mitsui Sumitomo, Aozora and Tokyo Mitsubishi.

Syndicated Facility	Mizuho Bank
Maturity	25 June 2012
Amount	¥3,640 million
Covenants Breached	Equal to or above consolidated net asset as of the end of 2006 at every fiscal year end and at the end of every half year Equal to or above net asset as of the end of 2006 at every fiscal year end of end of every half year No consolidated recurring loss in two consecutive years No recurring loss in two consecutive years



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Syndicated Facility	Bank of Mitsubishi Tokyo UFJ
Maturity	30 April 2010
Amount	¥3,659 million
Covenants Breached	Equal to or above consolidated net asset as of the end of the previous fiscal year Equal to or above net asset as of the end of the previous fiscal year No consolidated recurring loss in any year before redemption No recurring loss in any year before redemption

Syndicated Facility	Mitsui Sumitomo Banking Corporation
Maturity	30 September 2011
Amount	¥4,387 million
Covenants Breached	Equal to or above 75% of the higher of the equity (net asset less P&L on hedge and any stock options) as of the end of 2005 or as of the end of the previous fiscal year No recurring loss in any year before redemption

Syndicated Facility	Aozora Bank
Maturity	30 July 2010
Amount	¥6,900 million
Covenants Breached	Equal to or above 75% of the equity (net asset less P&L on hedge and any stock options) as of the end of each fiscal year on a consolidated and parent basis No operating loss nor recurring loss consolidated or parent basis in any fiscal year

6. Remedy for Breach

We are currently in close conversations with all the participating banks. We will make an announcement as soon as remedies have been finalized.

7. General Outlook

We are reassured by the state of the residential business. We were expecting much tougher times before we set out into the 2Q, but we managed to sell 395 apartments.



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It was clearly a mistake to expect large complexes to be in demand. The value of each large complex is very large, too large in fact for the size of our business. We are doing our best to divest them but, as we stated for the 1Q announcement, it will be extremely difficult to find buyers who would be happy to pay our prices.

The lenders are all supportive to us despite the breach of covenants and we are hoping to come to some agreements with them soon to avoid the sustained state of breach.

If you have any urgent questions, please contact Tadao Nakai, our Foreign Shareholder Officer.

Yasuhiro Koide, CEO and the Chairman of the Board

Tadao Nakai, Foreign Shareholder Officer

All inquiries should be directed to Tadao Nakai +81-3-6386-3412 or TNAKAI1 on Bloomberg.

The Board of Directors of Sun City Co., Ltd. as at the date of this announcement are: Yasuhiro Koide, Taiji Hoshiyama, Jun Yonekawa, Nobuo Namura, Seiji Nakamura, Hideaki Kikuchi, Kunimitsu Horiuchi, Naoshi Abe, Tadao Nakai, Masahisa Fukase.

Tokyo Stock Exchange Stock Code: 8910