Sumitomo Realty & Development Co., Ltd.

Pursuit of groundbreaking growth

2002 Annual Report

Profile

Sumitomo Realty & Development Co., Ltd., a core member of the Sumitomo Group, is one of Japan's premier real estate companies. The Company is well established as a comprehensive developer and supplier of high-quality office buildings and condominiums in urban areas.

The Company is also engaged in a broad array of businesses, including real estate brokerage, housing construction, home remodeling and building management services. While continuing to create comfortable working and living environments that contribute to a higher quality of life, the Company is poised to begin a new phase of growth in the 21st century.

Contents

Cautionary Statements with Respect to Forward-Looking Statements

Statements made in this annual report with respect to plans, targets and future performance that are not historical fact are forward-looking statements. These statements are based on management's assumptions and beliefs in light of the information currently available to it. Sumitomo Realty & Development Co., Ltd. cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include but are not limited to macroeconomic conditions, supply and demand in the real estate market and interest rate trends.

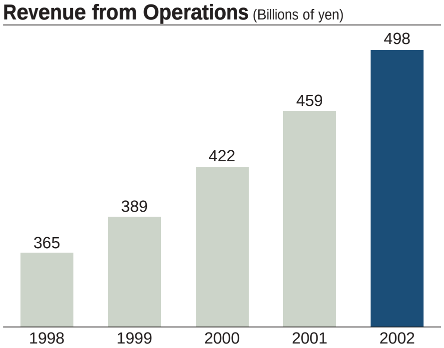
Five-Year Financial Highlights

Sumitomo Realty & Development Co., Ltd.

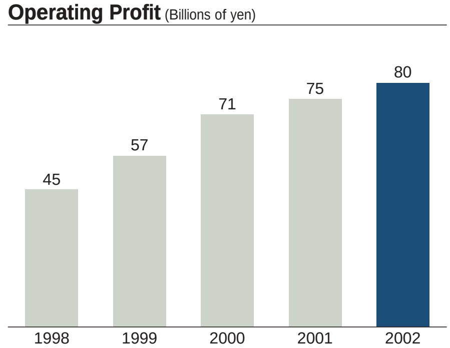
	Millions of yen					Thousands of U.S. dollars
	2002	2001	2000	1999	1998	**2002**
Consolidated:						
Revenue from operations	**¥ 497,877**	¥ 459,245	¥ 421,587	¥ 389,136	¥ 364,858	**$ 3,736,413**
Revenue from leasing business	**176,244**	163,047	151,268	150,976	143,676	**1,322,657**
Revenue from sales business	**170,428**	149,196	150,483	137,735	125,327	**1,279,009**
Revenue from construction business	**108,336**	104,549	80,064	61,191	56,339	**813,028**
Revenue from brokerage business	**35,966**	34,702	31,633	27,829	27,421	**269,914**
Revenue from other business	**6,903**	7,751	8,139	11,405	12,095	**51,805**
Operating profit	**80,370**	75,218	70,548	56,516	45,412	**603,152**
Ordinary profit	**47,142**	38,509	27,069	21,688	4,985	**353,786**
Net income (loss)	**22,996**	(18,008)	14,737	10,983	(66,048)	**172,578**
Total assets	**1,972,735**	1,903,529	1,916,343	1,827,146	1,849,953	**14,804,765**
Total shareholders' equity	**213,767**	193,442	211,140	198,498	174,528	**1,604,255**
	Yen					U.S. dollars
Per share:						
Net income (loss)	**¥ 56.50**	¥ (44.27)	¥ 36.23	¥ 27.00	¥ (162.36)	**$ 0.42**
Shareholders' equity	**525.17**	475.51	519.01	487.94	429.02	**3.94**
Dividend	**6.00**	6.00	6.00	6.00	6.00	**0.05**

Note: The 2002 yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥133.25 = U.S.$1, the approximate exchange rate on March 31, 2002.

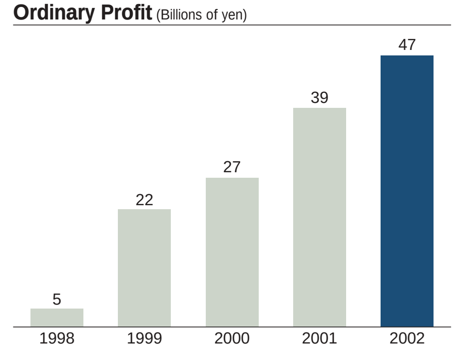
Revenue from Operations (Billions of yen)



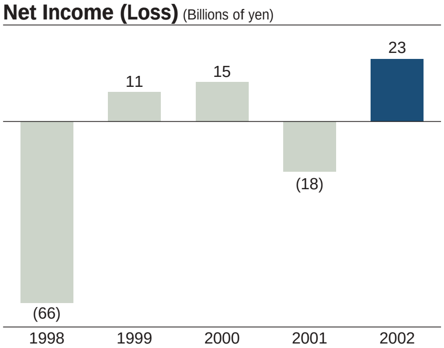
Operating Profit (Billions of yen)



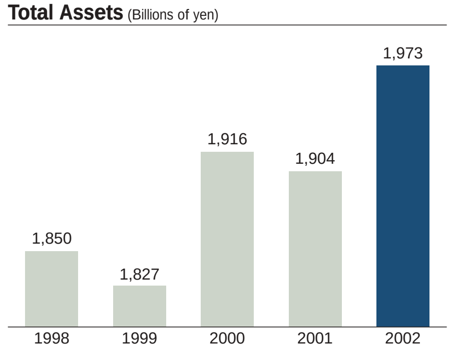
Ordinary Profit (Billions of yen)



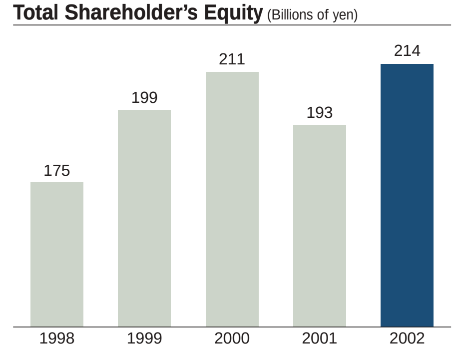
Net Income (Loss) (Billions of yen)



Total Assets (Billions of yen)



Total Shareholder's Equity (Billions of yen)



To Our Shareholders

Junji Takashima, President

This Company's Business (Primary business)

Leasing	: Commercial Buildings development and leasing.
Sales	: Condominium development and sales to the homeowner.
Construction	: Custom Home contracted and built for homeowners.
Brokerage	: Brokerage of new and existing residential homes, and of some income producing commercial properties.

Sumitomo Realty achieved the goals of its Five-Year Business Reconstruction Plan in the March 31, 2001 fiscal year, a year ahead of schedule. The achievement of the objectives of this plan, which was intented to counter the business difficulties encountered by the Company as a result of the collapse of the bubble economy, opened the door to the pursuit of groundbreaking growth in revenues and profits outlined in our New Three-Year Plan, launched in the March 31, 2002 fiscal year.

Performance

In the fiscal year under review, the first year of our New Three-Year Plan, all four of our core businesses (leasing, sales, construction, and brokerage services) achieved growth in revenues. As a result, consolidated revenue from operations was ¥498 billion, operating profit was ¥80 billion, ordinary profit was ¥47 billion, and net income was ¥23 billion. All these figures set new records, and fulfilled our plan for the year, although some businesses were better than others.

The Performance Goals of the New Three-Year Plan

Goals for performance in the final year of the New Three-Year Plan, the March 31, 2004 term, are as follows:

Consolidated revenues from operations: ¥600 billion
(a 30% increase over the March 31, 2001 fiscal year)

Consolidated operating profit: ¥105 billion
(a 40% increase over the March 31, 2001 fiscal year)

Consolidated ordinary profit: ¥70 billion
(an 82% increase over the March 31, 2001 fiscal year)

Under the Five-Year Business Reconstruction Plan, the three mainstay businesses of leasing, sales, and brokerage services drove performance improvements. Under the New Three-Year Plan, however, construction (of housing) has been developed into a mainstay business, a fourth pillar supporting the expansion of the Company's operations. As a result of the balanced strengthening of these four mainstay businesses, with their differing revenue structures and characters of business risk, the Company will continue the efforts to maintain growth in revenue as well as operating and ordinary profit, as it has done in each of the five fiscal years beginning with the March 31, 1998 term.

Operating revenue goals for each segment are as follows:

The leasing business will complete and open 18 new office buildings, increasing leased floor space by approximately 30%, which is forecast to increase revenue from operations to ¥210 billion in the March 31, 2004 fiscal year (an increase of 28% over the March 31, 2001 fiscal year).

The goal of our sales business is to sell more than 4,000 condominiums per year, thereby keeping the position of being in the list of the top five firms in terms of market share. This will enable the sales business to increase revenue from operations to over ¥200 billion in the March 31, 2004 fiscal year (an increase of 34% over the March 31, 2001 term).

By the March 31, 2004 fiscal year, the construction business intends to increase revenue from operations to ¥140 billion (23% higher than in the March 31, 2001 fiscal year) on projects involving 8,000 homes from three sources: custom-built, two-by-four homes through Sumitomo Fudosan Home Co., Ltd.; standardized homes marketed under the "Sereies of World Home Designs" brand name; and remodeling projects using a new system called Shinchiku Sokkurisan ("As Good as New").

In the brokerage business, the performance of Sumitomo Real Estate Sales Co., Ltd. has proved its position as the leader of its industry. By steadily increasing its market share, this business is working toward a goal of over ¥40 billion in revenue from operations in the March 31, 2004 fiscal year (an increase of 15% over the March 31, 2001 fiscal year).

Progress in Resolving Asset Quality Issues

Under the Five-Year Business Reconstruction Plan, the Company reduced real estate properties held for resale, wrote off the bad loans of our finance subsidiary, and disposed of the unrealized capital losses of our subleasing operations and overseas operations. This resulted in a total extraordinary loss of ¥209 billion, which virtually completed the disposal of these liabilities. At the same time, Sumitomo Realty moved aggressively in response to renewed accounting standards, the Company adopted new accounting standard on consolidated financial statements, new accounting standards for financial instruments and actuarial methods of measuring projected benefit obligations. The last of these issues to be considered is the impairment of long-lived assets. This will become compulsory in the March 31, 2006 fiscal year, but when early application of this accounting method becomes allowed in the March 2004 fiscal year, which in our final year of the New Three-Year Plan.

As for fixed assets in the leasing segment, the yield on total leasing assets * has improved by approximately two percentage points over the last seven years, rising to 4.5% at the end of the fiscal year under review. Yield on total leasing assets is forecast to go up to almost 6% by the end of the March 31, 2004 fiscal year. Average yield on assets in operation exceeds 6%, and is expected to rise to 7%. Because the details of the impairment accounting method are not clear, we cannot at this point in time precisely calculate the monetary effect its implementation will have. However, considering this rapid improvement in the yield on leasing assets together with forecasts of ¥170 billion in ordinary profit during the New Three-Year Plan, we believe that we have enough room to absorb the impairment in full.

As soon as method of impairment accounting and asset valuation standards are finalized, Sumitomo Realty will, as always, take positive steps to implement them.

*Yield on total leasing assets =
(operating profit from leasing operations + depreciation expenses)÷
(total assets in the leasing segment, net of security deposit received).

Strengthening our Financial Structure

In the interest of building a stable financial base, which is identified in the New Three-Year Plan as an important issue for the Company, we are working to reduce total interest-bearing liabilities of the Sumitomo Realty Group (the total of bank loans, bonds, commercial paper, and liabilities on guarantees, and conditional guarantees) to ten times operating profit by the March 31, 2004 fiscal year.

With the accomplishment of this goal, the company will be able to sustain future increases in interest rates and to establish a strong profit structure.

The disposition of latent losses conducted during the execution of our Five-Year Business Reconstruction Plan caused the contraction of shareholders' equity. The Company is striving to strengthen shareholders' equity in response to this, as well as to raise the company's credit rating by improving its debt-equity ratio.

Fixed-rate liabilities already account for 70% of the Company's interest-bearing liabilities, and we intend to maintain this throughout the New Three-Year Plan.

Sumitomo Realty requests the continued understanding and support of its shareholders, as the Company bends its utmost efforts to the attainment of the goals of its management plan.

Junji Takashima, President
July 2002

Our History

1949 Izumi Real Estate Co., Ltd. established as the successor to the holding company of the Sumitomo zaibatsu following the breakup of the conglomerate.

1957 Izumi Real Estate Co., Ltd. changed its name to Sumitomo Realty & Development Co., Ltd.

1963 Mergered the holding company of the former Sumitomo zaibatsu during its liquidation.

1964 Entered the condominium sales business with the Hama-Ashiya Mansion, located in Kobe, Hyogo Prefecture.

1970 Listed stocks on the Tokyo and Osaka stock exchanges market.

1973 Established Sumitomo Fudosan Tatemono Service Co., Ltd., a consolidated subsidiary.

1974 Completed construction of the 52-story Shinjuku Sumitomo Building in Shinjuku, Tokyo, and company headquarters moved there from the Tokyo Sumitomo Building in Marunouchi,Tokyo.

1975 Established Sumitomo Real Estate Sales Co., Ltd., a consolidated subsidiary.

1982 Established Sumitomo Fudosan Home Co., Ltd., a consolidated subsidiary. Completed construction of the 30-story Shinjuku NS Building in Shinjuku, Tokyo; company headquarters moved there from Shinjuku Sumitomo Building.

1995 Commenced "American Comfort" standardized housing construction business.

1996 Commenced "Shinchiku Sokkurisan" remodeling business.

1998 Sumitomo Real Estate Sales Co., Ltd., a consolidated subsidiary listed stocks on the Tokyo Stock Exchange market.

1999 Universal Home Inc., a consolidated subsidiary listed on JASDAQ (over the counter with the Japan Securities Dealers Association.)

2002 The Izumi Garden City (Roppongi 1-Chome Redevelopment project) scheduled for completion.

Sumitomo Realty & Development Group

LEASING BUSINESS

Building Development Division
Building Management Division
Shintoshin Real Estate Co., Ltd.
Sumitomo Fudosan Tatemono Service Co., Ltd.
Shinjuku Sumitomo Building Management Co., Ltd.

CONSTRUCTION BUSINESS

Housing Business Division Number I
Housing Business Division Number II
Sumitomo Fudosan Home Co., Ltd.
Sumitomo Fudosan Syscon Co., Ltd.
Universal Home Inc.

SALES BUSINESS

Condominium Development Division

BROKERAGE BUSINESS

Sumitomo Real Estate Sales Co., Ltd.

OTHER BUSINESS

Sumitomo Fudosan Fitness Co., Ltd.
Izumi Restaurant Co., Ltd.
Sumitomo Fudosan Finance Co., Ltd.
KS Techno Co., Ltd.

Outline of Operations

Outline

The NS Building [Completed Sep. 1982]

The Strengths of the Company's Leasing Operations

The Company entered the field of office building leasing in the second half of the 1970s, much later than its competitors. For that reason, Sumitomo Realty's leasing operations have the characteristics shown below.

Because investments have been primarily directed at central Tokyo, the Company has an outstanding real-estate portfolio.

Central 3 Wards 46% Central 5 Wards 66%

Central 7 Wards 77% Central 14 Wards 89%

Central 3 Wards: Chiyoda, Minato, and Chuo
Central 5 Wards: Central 3 wards plus Shinjuku and Shibuya
Central 7 Wards: Central 5 wards plus Shinagawa and Bunkyo
Central 14 Wards: Central 7 wards plus Taito, Koto, Toshima, Sumida, Meguro, Ota, and Nakano

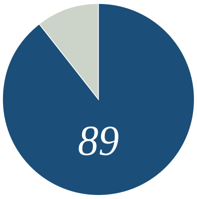
In Japan, the tendency toward concentration of commercial activity to central Tokyo is growing, particularly in the service sector. Sumitomo Realty's office building portfolio, heavily weighted as it is in central Tokyo, therefore offers both stable revenues and potential for future growth.

The Company's portfolio includes many comparatively new, upscale buildings.

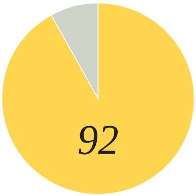
Buildings less than 10 years old 48%

Buildings less than 20 years old 92%

Concentration in Tokyo CBD (%)



Young Portfolio (%)



As the IT revolution continues, the level of support facilities demanded by office building tenants grows higher every day, and buildings that do not provide IT support or earthquake protection are quickly growing less desirable. As many of Sumitomo Realty's buildings are of recent construction, they retain their competitive edge. Buildings now under construction will offer quake-absorbent structures and separate climate control systems for each suite, as well as reinforced floors for heavy loads, high-capacity electricity systems, high ceilings, and many other features to satisfy tenants.

In addition, as our buildings are newer we need to make few investments in refurbishment. Therefore, more funds can be allotted to investment in new construction.

Because the Company's employees are directly involved in each stage of its development operations, Sumitomo Realty is amassing a wealth of knowledge in the construction and management of large buildings.

Sumitomo Realty has adopted the method of being directly involved in sorting out complex tangles of land ownership and rights, and assembling lands for the construction of office buildings. This has significantly reduced the cost of acquiring land for development, and has fostered for the Company a wealth of in-house expertise in land acquisition and development.

The Company's highly capable corps of sales personnel maintains contact with potential corporate clients, quickly identifies needs for relocation or additional floor space, and negotiates lease arrangements directly with the tenants. As a result, the value of office space can be decided without interference from third-party real estate agents, and it becomes possible for us to develop office buildings that not only incorporate the very newest specifications, but also reflect the direction of trends in tenant requirements.

The Company's office buildings are managed by Sumitomo Group personnel, which also allows the precise and prompt identification of tenant needs for relocation or a larger space, which allows us to offer precise and detailed service to each tenant.

Performance

The market for office space in Tokyo in the March 31, 2001 fiscal year saw flourishing expansion demand from information and communications firms and foreign firms, but new construction was limited. This caused a rapid decline in the vacancy rate, which produced a supply-and-demand crunch and caused rents to rise throughout central Tokyo.

However situation has changed for this fiscal year. The worldwide slump in IT-related industries caused corporate performance to show a downward adjustment and brought wide-scale restructuring. The terrorist attacks on September 11 and the subsequent U.S.-led military operations caused confidence in the business community to weaken further, and tenant relocation and expansion of space temporarily declined. Demand, therefore, remained latent. Developers in Tokyo commenced full-scale pre-leasing activities for buildings to be completed during calender year, 2003 , in the teeth of fierce competition for major tenants, which caused a reversal of the rapid increases in market rents for new buildings, seen a year earlier. Even though the vacancy rate in our existing buildings had risen to 4% at the end of the fiscal year, market vacancy kept the 3% level. This produced a tight supply and demand situation, which made it possible to maintain the level of market rates.

The Sumitomo Fudosan Shibakoen Tower [Completed Jul. 2001]

The Sumitomo Fudosan Iidabashi Building Number3 [Completed Mar. 2002]

Benefiting from the steady decline in the vacancy rate and the increase in rental income, Sumitomo Realty’s leasing business achieved a counterturn growth in revenues from existing buildings. The Iidabashi First Building, the Shiba Koen First Building, and other buildings completed during the previous term, contributed a full year rental income during the fiscal year under review. These factors, together with revenue from the recently opened Sumitomo Realty Shiba Koen Tower, helped revenue from real-estate leasing to rise by ¥13,458 million, to ¥178,034 million. Operating profit in this business increased by ¥2,787 million to ¥49,225 million.

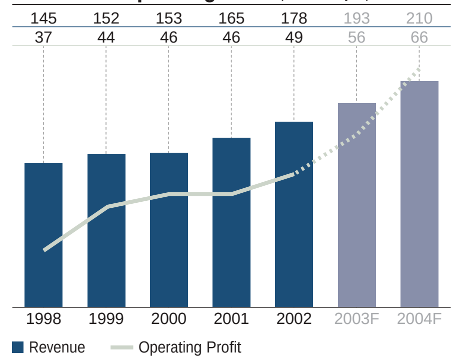
Outlook

The future of the economy remains opaque, preventing meaningful forecasts. At the end of 2001, though, we saw signs of a recovery in tenant relocation needs and space expansion. As our buildings under construction near completion, we are seeing strong interest from potential tenants. As activities of advance leasing of large buildings in the Tokyo market scheduled for opening in year 2003 , comes to an end after the successful lease-up that is forcasted takes place, we might start to see renewed balance in the supply and demand for newer, competitive buildings from as early as the third quarter of this next fiscal year.

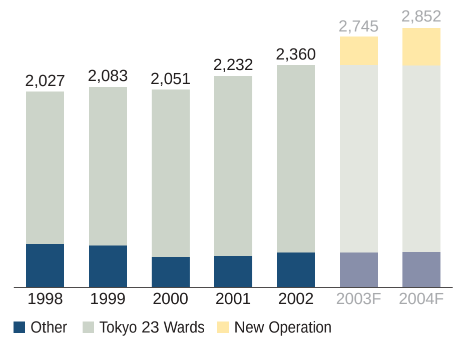
The shift of office demand from the provinces to Tokyo and an increase in per-capita floor-space requirements justify a prediction that demand for office space in Tokyo will continue to grow in the medium to long term. Since, the concentration of demand for office buildings with facilities that meet the requirements of the IT revolution will lead to further remodeling or scrap-and-build replacement of less competitive office buildings, this increase in supply seems to cause little chance that the supply and demand imbalance will persist over the long term.

Sumitomo Realty's buildings are relatively new, and therefore highly competitive. Newly opened buildings and buildings opening in the term to come are forecast to bring increases in revenues and profits. However, securing tenants in preparation for the completion of large scale projects such as the Roppongi 1-Chome Redevelopment Project, the Nishi-Shinjuku 6-Chome Redevelopment Project in the term to come is the biggest issue bearing on meeting the goals of the New Three-Year Plan. To accomplish this challenge, the Company will be intensifying its already vigorous marketing activities.

LEASING BUSINESS
Revenue & Operating Profit (Billions of yen)



Total of Gross Floor Areas for Leasing
(Thousands of m2)



The Roppongi 1-Chome Redevelopment Project

(The Izumi Garden City building complex)

Information and communications firms and foreign corporations are concentrated in Roppongi district, and the area has become a prominent commercial center in Tokyo. In October 2002, the Izumi Garden City will open in Roppongi to serve this business community.

Roppongi 1-chome has been a high-status area since the days of the Shoguns, and is near to the famous Hotel Okura and the U.S. Embassy. In this highly regarded area, Sumitomo Realty is constructing the landmark super high-rise Izumi Garden Tower office building complex on a 23,869m^2 site. It will be accompanied by the Izumi Garden Residence luxury condominiums, a hotel, a fitness club, restaurants, and other facilities.

Greenery from the Edo-era estate of the Sumitomo clan will be used to landscape a public garden crossed by footpaths, and Sumitomo clan artifacts and heirlooms will be on display in an art museum. This facility represents the fusion of Japanese history, culture, and tradition with a highly functional urban environment.

The Izumi Garden Tower itself boasts state-of-the-art earthquake resistant design, individually controlled air conditioning and heating systems for each suite, and all-glass walls that offer spectacular views. With a ceiling height of 3.0 meters and 0.3 meters of under-floor cable space, and a backup power system, this building will offer the most advanced office infrastructure in Japan that is capable of accommodating the most advanced IT functionality. This is a city unto itself, reflecting Sumitomo Realty's accumulated development expertise in residential, commercial, and recreational facilities.

Outline of the "Izumi Garden Tower"
Total floor space: 157,365m^2
Standard Floor Area: 2,737m^2
Floors: 45 floors, 2 basements
Height: 201 meters
Structure: Steel encased in Reinforced Concrete (SRC) + CFT columns

Performance

Repeating a trend observed in the previous fiscal year, overall favorable conditions prevailed thanks to a supportive environment that included a tax-reducing housing loan tax credit program which was enacted at the end of 1998 and continued low housing loan interest rates. In the Tokyo metropolitan area there was considerable consumer interest in high-rise tower condominium and large condominium projects situated near stations, which mirrored a conspicuous rise in the popularity of condominiums in central Tokyo. In addition, demand segments expanded due to improved locations and product planning, which led to vigorous purchases of condominiums by consumers in upper age groups as well as by single persons. As a result, condominiums that we supplied in Tokyo successfully attracted numerous customers, and there were even instances of sales prices rising. Conversely, sales prices for the average condominiums in suburban areas in general, continued to decline. The trends that prevailed in Tokyo were observed in other cities as well.

Amid this environment, the sales business recorded total sales of condominiums, detached houses and residential land of 4,146 units, up 520 units from the previous fiscal year, thanks largely to land acquisition strategies that emphasized large-sized condominiums and locations in central urban areas. The sales business achieved sharp growth in both revenue and profit, with revenue rising ¥21,232 million to ¥170,428 million, and operating income increasing ¥4,694 million to ¥24,388 million. Condominium sales contracts totaled 4,358 units, an increase of 143 units over the previous year, and represented a new all-time high.

The Park Square Yokohama [Completed Sep. 2001]

Outlook

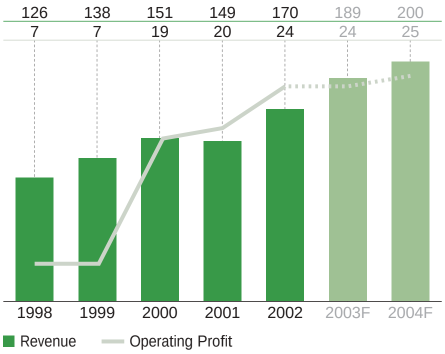
In the fiscal year ending March 31, 2003, Sumitomo Realty expects a temporary worsening of profitability due to a rise in construction costs. The Company plans to compensate for this with an increase in sales volume and intends to keep the level of operating income as in the fiscal year under review. Condominium sales contracts are expected to be brisk in the coming fiscal year. Of the 4,400 units that Sumitomo Realty plans to sell in the fiscal year ending March 31, 2003, which would represent a 10.0% increase from the previous fiscal year, the Company already had concluded contracts for 52% of these at the beginning of the fiscal year (up 4 percentage points from the previous fiscal year).

Over the medium term, despite such fundamental problems as a persistent sense of uncertainty about the economy, there is

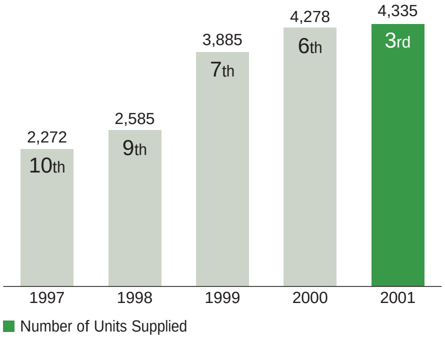
Exterior and interior of The Central Residence Shinjuku City Tower [Completed Dec. 2001]

The Osaka City Tower [Scheduled for completion in Dec. 2003]

SALES BUSINESS
Revenue & Operating Profit (Billions of yen)



Ranking of Condominium Suppliers



likely to be a continuation of macroeconomic factors supporting the sales of condominiums for sometime, such as tax reductions, lower interest rates, and stable prices. However, there are concerns of a rise in land prices due to the slowing pace of land being released for sale in the market by corporate sources. There is a possibility this could lead to a decline in the supply of condominiums and a rise in prices of condominiums. When considering that stable prices for condominiums is a vital element of favorable market conditions, the previously mentioned rise in prices is a risk factor that could adversely affect future market conditions.

As a result of the advance procurement of lands for large-scale condominiums, as of the end of the fiscal year under review we had secured lands for development planed to be completed for the fiscal year ending March 31, 2004. For the following two years, we have already completed over 50% of our planned land purchases.

Outline

Comprising the core of Sumitomo Realty's sales business, development and sales of condominiums account for 95% of total sales in this segment. Sumitomo Realty commenced its condominium sales business earlier than almost all its competitors, enabling the Company to earn the distinction of being Japan's Condominium Pioneer.

The Company's condominium operations are focused mainly on Japan's six largest urban areas: the Tokyo metropolitan area, Osaka/Kobe, Sapporo, Sendai, Nagoya, and Fukuoka. In 2001, Sumitomo Realty significantly increased its market share, jumping from the sixth position to the No. 3 ranking for all of Japan in terms of number of units provided during the year. Looking ahead, the Company will carry out its operations with the aim of firmly maintaining its ranking within the top five condominium providers.

As with its leasing business, Sumitomo Realty and the entire Sumitomo Realty Group engage directly in purchasing land for development, planning products, selling condominium units, and managing properties after condominium sales. This approach enables the Company to provide high-quality products and well-focused service with feedback of customer needs.

Our investment turnover ratio and high operating margin are at the top of the industry. Since market fluctuation risk is a given in this condominium business, it is our policy to level this market risk by offering stable supplies and pursuing brand-enhancement strategies through the continued sale of high-quality units and products.

Performance

Business conditions deteriorated throughout Japan in the fiscal year ended March 31, 2002 owing to a rise in the unemployment rate and widening perceptions of a recession as well as a shift in demand away from detached houses toward condominiums. Sumitomo Realty was not immune to these trends, and the Company's orders for new detached houses unavoidably declined. We compensated for this decline with an increase in orders for Shinchiku Sokkurisan, a new system for replacing houses, that brought total new orders to ¥112,172 million, up ¥2,467 million from the previous fiscal year.

Business results for the year under review were as follows.

(units)	Number of Orders Received	Year-on-Year Increase	Number of Units Completed	Year-on-Year Increase
Shinchiku Sokkurisan	3,770	+819	3,547	+833
American Comfort	1,254	-244	1,358	+54
Sumitomo Fudosan Home	1,108	-195	1,189	-110

In addition, revenue from the construction business, which includes general refurbishments and interior and exterior work, amounted to ¥115,329 million, an increase of ¥1,780 million from the previous fiscal year. Operating profit totaled ¥4,772 million, up ¥755 million from the previous fiscal year.

Product Lineup

Shinchiku Sokkurisan

1. New Detached House Construction

The Company has in the past contracted for the construction of detached houses with purchasers of residential lots which the company has developed and subdivided. But in 1982, the company established Sumitomo Fudosan Home and to take on and develop this business. In the early years of this business Sumitomo Fudosan Home adopted designs and construction methods in and around Los Angeles, introduced by its sister company in California, Sumitomo Realty & Development, CA Inc. (then La Solana Corporation), and engaged primarily in the construction of custom-designed, midrange and upscale wood-frame houses. However, since competition from large builders of midrange and upscale homes was intense, this company went through a long-term struggle, just keeping the 1,000 units per year supply, without a chance to expand its business.

Sumitomo Realty's Housing Business Division Number 1, which handles the construction of standardized houses, took a hint from the construction of emergency housing for victims of the Hanshin-Awaji Earthquake, and in 1995 developed its line of high-quality, low-cost, Western-style "American Comfort" homes. This business has attracted a good deal of attention in the industry by achieving an annual growth rate of over 30%. However, the number of competing products in this price range has increased, and growth has sagged over the past two years. In response, the Company expanded its design portfolio to cover nine styles of seven countries, with the addition of a new Mediterranean style product line in 2002. All with the same unit price, these homes are marketed under the "Series of World Home Designs" line.

2. The Shinchiku Sokkurisan Full Remodeling Package

In the renovation market in Japan, customers often carry the risk of cost overruns, and it is said that the high cost of renovation sometimes does not make it less expensive to rebuilt. This is due to an outdated industry standard in construction management .

In 1996, Sumitomo Realty overturned this prevalent assumption with its Shinchiku Sokkurisan business model. Providing the customer with a transparent fixed price per floor area menu, the customer can expect to fully remodel his/her house with half the cost and half the construction period of that of rebuilding.

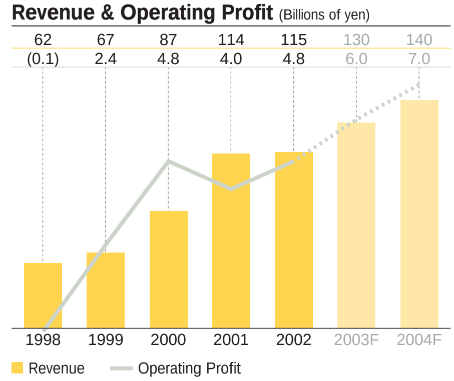
Outlook

There are no particular signs of an improvement in market conditions in the coming fiscal year and the difficult environment for orders for detached houses is expected to persist. In the fiscal year ended March 31, 2002, the Company implemented cost-reduction measures, which included closing model homes unable to satisfactorily attract customers, consolidating its marketing bases, and reducing business expenses. These measures enabled the Company to lower its breakeven point. On the other hand, to enhance the appeal of its products with the aim of securing an increase in new orders, Sumitomo Realty added a new Mediterranean style home to its American Comfort Series, while reevaluating its existing lineup of homes and launching its “Series of World Home Designs”. In October 2002, the business of Sumitomo Realty Homes will be transferred to and mergered by Sumitomo Realty’s Housing Business Division Number 1. As a result, we will have integrated our custom-built home business with the “Series of World Home Designs” standardized homes business. We are working to reduce costs by raising the efficiency of our administrative divisions and after-service divisions and by strengthening materials procurement functions. We are also striving to expand our business by fortifying our Product Development Division and by expanding and upgrading our network of sales offices.

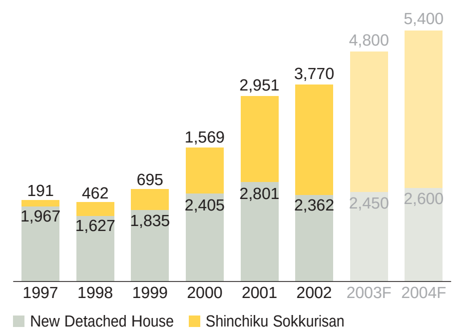
Our Shinchiku Sokkurisan system boasts revolutionary new product features that include enabling a 50% reduction in costs and construction periods compared with rebuilding houses and our business model have succeeded in earning strong consumer support. The Shinchiku Sokkurisan system debuted five years ago and is expected to achieve annual growth of 20% or higher in the years ahead. Accordingly, we plan to continue to vigorously expand and upgrade our network of sales offices and add new staff.

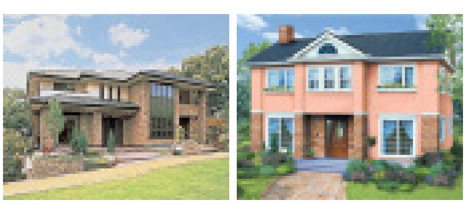
In this manner, by formulating strategies that enable an immediate response to the business environment, we will step up our efforts to establish this business as the fourth pillar of our operations.

HOUSING BUSINESS
Revenue & Operating Profit (Billions of yen)

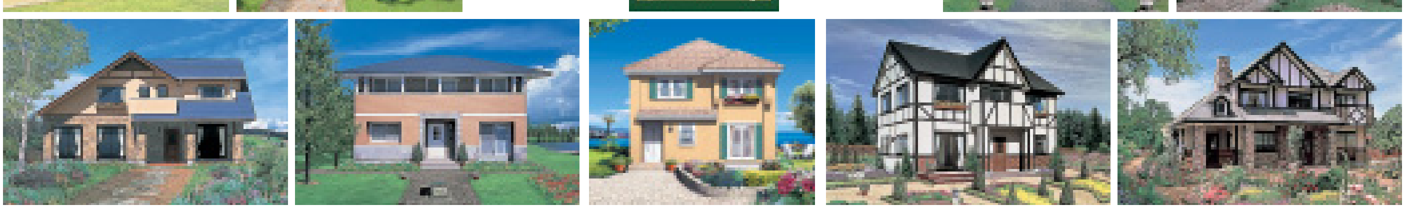


Housing Units Sold By Key Commodities (Units)



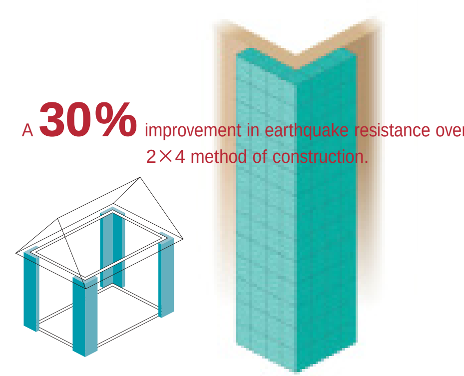


Series of World Home Designs



Power Column 30

Sumitomo Realty has developed the Power Column 30 (patent pending) design method, which increases earthquake resistance by 30% conpared to its existing product by reinforcing the four corners of the 2×4 wood frame houses. Power Column 30 is a new concept that increases earthquake resistance by designing the product with focus attention on the twisting mechanism by which an earthquake destroys a building. Houses incorporating the new design method will be able to withstand even an earthquake 1.4 times more severe than the 1995 Hanshin-Awaji Earthquake, a size that the possible “Tokai earth quake” to come may reach.



Past and Present

Sumitomo Real Estate Sales Co., Ltd., which carries out the Company's real estate brokerage business, was established in 1975 to handle the sale of condominiums developed by Sumitomo Realty. In 1979, Sumitomo Real Estate Sales entered the real estate brokerage sector, where it has achieved significant success, and subsequently listed its shares on the Tokyo Stock Exchange in 1998.

Sumitomo Real Estate Sales operates a network of branch offices under the Sumitomo Real Estate Sales STEP brand name, and these offices maintain close ties with the local communities they serve. This company has steadily increased its business by expanding and upgrading its network of brokerage offices. Sumitomo Real Estate Sales recorded a noteworthy milestone in December 2001 when it opened its 200th brokerage office. All brokerage offices are directly managed and boast high profit margins, and Sumitomo Real Estate Sales holds the No. 1 position in the industry in terms of brokerage revenues on a non-consolidated basis. We plan to further expand our marketing base and steadily increase our market share.

The Headoffice of Sumitomo Real Estate Sales Co.,Ltd.

Performance

Before the fiscal year under review, a sense of price affordability along with tax reductions on home purchases and low interest rates supported a continued favorable environment in the market for existing housing. However, in the fiscal year ended March 31, 2002, in addition to a continued downtrend in transaction prices, transactions in the overall market declined because of worsening economic sentiment resulting from such factors as a rising unemployment rate.

Amid this environment, the brokerage business opened eight new directly managed brokerage offices in the fiscal year under review (achieving its target of establishing a nationwide network of 200 brokerage offices) and also worked to expand its revenues. Although we achieved growth in the number of transactions and expanded our market share, revenues from fees per transaction shrank because of declining sales prices. These factors held revenue from the brokerage business to ¥36,184 million, an increase of ¥1,302 million. Operating income declined ¥767 million to ¥7,953 million, marking the first decrease in operating profit in five years.

BROKERAGE BUSINESS
Revenue & Operating Profit (Billions of yen)

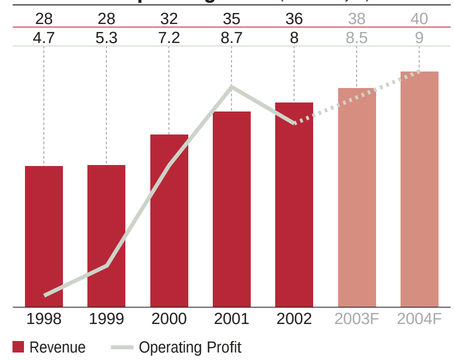
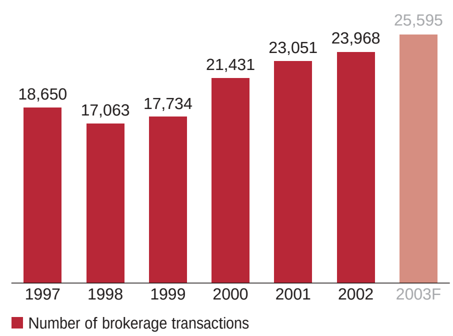


Chart of Brokerage Business



Outlook

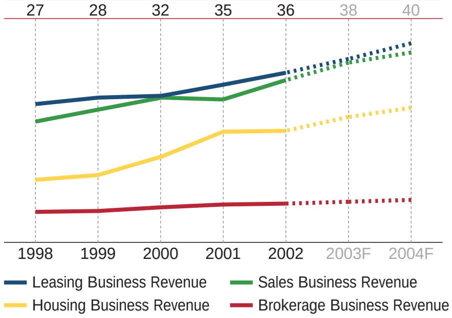
Prospects are dim in the fiscal year ending March 31, 2003 for a revival of the market for existing housing as well as for a halt in the decline in sales prices.

We will continue to open new brokerage offices and upgrade the marketing force and raise the productivity of our existing brokerage offices by sharing information on houses through the full-fledged start up of a Customer Relationship Management system. At the same time, we will diversify our business into areas such as commercial brokerage in response to the needs of our growing number of corporate customers, and into brokerage of residential leases. By covering all of these challenges we will make efforts to expand our business as we respond to a harsh environment.

Financial Section

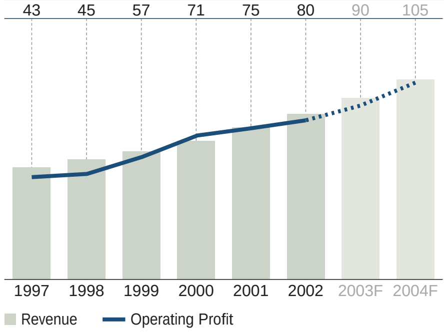
Revenue from Operations By Segment
(Billions of yen)

1998	1999	2000	2001	2002	2003F	2004F
144	151	153	165	178	193	210
125	138	151	149	170	189	200
62	67	87	114	115	130	140
27	28	32	35	36	38	40

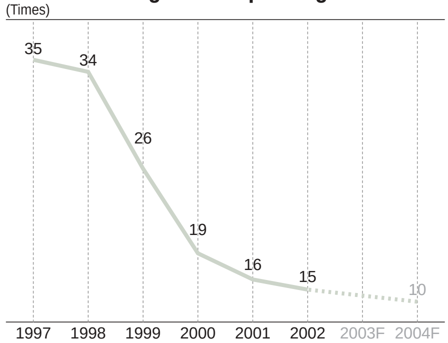


Revenue & Operation Profit From Operations
(Billions of yen)

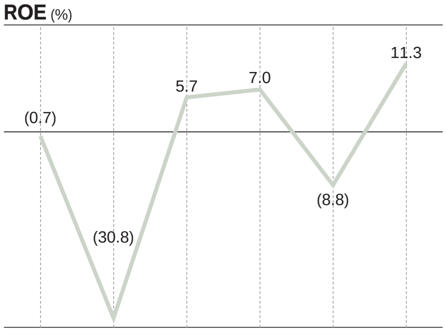
1997	1998	1999	2000	2001	2002	2003F	2004F
339	365	389	422	459	498	550	600
43	45	57	71	75	80	90	105



Interest-Bearing Debt / Operating Profit Ratio
(Times)



ROE (%)



1. Earnings Structure

The Company's four principal businesses are leasing, sales, construction, and brokerage services. In comparison with the March 31, 1995 fiscal year, which was the previous low point in performance, operating profit in the leasing business is up by 45%, in the sales business by 85%, in the construction business by 171%, and in the brokerage business by 42%.

The leasing and sales businesses require large amounts of operating capital but only small labor forces, and their acquisitions of land for development of office buildings and condominiums precede leasing and sales activity. In these sectors, production are in progress based on market projections. In the construction and brokerage businesses, little capital is needed, but labor requirements are heavy. In these sectors, production follows order of clients required. Therefore, the cost structures of the various businesses vary, as do their requirements for resources and their characters of business risks. The achievement of a balanced allocation of management resources among these four business areas will allow Sumitomo Realty to grow, while at the same time allow the company to responding to changes in the management environment and manage business risks.

In the March 31, 2002 fiscal year, the leasing business accounted for 61% of operating profit, the sales business for 30%, the construction business for 6%, and the brokerage business for 10%, while other businesses and overhead costs accounted for -7%.

The leasing and Sales businesses which make a large contribution to earnings require a large volume of capital resourses. Thus, almost all of the cost of funds that were posted under other expenses were attributable to these businesses. In contrast, since the construction and brokerage businesses require no infusion of funds, their operating profit can be nearly equal to their current profit. These two businesses accounted for 27% of ordinary profit much higher than 16% of operating profit.

2. Growth Forecasts

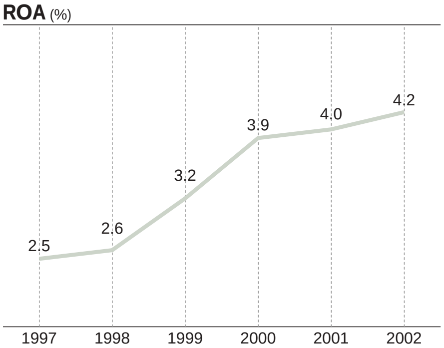
The New Three-Year Plan, commenced in the fiscal year ended March 31, 2001 and running until March 31, 2004, sets a high goal of almost doubling current profit.

During the period of this plan, several large office buildings representing substantial investments in land will complete, after a long time of land assemblage and this is forecast to bring a 30% increase in the Company's total floor space for leasing. As a result, the leasing business is expected to show 27% growth in operating revenues, to ¥45 billion, and 42% growth in operating profit, to ¥20 billion. Because the average age of the Company's buildings is low, little investment in repairs or maintenance is needed, and cash flows from periodic income can be applied to investments in new buildings. In addition, since the Company constructs buildings on already acquired and holding lands, a maximum return on additional investments can be reached from up to 10% to 20%. Although there is a degree of rental market risk we are in a stage of reaping the fruits of past investment in office development. This is why the leasing business is expected to be the primary driver of growth during the New Three-Year Plan.

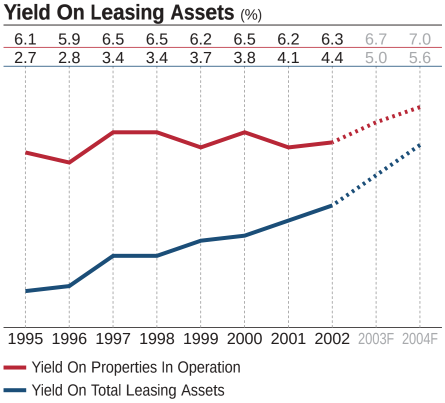
We are also achieving substantial success in our other three primary businesses. Tax cuts, low interest rates, and an abundant supply of land have stabilized costs in the condominium development field, which is the nucleus of our sales business. Supported by this macro-environment, favorable market conditions continue. Maximizing the benefits of this tailwind, Sumitomo Realty continues to expand revenues and profits. Although orders for new detached houses remain weak, our construction business is seeing high growth in its Shinchiku Sokkurisan operations. Our brokerage service business is commanding a higher market share, and is growing steadily.

It is axiomatic that our operations always go with various business risks and market risks, but we believe that a balanced portfolio will allow us to achieve our management goals.

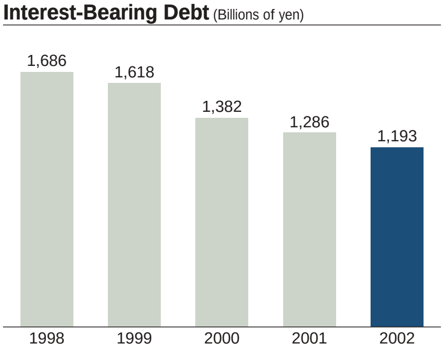
ROA (%)



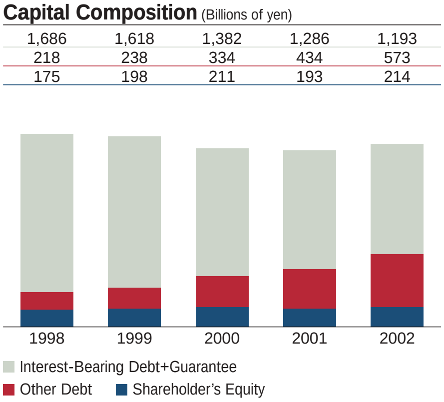
Yield On Leasing Assets (%)



Interest-Bearing Debt (Billions of yen)



Capital Composition (Billions of yen)



3. Assets

The collapse of the bubble economy and subsequent asset deflation have dealt the Company's assets a severe blow. However, during the course of the Five-Year Business Reconstruction Plan, which was terminated a year early as goals were met during the March 31, 2001 fiscal year, an extraordinary loss of ¥209 billion was posted. This significantly improved the condition of our assets. We have also complied with new accounting standards and dealt with the effects.

We dealt with the March 2000 fiscal year loss on revaluation of real estate for sale and work in progress investory.

In the March 1998 and 2001 fiscal years, Sumitomo Fudosan Finance wrote down a total of ¥130 billion in bad loans, reducing them from a peak of ¥333 billion to ¥16 billion .

In the March 2000 fiscal year, most overseas assets were liquidated and capital recovered in connection with a loss posted on business reorganization, and total investments were cut from a high point of ¥176 billion to ¥14 billion.

Standards for actual authority within the scope of consolidation were promulgated in the March 2000 fiscal year, in advance of the deadline.

The Company switched to current value accounting for financial products in the March 2001 fiscal year, in advance of the deadline.

In the fiscal year ended March 31, 2001, the Company switched to current value accounting for retirement benefit obligations, and wrote off the entire transition cost.

As a result, the only issue remaining with respect to assets is the conversion to impairment accounting for fixed assets. As soon as concrete standards for asset accounting and valuation are fixed, the Company intends to, as always, implement them in advance.

In the fiscal year under review, total assets grew by ¥69 billion to ¥1,972 billion. This was primarily the result of investments in leasing properties, which caused tangible fixed assets to increase by ¥53 billion.

To create an opportunity for real-estate development operations without burdening the balance sheets, the Company established special purpose vehicles (SPV) for equity investment. These SPVs took out non-recourse loans to finance the acquisition of lands for development. To clarify the amount of the Company's investment in these SPVs we added a new "equity in real estate for sale" balance sheet line item under current assets.

4. Liabilities and Shareholders' Equity

The Company's shareholders' equity ratio is a low 10.8%, and its debt-equity ratio of 5.55 times is quite high. We therefore regard improving the financial structure as an important management issue.

We have already taken steps to recoup a portion of our investments, selling overseas assets and securitizing domestic assets to reduce interest-bearing liabilities, which was one issue dealt with in the Five-Year Business Reconstruction Plan. The effect of these measures was a 29%, ¥493 billion reduction in the Group's total interest-bearing liabilities (the total of borrowed money, bonds, commercial paper, guarantees, and conditional guarantees) at March 31, 2002, from the peak of ¥1,686 billion. From the previous to this fiscal year under review, this represents a contraction of 7%, or ¥93 billion, to ¥1,193 billion.

The Sumitomo Fudosan Fund, a real estate investment fund specializing in lease properties, sold shares worth ¥31 billion during the period of this report, and an investment fund specializing in condominium construction sold ¥61 billion in shares. These two funds are operated through a "tokumei-kumiai" partnership in which Sumitomo Realty is managing the capital of the investors. Japanese accounting standards require that all assets and liabilities of this tokumei-kumiai partnership to be reported on Sumitomo Realty's balance sheets. To keep this separate from Sumitomo Realty's shareholders' equity, these are posted under long-term deposits. For the fiscal year under review, the total for the leasing fund and the condominium construction fund is ¥166 billion.

Consolidated Balance Sheets

March 31, 2002 and 2001

Assets	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 1) 2002
Current assets:			
Cash, time and notice deposits (Note 4)	**¥ 87,472**	¥ 91,986	**$ 656,450**
Marketable securities (Note 8)	**129**	401	**968**
Securitized properties for sale (Note 8)	**21,915**	—	**164,465**
Notes and accounts receivable-trade	**20,347**	19,436	**152,698**
Trading loans receivable	**106,696**	107,394	**800,720**
Allowance for doubtful accounts (Note 3)	**(37,738)**	(37,067)	**(283,212)**
Inventories (Note 5)	**156,535**	149,215	**1,174,747**
Deferred income taxes (Note 11)	**20,619**	16,369	**154,739**
Other current assets	**29,024**	26,594	**217,816**
Total current assets	**404,999**	374,328	**3,039,391**
Investments and advances:			
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 6)	**9,874**	7,712	**74,101**
Investments in securities and other (Note 8)	**71,937**	85,183	**539,865**
Allowance for doubtful accounts (Note 3)	**(26,154)**	(38,116)	**(196,277)**
Total investments and advances	**55,657**	54,779	**417,689**
Property and equipment (Notes 7 and 9)**:**			
Land	**925,283**	916,447	**6,943,962**
Buildings and structures	**334,601**	306,671	**2,511,077**
Machinery and equipment	**16,636**	15,143	**124,848**
Construction in progress	**47,371**	24,274	**355,505**
	1,323,891	1,262,535	**9,935,392**
Accumulated depreciation	**(123,839)**	(115,534)	**(929,373)**
Net property and equipment	**1,200,052**	1,147,001	**9,006,019**
Other assets:			
Guarantee and lease deposits paid to lessors	**187,653**	196,242	**1,408,278**
Leasehold rights and other intangible assets	**68,986**	72,534	**517,719**
Deferred income taxes (Note 11)	**5,187**	20,153	**38,927**
Miscellaneous	**50,201**	38,492	**376,742**
Total other assets	**312,027**	327,421	**2,341,666**
	¥ 1,972,735	¥ 1,903,529	**$ 14,804,765**

See accompanying notes.

Liabilities and Shareholders' Equity	Millions of yen 2002	2001	Thousands of U.S. dollars (Note 1) 2002
Current liabilities:			
Short-term bank loans (Note 9)	**¥ 311,457**	¥ 317,745	**$ 2,337,388**
Long-term debt due within one year (Note 9)	**272,599**	243,800	**2,045,771**
Notes and accounts payable-trade	**37,823**	30,207	**283,850**
Accrued income taxes (Note 11)	**2,453**	2,827	**18,409**
Accrued bonuses	**2,408**	2,487	**18,071**
Deferred income taxes (Note 11)	**19**	31	**143**
Other current liabilities	**138,647**	112,363	**1,040,503**
Total current liabilities	**765,406**	709,460	**5,744,135**
Long-term debt due after one year (Note 9)	**603,804**	716,141	**4,531,362**
Guarantee and deposits received (Note 12)	**372,251**	268,841	**2,793,629**
Deferred income taxes (Note 11)	**47**	82	**353**
Allowance for employees' severance and retirement benefits (Notes 3 and 10)	**3,743**	3,387	**28,090**
Directors' and corporate auditors' retirement benefits	**282**	256	**2,116**
Other long-term liabilities	**1,045**	860	**7,842**
Minority interests	**12,390**	11,060	**92,983**
Contingent liabilities (Note 16)			
Shareholders' equity (Note 13):			
Common stock			
Authorized — 780,000 thousand shares			
Issued — 407,086 thousand shares (406,810 thousand shares in 2001)	**86,787**	86,773	**651,310**
Additional paid-in capital	**96,822**	96,822	**726,619**
Retained earnings	**32,165**	11,673	**241,388**
	215,774	195,268	**1,619,317**
Net unrealized holding gains (losses) on securities	**(2,159)**	1,016	**(16,203)**
Foreign currency translation adjustments	**182**	(2,840)	**1,366**
Treasury stock	**(30)**	(2)	**(225)**
Total shareholders' equity	**213,767**	193,442	**1,604,255**
	¥ 1,972,735	¥ 1,903,529	**$ 14,804,765**

Consolidated Statements of Operations

Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	**2002**
Revenue from operations (Note 3)	**¥ 497,877**	¥ 459,245	¥ 421,587	**$ 3,736,413**
Costs and expenses:				
Cost of revenue from operations (Note 3)	**377,199**	349,597	319,997	**2,830,762**
Selling, general and administrative expenses (Note 3)	**40,308**	34,430	31,042	**302,499**
	417,507	384,027	351,039	**3,133,261**
Operating income	**80,370**	75,218	70,548	**603,152**
Other income (expenses):				
Interest expense—net	**(28,200)**	(34,491)	(39,547)	**(211,632)**
Dividend income	**526**	283	241	**3,947**
Gain (Loss) on sale of property and equipment	**(202)**	(375)	62,477	**(1,516)**
Gain (Loss) on sale of marketable securities	**—**	—	130	**—**
Gain on sale of investments in subsidiary	**—**	—	419	**—**
Loss on devaluation of investments in securities	**(3,750)**	—	—	**(28,143)**
Write-off of bad debt	**—**	—	(4,272)	**—**
Loss on devaluation of marketable securities	**—**	—	(2,897)	**—**
Provision for allowance for doubtful accounts	**—**	(14,828)	—	**—**
Foreign exchange gains (losses)	**375**	14	(17)	**2,814**
Loss from write-down of property and equipment	**(478)**	(501)	(486)	**(3,587)**
Loss from devaluation of inventories	**—**	—	(24,864)	**—**
Loss from restructuring of overseas business	**—**	—	(22,641)	**—**
Loss on adjustment of prior year's rent	**—**	—	(14,168)	**—**
Loss from sale and write-off of loans receivable	**—**	(50,111)	—	**—**
Net transition obligation	**—**	(1,681)	—	**—**
Other—net (Note 3)	**(6,307)**	(2,613)	(2,740)	**(47,331)**
	(38,036)	(104,303)	(48,365)	**(285,448)**
Income (Loss) before income taxes and minority interest (Note 3):	**42,334**	(29,085)	22,183	**317,704**
Income taxes (Note 11):				
Current	**4,608**	5,097	4,740	**34,582**
Deferred	**13,109**	(18,221)	1,091	**98,379**
Total	**17,717**	(13,124)	5,831	**132,961**
Minority interest	**1,621**	2,047	1,615	**12,165**
Net income (loss)	**¥ 22,996**	¥ (18,008)	¥ 14,737	**$ 172,578**

	Yen			U.S. dollars (Note 1)
Amounts per share of common stock:				
Net income (loss)	**¥ 56.50**	¥ (44.27)	¥ 36.23	**$ 0.42**
Cash dividend applicable to the year	**6.00**	6.00	6.00	**0.05**

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2002, 2001 and 2000

	Thousands	Millions of yen					
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 1999	406,810	¥86,773	¥96,822	¥ 23,584	¥ —	¥ (8,679)	¥(2)
Decrease due to change in consolidated subsidiaries				(3,925)			
Net income	—	—	—	14,737	—	—	—
Adjustments from translation of foreign currency (Note 2)	—	—	—	—	—	4,284	—
Treasury stock	—	—	—	—	—	—	0
Cash dividends paid (¥6 per share)	—	—	—	(2,440)	—	—	—
Bonus to directors	—	—	—	(14)	—	—	—
Balance at March 31, 2000	406,810	86,773	96,822	31,942	—	(4,395)	(2)
Increase due to change in consolidated subsidiaries				195			
Net loss				(18,008)			
Adjustments from translation of foreign currency (Note 2)	—	—	—	—	—	1,555	—
Adoption of new accounting standard for financial instruments	—	—	—	—	1,016	—	—
Treasury stock	—	—	—	—	—	—	0
Cash dividends paid (¥6 per share)	—	—	—	(2,441)	—	—	—
Bonus to directors	—	—	—	(15)	—	—	—
Balance at March 31, 2001	406,810	86,773	96,822	11,673	1,016	(2,840)	(2)
Decrease due to change in consolidated subsidiaries	—	—	—	(45)	—	—	—
Net income	—	—	—	22,996	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	3,022	—
Net unrealized holding losses on securities	—	—	—	—	(3,175)	—	—
Stock issued under exchange offerings (Note 13)	276	14	—	—	—	—	—
Treasury stock	—	—	—	—	—	—	(28)
Cash dividends paid (¥6 per share)	—	—	—	(2,441)	—	—	—
Bonus to directors	—	—	—	(18)	—	—	—
Balance at March 31, 2002	**407,086**	**¥86,787**	**¥96,822**	**¥32,165**	**¥(2,159)**	**¥182**	**¥(30)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2001	$651,205	$726,619	$87,602	$ 7,625	$(21,313)	$(15)
Decrease due to change in consolidated subsidiaries	—	—	(338)	—	—	—
Net income	—	—	172,578	—	—	—
Foreign currency translation adjustments	—	—	—	—	22,679	—
Net unrealized holding losses on securities	—	—	—	(23,828)	—	—
Stock issued under exchange offerings (Note 13)	105	—	—	—	—	—
Treasury stock	—	—	—	—	—	(210)
Cash dividends paid ($0.05 per share)	—	—	(18,319)	—	—	—
Bonus to directors	—	—	(135)	—	—	—
Balance at March 31, 2002	**$651,310**	**$726,619**	**$241,388**	**$(16,203)**	**$1,366**	**$(225)**

See accompanying notes.

Consolidated Statements of Cash Flows

Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	**2002**
Cash flows from operating activities:				
Income (Loss) before income tax and minority interest	¥ **42,334**	¥ (29,085)	¥ 22,183	$ **317,704**
Depreciation and amortization	**10,731**	10,377	11,269	**80,533**
Provision for allowance for doubtful accounts—net	**(11,292)**	(36,259)	(9,306)	**(84,743)**
Loss on devaluation of marketable securities	**—**	—	2,897	
Loss on devaluation of investments in securities	**3,750**	—	—	**28,143**
Gain on sale of investments in subsidiaries	**—**	—	(419)	**—**
Increase in employees' severance and retirement benefits	**355**	1,818	994	**2,664**
Interest and dividend income	**(1,026)**	(1,187)	(1,784)	**(7,700)**
Interest expense	**28,701**	35,395	41,090	**215,392**
Gain on sale of marketable securities	**—**	—	(130)	**—**
Loss (Gain) on sale of property and equipment	**202**	375	(62,477)	**1,516**
Loss from reduction of overseas business	**—**	—	22,641	**—**
Increase in securitized properties for sale	**(9,112)**	—	—	**(68,383)**
Decrease (Increase) in notes and accounts receivable-trade	**(859)**	272	8,476	**(6,447)**
Decrease in trade loans receivable	**12,565**	96,302	15,740	**94,296**
Decrease (Increase) in inventories	**(7,363)**	(21,195)	9,899	**(55,257)**
Increase in advances received	**2,823**	7,384	3,861	**21,186**
Increase (Decrease) in notes and accounts payable-trade	**7,588**	(12,340)	7,251	**56,946**
Other—net	**(1,260)**	(7,041)	7,142	**(9,457)**
Total	**78,137**	44,816	79,327	**586,393**
Proceeds from interest and dividend income	**858**	1,328	1,942	**6,439**
Payments for interest	**(29,894)**	(37,202)	(39,963)	**(224,345)**
Payments for income tax and other taxes	**(4,974)**	(5,686)	(2,867)	**(37,328)**
Net cash provided by operating activities	**44,127**	3,256	38,439	**331,159**
Cash flows from investing activities:				
Proceeds from sale of property and equipment	**4,264**	79,582	167,238	**32,000**
Payments for purchases of property and equipment	**(56,241)**	(55,015)	(97,965)	**(422,071)**
Increase in marketable securities	**—**	—	(7,063)	**—**
Proceeds from sale of securities	**—**	—	8,719	**—**
Payments for purchases investments in securities	**(22,134)**	(18,429)	—	**(166,109)**
Proceeds from sale of investments in securities	**—**	2,659	—	**—**
Increase in short-term loans	**—**	178	1,886	**—**
Decrease in guarantee and lease deposits paid to lessors	**8,508**	50,897	44,582	**63,850**
Increase (Decrease) in guarantee and lease deposits received	**(1,792)**	8,392	2,187	**(13,448)**
Capital expenditure	**(12,346)**	(12,271)	(7,198)	**(92,653)**
Receipts of deposits to partnerships	**97,392**	55,397	29,768	**730,897**
Restitution of deposits to partnerships	**(5,245)**	—	—	**(39,362)**
Other—net	**(198)**	201	(9,709)	**(1,487)**
Net cash provided by investing activities	**12,208**	111,591	132,445	**91,617**
Cash flows from financing activities:				
Decrease in short-term bank loans	**(6,288)**	(33,096)	(349,006)	**(47,189)**
Proceeds from issuance of bonds and notes	**61,258**	70,000	130,000	**459,722**
Repayments of bonds and notes	**(145,684)**	(133,690)	(90,000)	**(1,093,313)**
Increase in long-term debt	**853**	4,877	102,788	**6,402**
Proceeds from issuance of common stock to minority shareholders	**—**	—	987	**—**
Proceeds from assignment of advances received	**15,938**	29,149	—	**119,610**
Other—net	**14,059**	2,550	(2,246)	**105,508**
Cash dividends paid	**(2,678)**	(2,643)	(2,569)	**(20,098)**
Net cash used in financing activities	**(62,542)**	(62,853)	(210,046)	**(469,358)**
Effect of exchange rate changes on cash and cash equivalents	**1,395**	151	(261)	**10,469**
Net increase (decrease) in cash and cash equivalents	**(4,812)**	52,145	(39,423)	**(36,113)**
Cash and cash equivalents at beginning of year	**92,379**	40,236	79,614	**693,276**
Increase (Decrease) in cash and cash equivalents resulting from changes in the number of consolidated of subsidiaries	**(0)**	(2)	45	**(0)**
Cash and cash equivalents at end of year (Note 4)	¥ **87,567**	¥ 92,379	¥ 40,236	$ **657,163**

See accompanying notes.

1. Basis of financial statements

Sumitomo Realty & Development Co., Ltd. (the "Company"), and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2002, which was ¥133.25 to U.S. $1. The convenience 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 this or any other rate of exchange.

2. Accounting policies

(1) Principles of consolidation

Effective from the year ended March 31, 2000, companies are required to consolidate all significant investees which are controlled through substantial ownership of majority voting rights or existence of certain conditions. As a result , three additional subsidiaries have been included in the consolidation. However, the effect of the change is immaterial.

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting right or existence of certain conditions evidencing control by the Company.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

All significant intercompany balances, transactions and profits have been eliminated in consolidation.

(2) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. Prior to April 1, 2000, long-term receivables and payable denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation", issued by the Business Accounting Deliberation Council on October 22, 1999 (the "Revised Accounting Standard"). Under the Revised Accounting Standard, long-term receivables and payables denominated in foreign currencies are also translated into Japanese yen at the year-end rate.

The effect on the consolidated statement of operations of adopting the Revised Accounting Standard was immaterial.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate, except that shareholders' equity accounts are translated at historical rates and income statement items resulting from transactions with the Company at the rates used by the Company.

Due to the adoption of the Revised Accounting Standard, the Company and its domestic subsidiaries report foreign currency translation adjustments in the shareholders' equity. The prior years' amounts, which were included in assets, have been reclassified to conform to the 2001 presentation.

(3) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturity of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(4) Recognition of revenue

Revenues from sales of land and residential houses are recognized when units are delivered and accepted by customers. Revenues from leasing of office space, shops and apartments are recognized as rent accrues over the life of the lease.

Effective April 1, 2001, as explained in Note 3, the Company changed the method of recognition of revenue and expense from the real estate business which used Special Purpose Companies (" SPC ") to record in revenue from operations.

(5) Inventories

Inventories are stated at cost which is determined by the specific identification cost method.

In the prior years, the costs of consignment sales were recognized as expense in the period they were incurred. In the year ended March 31, 2001, the Company introduced cost accounting system with the intent to better manage consignment sales activities, by matching revenue from sales of consigned properties and costs associated to such properties, this resulted in recording the costs of non-delivered estate amounting to ¥966 million as inventories at that date.

Consequently this change resulted an increase of ¥966 million in operating income and net loss before income taxes compared with what would have been reported under the prior method.

The effect on segment information is explained in Note 18.

(6) Securities

Prior to April 1, 2000, securities quoted on stock exchanges are primarily stated at the lower of market or cost, determined by the moving-average method. Other securities were stated at cost, determined by the moving-average method.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999).

Upon applying the new accounting standard, all companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities")

Held-to-maturity debt securities are stated at amortized cost. Equity security issued by affiliated company which is not consolidated or accounted for using the equity method is stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost.

Securitized properties for sale is stated at cost which is determined by the specific identification cost method and securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by affiliated company, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

As a result of adopting the new accounting standard for financial instruments, loss before income taxes decreased by ¥1,548 million. Also, based on the examination of the intent of holding each security upon application of the new accounting standard on April 1, 2000, held-to-maturity debt securities and available-for-sale securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in investments and other assets. As a result, at April 1, 2000, securities in current assets decreased by ¥9,156 million, securities loaned in current assets decreased by ¥15,727 million and investment securities increased by ¥24,883 million compared with what would have been reported under the previous accounting policy.

(7) Property and equipment

The Company and domestic consolidated subsidiaries depreciate property and equipment using the declining-balance method at rates determined based on the useful lives prescribed in the Japanese tax regulations except that the Company and two domestic subsidiaries depreciate buildings using the straight-line method and certain other domestic subsidiaries depreciate buildings, excluding building fixtures, acquired after March 31, 1998 using the straight-line method. Overseas consolidated subsidiaries depreciate property and equipment using primarily the straight-line method in accordance with the accounting principles in the respective countries.

Estimated useful lives used in the computation of depreciation are generally as follows:

Buildings and structures ....6 to 60 years
Machinery and equipment................2 to 20 years

(8) Software Cost

Software costs are amortized using the straight-line method over the estimated useful lives (five years).

In accordance with the provisional rule of the JICPA's Accounting Committee Report No.12 "Practical Guidance for Accounting for Research and Development Costs, etc."(the "Report"), the Company accounts for software which was included in Leasehold rights and other intangible assets in the same manner in 2000. Pursuant to the Report, however, the Company depreciated it using the straight-line method over the estimated useful lives (five years).

(9)Allowance for doubtful account

Allowance for doubtful accounts is provided in amounts sufficient to cover probable losses on collection. It consists of the estimated amount considered to be uncollectible based on the evaluation of certain identified trade notes, accounts and loans receivable, and an amount calculated by applying the percentage of collection losses experienced in certain period in the past to the remaining receivables in 2000, when the Company changed the accounting policy as explained in Note 3.

(10) Finance Leases

Finance leases except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

(11) Income taxes

Income taxes are provided for on the basis of income for financial statement purposes. The tax effect of temporary differences between the carrying amounts of assets and liabilities for financial statements and income tax purposes is recognized as deferred income taxes.

(12) Employees' retirement benefits

The Company and some of its consolidated subsidiaries provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on their current rate of pay, length of service, and the conditions under which the termination occurs.

Prior to April 1, 2000, consolidated subsidiaries accrued liabilities for lump-sum severance and retirement payments equal to 40% of the amount required had all eligible employees voluntarily terminated their employment at the balance sheet date, except that, at March 31, 2000, one consolidated subsidiary provided liabilities for severance and retirement benefits based on the Net-Present-Value method as discussed in Note 3. The Company and its consolidated subsidiaries ("the Companies") recognized pension expense when, and to the extent, payments were made to the pension plans.

Effective April 1, 2000, the Companies adopted the new accounting standard ("Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation council on June 16, 1998).

Under the new accounting standard, liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Companies provided allowance for employees' severance and retirement benefits at March 31, 2002 and 2001 based on the estimated amount of projected benefit obligation at those dates.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥1,681 million. All of this was recognized in expenses in the year ended March 31, 2001. Actuarial gains and losses are recognized in expenses in the succeeding period.

As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, severance and retirement benefit expenses increased by ¥1,721 million, operating income decreased by ¥41 million and loss before income taxes increased by ¥1,721 million compared with what would have been recorded under the previous accounting standard.

(13) Derivative transaction and hedge accounting

The new accounting standard for financial instruments, effective from the year ended March 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
(b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract
2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(14) Amounts per share of common stock

The computation of net income per share is based on the weighted-average number of shares of common stock outstanding during each year.

Diluted net income per share is not presented, since the Company has never issued any securities with dilutive effect.

Cash dividends per share represent actual amounts applicable to the respective year.

(15) Reclassifications

Certain prior years amounts have been reclassified to conform to the 2002 presentation. These changes had no impact on previously reported results of operations.

3. Changes in accounting policies

(1) Effective April 1, 2001, the Company changed the method of recognition of revenue and expense from the real estate business which used SPC. The old method recorded in either Other operating income account or Other operating expense account. The new method recorded in the Revenue from operations account.

The reason for the change is that the Company altered the Articles of Incorporation at the general meeting of shareholders on June 28, 2002. The Company has included investment, purchase, sales, brokerage and management of SPC related business and J-REIT business as the Company's core businesses. Therefore, the Company has decided to incorporate revenues from the above-mentioned new businesses in the Revenue from operations account.

The effect of the change increased the Revenue from operations and Operating income by ¥3,426 million ($25,711 thousand) and to decrease Other income by the same amount, therefore there was an effect on net income.

The effect on segment information of these changes is explained in Note 18.

(2) Allowance for doubtful accounts is provided in amounts sufficient to cover probable losses on collection. It consists of the estimated amount considered to be uncollectible based on the evaluation of certain identified trade notes, accounts and loans receivables, and an amount calculated by applying the percentage of collection losses experienced in certain period in the past to the remaining receivables in 2002, 2001 and 2000. Prior to 2000, allowance for doubtful accounts was provided at an estimated amount of probable bad debts plus the maximum amount allowed under the Japanese tax regulations.

The effect of this change was to increase income before income taxes for the year ended March 31, 2000 by ¥50 million compared with what would have been reported under the previous method.

The effect on segment information of these changes is explained in Note 18.

(3) Effective April 1, 1999, one consolidated subsidiary changed its method of accounting for employees' retirement benefits. Previously the subsidiary provided for such benefits at 40% of the amount which would be required if all eligible employees had voluntarily retired or terminated their employment at the balance sheet date. Effective from the year ended March 31, 2000, the subsidiary adopted the Net Present Value method, under which amounts based on the present value of estimated future payments of severance and retirement benefits upon termination or retirement are used in the computation of the liabilities and expenses for such benefits.

The effect on segment information of these changes is explained in Note 18.

4. Cash and cash equivalents

Cash and cash equivalents at March 31,2002, 2001 and 2000 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Cash, time and notice deposits	**¥87,472**	¥91,986	¥39,728	**$656,450**
Time deposits over three months	**(9)**	(8)	(3)	**(67)**
Marketable securities	**104**	401	511	**780**
Cash and cash equivalents	**¥87,567**	¥92,379	¥40,236	**$657,163**

5. Inventories

Inventories at March 31, 2002 and 2001, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Land and houses for sale	**¥ 23,905**	¥ 20,593	**$ 179,399**
Land and houses projects in progress	**74,760**	61,211	**561,051**
Land held for development	**53,121**	61,701	**398,657**
Other	**4,749**	5,710	**35,640**
Total	**¥156,535**	¥149,215	**$1,174,747**

6. Investments in and advances to unconsolidated subsidiaries and affiliated companies

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2002 and 2001, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Investments in common stock, at cost	**¥5,806**	¥5,800	**$43,572**
Advances	**4,068**	1,912	**30,529**
Total	**¥9,874**	¥7,712	**$74,101**

7. Properties in trust

The Company has properties which are the object of real estate trust contracts.

Such properties included in property and equipment in the consolidated balance sheets at March 31, 2002 and 2001, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Buildings and structures	**¥ 7,261**	¥ 7,606	**$ 54,492**
Land	**18,628**	18,628	**139,797**
Machinery and equipment	**97**	113	**728**
Total	**¥25,986**	¥26,347	**$195,017**

8. Securities

For 2002

A. The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of March 31, 2002:

(a) Held-to-maturity debt securities:

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities whose market fair value exceeds book value						
National and local government bonds, etc.	¥1,169	¥1,188	¥19	$8,773	$8,916	$143
Securities whose market fair value does not exceed book value						
National and local government bonds, etc.	10	10	(0)	75	75	(0)
Total	¥1,179	¥1,198	¥19	$8,848	$8,991	$143

(b) Available-for-sale securities:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost						
Equity securities	¥11,287	¥14,256	¥2,969	¥84,705	¥106,986	¥22,281
Others	1	1	0	8	8	0
Sub total	11,288	14,257	2,969	84,713	106,994	22,281
Securities whose book value does not exceed acquisition cost						
Equity securities	31,895	25,659	(6,236)	239,362	192,563	(46,799)
Others	1,328	1,247	(81)	9,966	9,358	(608)
Sub total	33,223	26,906	(6,317)	249,328	201,921	(47,407)
Total	¥44,511	¥41,163	¥(3,348)	$334,041	$308,915	$(25,126)

Investments in securities were devaluated and the loss amounted to ¥3,724 million ($27,947 thousand), consisted of equity securities included Available-for-sale securities amounted to ¥3,559 million ($26,709 thousand) and others amounted to ¥165 million ($1,238 thousand).

B. The following table summarizes book values of securities with no available fair values as of March 31, 2002:
Available-for-sale securities:

	Book value	
	Millions of yen	Thousands of U.S. dollars
MMF	¥ 104	$ 780
Non-listed equity securities	968	7,265
Senior securities	23,033	172,856
Total	¥24,105	$180,901

Senior securities included securitized properties for sale amounted to ¥21,915 million ($164,465 thousand).

C. Available-for-sale securities with maturities and held-to-maturity debt securities are as follows:

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 year
Available-for-sale securities	¥203	¥ 976	¥600	¥—
Held-to-maturity debt securities:				
National and local government bonds, etc.	—	737	—	—
Total	¥203	¥1,713	¥600	¥—

	Thousands of U.S. dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 year
Available-for- sale securities	$1,524	$7,325	$4,503	¥—
Held-to-maturity debt securities:				
National and local government bonds, etc.	—	5,531	—	—
Total	$1,524	$12,856	$4,503	¥—

D. Total sales of available-for-sale securities sold in the year ended March 31, 2002 amounted to ¥596 million ($4,473 thousand) and the related gains and losses amounted to ¥241 million ($1,809 thousand) and ¥172 million ($1,291 thousand), respectively.

E. The account "Securitized properties for sale" means the Company sells underlying property assets through SPC. "Securitized asset" means Preferred Subscription Certificates and Tokumei Kumiai Investments etc., which are issued by SPC.
In the year ended March 31, 2002, the Company transferred ¥12,803 million ($96,083 thousand) from Investment in securities account to securitized properties for sale account. The effect of the above-mentioned change is explained in Note 18.
"Tokumei Kumiai" can be used as a vehicle for investment allowed under the Japanese Commercial Code.

For 2001
A. The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of March 31, 2001:
(a) Held-to-maturity debt securities:

	Millions of yen		
	Book value	Fair value	Difference
Securities whose market fair value exceeds book value			
National and local government bonds, etc.	¥1,232	¥1,261	¥29

(b) Available-for-sale securities:

	Millions of yen		
	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost			
Equity securities	¥11,310	¥16,188	¥4,878
Securities whose book value does not exceed acquisition cost			
Equity securities	14,620	12,035	(2,585)
Others	1,719	1,314	(405)
Sub total	16,339	13,349	(2,990)
Total	¥27,649	¥29,537	¥1,888

B. The following table summarizes book values of securities with no available fair values as of March 31, 2001:

	Book value
	Millions of yen
MMF	¥ 401
Non-listed equity securities	1,404
Senior securities	12,903
Total	¥14,708

C. Available-for-sale securities with maturities and held-to-maturity debt securities are as follows:

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 year
Available-for- sale securities	¥ —	¥1,068	¥10	¥—
Held-to-maturity debt securities:				
National and local government bonds, etc.	169	1,063	—	—
Total	¥169	¥2,131	¥10	¥—

9. Short-term bank loans and long-term debt

Short-term bank loans are represented in notes maturing generally in three months. The annual interest rates on short-term bank loans outstanding at March 31, 2002 and 2001 were principally ranging from 0.25% to 1.88% and 0.25% to 6.00%, respectively.

Long-term debt at March 31, 2002 and 2001, consisted of the following:

	Millions of yen		U.S. dollars
	2002	2001	**2002**
2.9% Euroyen notes, due 2001	**¥ —**	¥ 20,000	**$ —**
3.15% Euroyen notes, due 2002	**9,400**	9,400	**70,544**
3.0% Euroyen notes, due 2001	**—**	20,000	**—**
2.5% Euroyen notes, due 2001	**—**	19,890	**—**
2.1% Euroyen notes, due 2001	**—**	9,800	**—**
2.35% Euroyen notes, due 2002	**10,000**	10,000	**75,047**
2.65% Euroyen notes, due 2004	**9,300**	9,800	**69,794**
2.4% Euroyen notes, due 2003	**9,400**	10,000	**70,544**
2.575% Euroyen notes, due 2004	**7,500**	8,500	**56,285**
1.9% domestic straight bonds, due 2001	**—**	15,000	**—**
2.5% domestic straight bonds, due 2003	**13,700**	17,600	**102,814**
2.025% domestic straight bonds, due 2002	**19,000**	20,000	**142,589**
2.025% domestic straight bonds, due 2001	**—**	7,000	**—**
2.6% domestic straight bonds, due 2002	**—**	7,000	**—**
2.5% domestic straight bonds, due 2002	**—**	8,000	**—**
Floating rate Euruoyen notes, due 2002	**1,000**	1,000	**7,505**
2.6% Euroyen notes, due 2003	**1,000**	1,000	**7,505**
2.75% domestic straight bonds, due 2003	**5,200**	7,000	**39,024**
3.0% domestic straight bonds, due 2004	**3,900**	4,000	**29,268**
2.6% domestic straight bonds, due 2003	**8,700**	10,000	**65,291**
2.6% Euroyen notes, due 2001	**—**	1,000	**—**
3.1% Euroyen notes, due 2005	**700**	700	**5,253**
2.7% domestic straight bonds, due 2001	**—**	5,000	**—**
2.97% Euroyen notes, due 2002	**—**	5,000	**—**
3.0% domestic straight bonds, due 2003	**10,000**	15,000	**75,047**
3.0% domestic straight bonds, due 2003	**33,902**	35,000	**254,424**
2.35% domestic straight bonds, due 2002	**30,000**	30,000	**225,141**
2.65% domestic straight bonds, due 2003	**9,820**	10,000	**73,696**
2.95% domestic straight bonds, due 2004	**37,100**	40,000	**278,424**
2.35% domestic straight bonds, due 2003	**9,510**	9,710	**71,370**
2.45% domestic straight bonds, due 2004	**20,000**	20,000	**150,094**
2.45% domestic straight bonds, due 2004	**9,770**	10,000	**73,321**
2.62% domestic straight bonds, due 2005	**17,024**	19,910	**127,760**
2.3% domestic straight bonds, due 2004	**4,400**	4,700	**33,020**
2.85% domestic straight bonds, due 2006	**4,200**	5,000	**31,520**
Floating rate domestic straight bonds, due 2006	**9,698**	—	**72,780**
1.6% domestic straight bonds, due 2006	**10,000**	—	**75,047**
Floating rate domestic straight bonds, due 2006	**10,000**	—	**75,047**
Floating rate domestic straight bonds, due 2007	**10,000**	—	**75,047**
1.5% domestic straight bonds, due 2006	**7,360**	—	**55,234**
Floating rate domestic straight bonds, due 2006	**10,000**	—	**75,047**
Loans, principally from banks and insurance companies, interest principally at rates of 0.82% to 4.66% in 2002, and 0.80% to 4.58% in 2001:			
Secured	**1,981**	2,024	**14,867**
Unsecured	**532,838**	531,907	**3,998,784**
	876,403	959,941	**6,577,133**
Amount due within one year	**(272,599)**	(243,800)	**(2,045,771)**
	¥603,804	¥716,141	**$4,531,362**

The aggregate annual maturities of long-term debt at March 31, 2002, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥272,599	$2,045,771
2004	203,212	1,525,043
2005	170,388	1,278,709
2006	64,735	485,816
2007	113,845	854,372
2008 and thereafter	51,624	387,422

Net book value of property and equipment (mainly land and buildings) in the amount of ¥1,413 million ($10,604 thousand) was pledged as security for short-term bank loans and long-term debt at March 31, 2002.

As is customary in Japan, security must be given if requested by lending banks under certain circumstances, and generally banks have the right to offset cash deposited with them against any debt or obligations payable to the bank that becomes due in case default and certain other specified events. The Company has never received such request.

10. Employees' severance and retirement benefits

As explained in Note 2 (12), effective April 1, 2000, the Companies adopted the new accounting standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Projected benefit obligation	**¥6,276**	¥5,624	**$47,100**
Unrecognized actuarial differences	**(431)**	(145)	**(3,235)**
Less fair value of pension assets	**(2,102)**	(2,092)	**(15,775)**
Liability for severance and retirement benefits	**¥3,743**	¥3,387	**$28,090**

Included in the consolidated statements of operations for the years ended March 31, 2002 and 2001 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Service costs - benefits earned during the year	**¥444**	¥ 398	**$3,332**
Interest cost on projected benefit obligation	**154**	146	**1,156**
Expected return on plan assets	**(61)**	(56)	**(458)**
Amortization of actuarial differences	**145**	—	**1,088**
Amortization of net transition obligation	**—**	1,681	**—**
Severance and retirement benefit expenses	**¥682**	¥2,169	**$5,118**

The discount rate and the rate of expected return on plan assets for years ended March 31, 2002 and 2001 used by the Company are 2.5% and 3%, respectively (the discount rates used by one consolidated subsidiary is 2.0% and 2.5%, respectively). The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in income statement in the next year.

11. Income taxes

The normal effective statutory income tax rate in Japan arising out of aggregation of corporate, enterprise and inhabitants taxes was approximately 42.05 % for the years ended March 31, 2002, 2001 and 2000.

The difference between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2002 and 2001 were not significant. Therefore the breakdown of the differences of such tax rates is not disclosed.

Details of deferred tax assets and liabilities at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Deferred tax assets:			
Net operating loss carryforwards	**¥24,398**	¥34,157	**$183,099**
Loss from devaluation of inventories	**6,612**	7,562	**49,621**
Unrealized inter-company profits	**3,937**	3,919	**29,546**
Net realized holding losses on securities	**1,515**	—	**11,370**
Other	**4,927**	3,693	**36,976**
Total deferred tax assets	**41,389**	49,331	**310,612**
Valuation allowance	**(15,583)**	(11,372)	**(116,946)**
Net deferred tax assets	**25,806**	37,959	**193,666**
Deferred tax liabilities:			
Net unrealized holding gains on securities	**(47)**	(793)	**(353)**
Other	**(19)**	(757)	**(143)**
Total deferred tax liabilities	**(66)**	(1,550)	**(496)**
Net deferred tax assets	**¥25,740**	¥36,409	**$193,170**

12. Guarantee and deposits received

Guarantee and deposits received at March 31, 2002 and 2001, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Guarantee and lease deposits from tenants	**¥185,678**	¥187,464	**$1,393,456**
Long-term deposits	**186,573**	81,377	**1,400,173**
	¥372,251	¥268,841	**$2,793,629**

13. Shareholders' equity

Under the Commercial Code of Japan (the "Code"), the entire amount of the issue price of shares 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 the new shares as additional paid-in capital.

Effective October 1, 2001, the Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Code.

In 2002, the Company made IZUMI KAIHATSU CO., LTD as the wholly owned subsidiary company through exchange offerings.

14. Information for certain lease transactions

Finance leases which do not transfer ownership to lessees are not capitalized and accounted for in the same manner as operating leases.

Certain information for such non-capitalized finance leases was as follows.

As lessee

A summary of assumed amounts (inclusive of interest) of acquisition cost, accumulated depreciation and net book value at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Acqusition cost:			
Buildings and structures	**¥9,865**	¥3,377	**$74,034**
Other	**1,441**	1,065	**10,814**
Accumulated depreciation	**(2,020)**	(1,460)	**(15,159)**
Net book value	**¥9,286**	¥2,982	**$69,689**

Depreciation equivalent of ¥1,012 million ($7,595 thousand) and ¥825 million for 2002 and 2001, repectively, are computed using the straight-line method over the lease terms assuming no residual value or residual indemnity.

Lease expenses under finance leases, inclusive of interest, for the years ended March 31, 2002 and 2001, amounted to ¥1,012 million ($7,595 thousand) and ¥825 million, respectively.

Future lease payments and receipts under such finance leases and non-cancelable operating leases at March 31, 2002 and 2001, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Finance leases			
Future lease payments:			
Due within one year	**¥ 1,698**	¥ 708	**$ 12,743**
Due after one year	**7,588**	2,274	**56,946**
Total	**¥ 9,286**	¥ 2,982	**$ 69,689**
Future sub-lease payments:			
Due within one year	**¥ 7**	¥ 12	**$ 52**
Due after one year	**1**	8	**8**
Total	**¥ 8**	¥ 20	**$ 60**
Future sub-lease receipts:			
Due within one year	**¥ 49**	¥51	**$ 368**
Due after one year	**42**	91	**315**
Total	**¥ 91**	¥ 142	**$ 683**
Operating leases			
Future lease payments:			
Due within one year	**¥ 4,910**	¥ 4,901	**$ 36,848**
Due after one year	**54,964**	59,821	**412,488**
Total	**¥59,874**	¥64,722	**$449,336**
Future lease receipts:			
Due within one year	**¥ 89**	¥ 97	**$ 668**
Due after one year	**922**	1,020	**6,919**
Total	**¥ 1,011**	¥ 1,117	**$ 7,587**

15. Derivative transactions

The Company and its subsidiaries utilize financial derivative transactions only for the purpose of hedging the currency risk associated with foreign currency denominated transactions or hedging the interest rate risk associated with the Company's loans payable.

Forward foreign currency and interest rate swap contracts are subject to risks of foreign exchange rate changes and interest rate changes, respectively. The derivative financial instruments are executed with creditworthy financial institutions, and the Company's management believes there is little risk of default by counterparties.

The derivative transactions are executed by the Company's Finance Department in accordance with the decisions in the conference whose chairman is the director of finance department. The Finance Department prepares reports on derivative transactions and informs them to the director of finance department periodically.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments:	Hedged items:
Foreign exchange contracts	Foreign currency monetary liabilities and foreign provisional transaction
Interest rate swap contracts	Bank loan, bonds and deposits

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

Evaluating hedge effectiveness of interest rate swap at years ended March 31, 2002 and 2001 is omitted as special hedge accounting has been applied to derivative transactions of interest rate swap contracts. Also, evaluating hedge effectiveness of foreign exchange at years ended March 31, 2002 and 2001 is omitted because significant terms of hedging instruments and those of the items hedged are the same and the risk of changes in foreign exchange rates would be entirely eliminated.

The contract amounts and unrealized gain or loss of outstanding derivative transactions at March 31, 2002 and 2001were not disclosed because all derivative transactions were used as hedges and hedge accounting was applied.

16. Contingent liabilities

At March 31, 2002, the Company and its consolidated subsidiaries were contingently liable as guarantors of borrowings by affiliates and others as follows:

	Millions of yen	Thousands of U.S. dollars
Affiliates	¥1,580	$11,858
Other	5,386	40,420
Total	¥6,966	$52,278

Also, at March 31, 2002, the Company and its consolidated subsidiaries had outstanding commitments to guarantee loans of certain affiliates and others. Certain information them as follows:

	Millions of yen	Thousands of U.S. dollars
Affiliates	¥—	$—
Other	10	75
Total	¥10	$75

During the year ended March 31, 2002, a consolidated subsidiary of the Company assigned its bank loan of ¥2,000 million ($15,009 thousand) and certain assets deemed to be sufficient for the repayment to a SPC. Under an agreement among the Company, the bank and the SPC, the SPC accepted the liability as a primary debtor, whereas the consolidated subsidiary remains as a secondary debtor. In cases of the delay in payment by the SPC as set forth in the agreement, the consolidated subsidiary may be subject to certain recourse by the bank.

(Lawsuits)

The Company was a defendant in the following lawsuits, in which, based on the Leased Land and House Lease Law, the Company claimed the reduction of the rental payments.

Two lawsuits are pending in court.

A lawsuit was brought in the Tokyo District Court against the Company in 1994 (Case A) and another one in 1995 (Case B), relating to claims to recover the difference between the rental payments based on the lease agreements and the amounts the Company paid taking a position under Leased Land and House Lease Law. While the District Court issued judgements against the Company in August and October of 1998, the Company appealed to the Tokyo Higher Court in September and November of 1998 as the Company believed that the judgements were contradictory to the previous legal interpretations.

In case A, the Tokyo Higher Court issued judgement for the Company in October of 1999. And the lessor appealed to the Supreme Court in November of 1999.

In case B, the Tokyo Higher Court issued judgement against the Company in January of 2000 that, the Company believed, was contradictory to the previous legal interpretations. So the Company appealed to the Supreme Court in January of 2000.

17. Subsequent events

The Company issued 1.75 % ¥10,000 million ($75,047 million) domestic straight bonds due 2005 on April 26, 2002, 1.85% ¥8,000 million ($60,038 million) domestic straight bonds due 2006 on May 17, 2002, 1.85% ¥20,000 million ($150,094 million) domestic straight bonds due 2006 on May 20, 2002, and 2.00% ¥10,000 million ($75,047 million) domestic straight bonds due 2007 on June 26, 2002.

On June 27, 2002, the shareholders of the Company approved payments of a year-end cash dividend of ¥6 ($0.05) per share or a total ¥2,442 million ($18,326 thousand) to shareholders of record at March 31, 2002.

18. Segment information

The Company and its consolidated subsidiaries mainly operate their business in five segments: leasing of buildings and shopping centers, etc.; sale of detached homes; construction of housing and buildings; brokerage business; and other business.

Information by industry segments for the years ended March 31, 2002, 2001 and 2000 is summarized as follows:

	Millions of yen							
	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Elimination and/or corporate	Consolidated
Year Ended March 31, 2002								
I Net sales								
Customers	**¥ 176,244**	**¥ 170,428**	**¥ 108,336**	**¥ 35,966**	**¥ 6,903**	**¥ 497,877**	**¥ —**	**¥ 497,877**
Intersegment	**1,790**	**—**	**6,993**	**218**	**3,494**	**12,495**	**(12,495)**	**—**
Total	**178,034**	**170,428**	**115,329**	**36,184**	**10,397**	**510,372**	**(12,495)**	**497,877**
Costs and expenses	**128,809**	**146,040**	**110,557**	**28,231**	**10,384**	**424,021**	**(6,514)**	**417,507**
Operating income	**¥ 49,225**	**¥ 24,388**	**¥ 4,772**	**¥ 7,953**	**¥ 13**	**¥ 86,351**	**¥ (5,981)**	**¥ 80,370**
II Identifiable assets	**¥ 1,506,120**	**¥ 193,374**	**¥ 20,299**	**¥ 21,044**	**¥ 110,412**	**¥ 1,851,249**	**¥ 121,486**	**¥ 1,972,735**
Depreciation expense	**9,942**	**99**	**176**	**212**	**71**	**10,500**	**231**	**10,731**
Capital expenditures	**63,839**	**414**	**211**	**274**	**71**	**64,809**	**654**	**65,463**
Year Ended March 31, 2001								
I Net sales								
Customers	¥ 163,047	¥ 149,196	¥ 104,549	¥ 34,702	¥ 7,751	¥ 459,245	¥ —	¥ 459,245
Intersegment	1,528	—	9,000	179	6,461	17,168	(17,168)	—
Total	164,575	149,196	113,549	34,881	14,212	476,413	(17,168)	459,245
Costs and expenses	118,137	129,502	109,533	26,160	8,865	392,197	(8,170)	384,027
Operating income	¥ 46,438	¥ 19,694	¥ 4,016	¥ 8,721	¥ 5,347	¥ 84,216	¥ (8,998)	¥ 75,218
II Identifiable assets	¥ 1,415,770	¥ 152,264	¥ 25,266	¥ 27,200	¥ 115,332	¥ 1,735,832	¥ 167,697	¥ 1,903,529
Depreciation expense	9,707	51	187	178	85	10,208	169	10,377
Capital expenditures	45,721	515	334	732	125	47,427	454	47,881

	Millions of yen								
For 2000	Leasing business	Sales business	Construction business	Brokerage business	Loans business	Other business	Total	Elimination and/or corporate	Consolidated
I Net sales									
Customers	¥ 151,268	¥ 150,483	¥ 80,064	¥ 31,633	¥ 2,192	¥ 5,947	¥ 421,587	¥ —	¥ 421,587
Intersegment	1,535	3	7,102	290	4,089	965	13,984	(13,984)	—
Total	152,803	150,486	87,166	31,923	6,281	6,912	435,571	(13,984)	421,587
Costs and expenses	107,050	131,912	82,412	24,698	4,069	6,382	356,523	(5,484)	351,039
Operating income	¥ 45,753	¥ 18,574	¥ 4,754	¥ 7,225	¥ 2,212	¥ 530	¥ 79,048	¥ (8,500)	¥ 70,548
II Identifiable assets	¥1,492,129	¥ 128,572	¥ 22,664	¥ 21,124	¥ 372,083	¥ 7,835	¥ 2,044,407	¥ (128,064)	¥ 1,916,343
Depreciation expense	10,649	28	209	163	3	82	11,134	135	11,269
Capital expenditures	104,567	464	129	121	—	25	105,306	443	105,749

	Thousands of U.S.dollars							
For 2002	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Elimination and/or corporate	Consolidated
I Net sales								
Customers	**$ 1,322,657**	**$ 1,279,009**	**$ 813,028**	**$ 269,914**	**$ 51,805**	**$ 3,736,413**	**$ —**	**$ 3,736,413**
Intersegment	**13,433**	**0**	**52,480**	**1,636**	**26,222**	**93,771**	**(93,771)**	**—**
Total	**1,336,090**	**1,279,009**	**865,508**	**271,550**	**78,027**	**3,830,184**	**(93,771)**	**3,736,413**
Costs and expenses	**966,671**	**1,095,985**	**829,696**	**211,865**	**77,929**	**3,182,146**	**(48,885)**	**3,133,261**
Operating income	**$ 369,419**	**$ 183,024**	**$ 35,812**	**$ 59,685**	**$ 98**	**$ 648,038**	**$ (44,886)**	**$ 603,152**
II Identifiable assets	**$ 11,302,964**	**$ 1,451,212**	**$ 152,338**	**$ 157,929**	**$ 828,607**	**$ 13,893,050**	**$ 911,715**	**$ 14,804,765**
Depreciation expense	**74,611**	**743**	**1,321**	**1,591**	**533**	**78,799**	**1,734**	**80,533**
Capital expenditures	**479,092**	**3,107**	**1,584**	**2,056**	**533**	**486,372**	**4,908**	**491,280**

In the year ended March 31, 2002, the Company changed the method of recognition of revenue and expense from the real estate business which used SPC as stated in Note 3, "Changes in accounting policies". Also, as described in Note 8, the Company transferred certain investment in securities to securitized properties for sale on April 1, 2001.

The effects of these changes on operating income and identifiable assets at and for the year ended March 31, 2002, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Operating income	Identifiable assets	Operating income	Identifiable assets
Leasing business	¥3,426	¥44,221	$25,711	$331,865
Sales business	—	22,102	—	165,869
Elimination and/or corporate	—	(66,323)	—	(497,734)

In the year ended March 31, 2001, several changes were made affecting segment disclosures as follows :

A. From the year ended March 31, 2001, Loans business segment is included in Other business segment as the segment accounted for less than 10% of all segments in net sales, operating income and identifiable assets.
Information on Loans business segment for the year ended March 31, 2001, is summarized as follows:

	Millions of yen
	Loans business
I Net sales	
Customers	¥1,784
Intersegment	5,009
Total	6,793
Costs and expenses	1,750
Operating income	¥5,043
II Identifiable assets	¥112,193
Depreciation expense	7
Capital expenditures	27

As described in Note 3 to the Consolidated Financial Statements, from the year ended March 31, 2000, employees retirement benefits were provided by the Net Present Value method, and allowance for doubtful accounts is provided using the average percentage of write–off in the past.

The effects of the changes on operating income for the year ended March 31, 2001, were as follows:

	Millions of yen
Sales business	¥ (7)
Brokerage business	(64)
Loans business	(1)
Elimination and/or corporate	50

B. As described in Note 2(5) to the Consolidated Financial Statements, from the year ended March 31, 2001, one domestic consolidated subsidiary introduced cost accounting system.
The effect of this adoption on operating income for the year ended March 31, 2001, was as follows:

	Millions of yen
Sales business	¥624
Brokerage business	341

C. As described in Note 2(12) to the Consolidated Financial Statements, from the year ended March 31, 2001, the Company and its consolidated subsidiaries adopted the new accounting standard for severance and retirement benefits.
The effect of this adoption on operating income for the year ended March 31, 2001, was as follows:

	Millions of yen
Leasing business	¥(15)
Construction business	(18)
Other business	(3)
Elimination and/or corporate	3

D. As described in Notes 2(6) and 2(13) to the Consolidated Financial Statements, from the year ended March 31, 2001, the Company and its consolidated subsidiaries adopted the new accounting standard for financial instruments.
The effect of these adoptions on operating income for the year ended March 31, 2001, was as follows:

	Millions of yen
Leasing business	¥4

Report of Independent Public Accountants

To the Shareholders and the Board of Directors of
Sumitomo Realty & Development Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Sumitomo Realty & Development Co., Ltd. (a Japanese corporation) and subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2002, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Sumitomo Realty & Development Co., Ltd. and subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002 in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 2, Sumitomo Realty & Development Co., Ltd. and subsidiaries adopted, on a prospective basis in all cases, new Japanese accounting standards for financial instruments, employees' severance and retirement benefits and foreign currency translation effective April 1, 2000, and for consolidation and equity method accounting and research and development costs effective April 1, 1999. Also, as explained in Note 3, Sumitomo Realty & Development Co., Ltd. and a domestic subsidiary changed the method of providing allowance for doubtful accounts, employees' retirement benefits, effective April 1, 1999 and Sumitomo Realty & Development Co., Ltd. changed the method of recognition of revenue and expense from the real estate business which used SPC, effective April 1, 2001, with which we concur.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co.

Tokyo, Japan
June 27, 2002

Board of Directors and Auditors
(As of June 28, 2002)

Chairman of the Board
Shinichiro Takagi

President
Junji Takashima

Director and Advisor
Taro Ando

Senior Managing Directors
Hirohisa Ichikawa
Yoichi Nakamura
Tetsuro Tsuruta
Hisao Matsui
Masayoshi Ohashi

Managing Directors
Mitsuru Mori
Sadao Ushimaru
Kazuo Masuoka
Kenichi Onodera

Directors
Kenichiro Sugimoto
Akira Kanda
Haruo Fukumuro
Kenichi Kameyama
Yozo Akiyama
Shozo Suzuki
Yasushi Kinoshita
Satoru Miyashita
Tsutomu Oyama
Hiroyuki Asano
Yoshifumi Nakamura

Statutory Auditors
Shinsaku Sanmoto
Ryoichi Nomura
Tadashi Kitamura
Kunio Kobayashi

Corporate Data
(As of March 31, 2002)

Sumitomo Realty & Development Co., Ltd.

Head Office
Shinjuku NS Building
4-1, Nishi-Shinjuku 2-chome
Shinjuku-ku, Tokyo 163-0820, Japan
Phone: 03-3346-2342
Facsimile: 03-3346-1652
http://www.sumitomo-rd.co.jp

Date of Establishment
December 1, 1949

Paid-in Capital
¥86,787 million

Common Stock Issued and Outstanding
407,085,978

Number of Shareholders
31,855

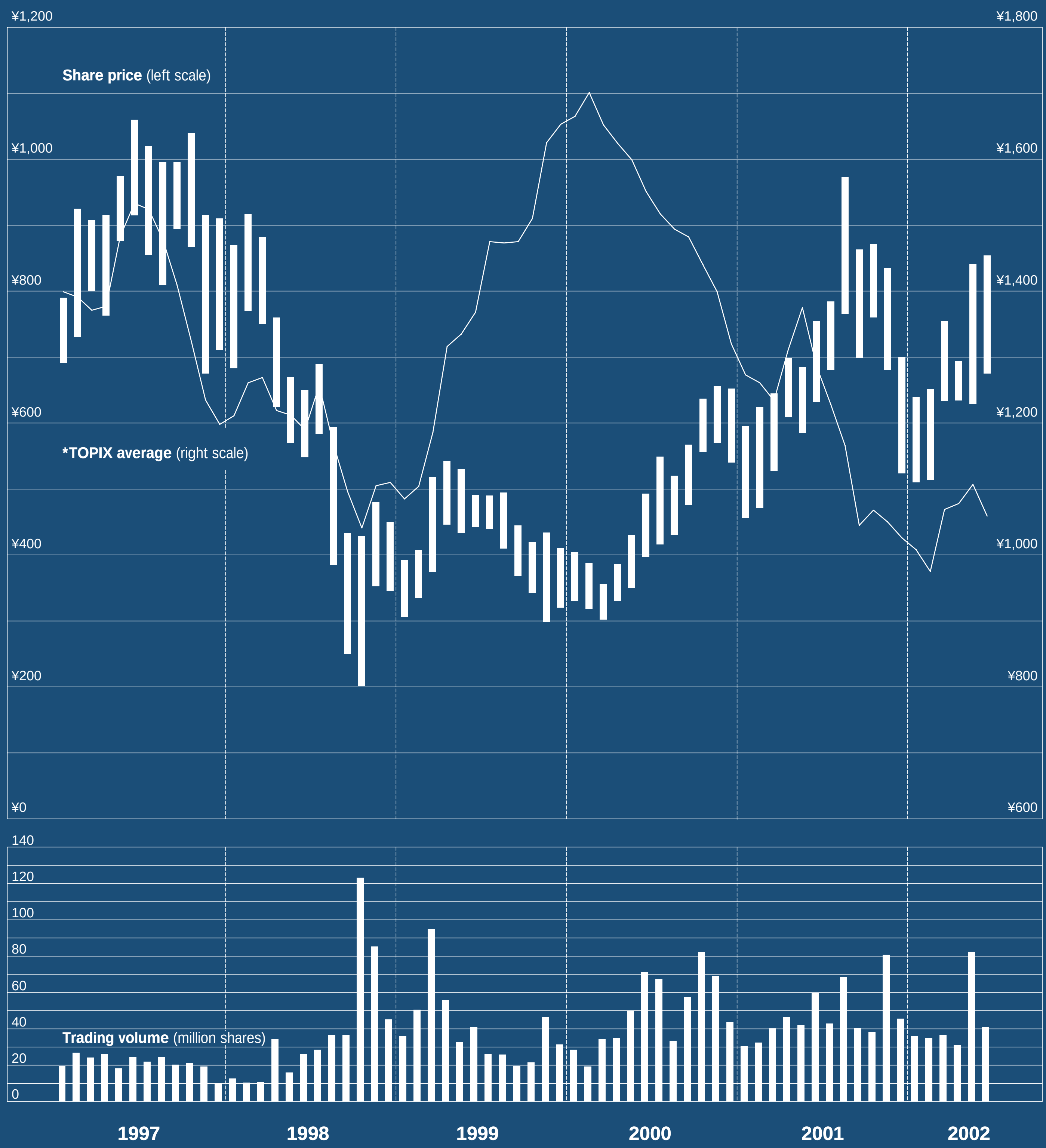
Number of Employees
6,329

Major Consolidated Subsidiaries
Sumitomo Real Estate Sales Co., Ltd.
Sumitomo Fudosan Home Co., Ltd.
Sumitomo Fudosan Syscon Co., Ltd.
Sumitomo Fudosan Tatemono Service Co., Ltd.
Sumitomo Fudosan Fitness Co., Ltd.
Izumi Restaurant Co., Ltd.
Sumitomo Fudosan Finance Co., Ltd.
Shintoshin Real Estate Co., Ltd.
Universal Home Inc.

Stock Exchange Listings
Tokyo and Osaka

Share Price and Trading Volume on Tokyo Stock Exchange

(As of June 28, 2002)



* Simple average of monthly highs and lows.

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